

Management's Discussion and Analysis of Financial Condition and
Results of Operations of

ONEnergy Inc.

As at and for the three and nine months ended September 30, 2018
November 26, 2018

ONEnergy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS of the Financial Condition and Results of Operations

(In thousands of Canadian dollars, except per share amounts)

As at and for the three and nine months ended September 30, 2018

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1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This management's discussion and analysis of financial condition and results of operations ("MD&A") includes forward-looking statements and information concerning expected future events, the future performance of ONEnergy Inc. ("ONEnergy" or the "Company"), its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements and information are based on current expectations.

The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions, or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control. New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company.

Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments including competition for, and the availability of, qualified employees and contractors, (iv) business integrations and internal reorganizations, (v) business process risks including the use of, and reliance on, external vendors and contractors, (vi) regulatory developments and changes including regulatory requirements for sales channels used by the Company and financial surety requirements from utilities and regulators, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) commodity pricing volatility and availability, (x) disruption to transmission systems for energy commodities that could impair the Company's ability to serve its customers, (xi) other risk factors related to the Company's historic business, (xii) risk factors related to the Company's future operations, and (xiii) changes to and compliance with applicable laws and regulations. For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see *Section 4 Overview and Business Strategy* and *Section 15 Operating Risks and Uncertainties*.

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, are provided for the purposes of this MD&A and may not be appropriate for other purposes. We are under no obligation to update or alter the forward-looking statements whether as a result of new information, future events, or otherwise, except as required by National Instrument 51-102, and we expressly disclaim any other such obligation.

All financial information in this MD&A is expressed in thousands of Canadian dollars, unless otherwise noted. All references to the "Company" or "ONEnergy" refer to ONEnergy Inc., including its predecessor and successor companies, and its consolidated subsidiaries, unless the context requires otherwise. All information is as at November 26, 2018, unless otherwise indicated. Certain totals, subtotals and percentages may not reconcile due to rounding.

2. **INTRODUCTION**

The information provided in this MD&A is intended to help the reader understand ONEnergy's operations, financial performance and present and future business environment. This MD&A is supplementary to, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018. The following MD&A, dated November 26, 2018, has been prepared with all information available up to and including November 26, 2018. ONEnergy's unaudited interim condensed consolidated financial statements and other disclosure documents are available on www.sedar.com and on ONEnergy's website at www.onenergyinc.com.

The unaudited interim condensed consolidated financial statements of ONEnergy are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). The audited consolidated financial statements for the year ended December 31, 2017 of ONEnergy have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements and audited consolidated financial statements of ONEnergy are presented in thousands of Canadian dollars.

3. **THE COMPANY**

ONEnergy is a corporation incorporated under the *Business Corporations Act* (Ontario). The names "ONEnergy" and the "Company" all refer to the same legal entity and the use of each are dependent upon the context of the topic covered in this MD&A.

The Company is comprised of ONEnergy, and its wholly-owned subsidiaries including:

- (a) Sunwave Gas & Power Inc. ("Sunwave"), Sunwave USA Holdings Inc., Sunwave Gas & Power New York Inc., Sunwave Gas & Power Illinois Inc., Sunwave Gas & Power Massachusetts Inc., Sunwave Gas & Power Connecticut Inc., Sunwave Gas & Power Pennsylvania Inc. and Sunwave Gas & Power Ohio Inc. (collectively referred to as "Gas & Power");
- (b) Sunwave Home Comfort Inc. (referred to as "Home Comfort");
- (c) 0867893 B.C. Ltd. operating as PVL Projects ("PVL");
- (d) ONEnergy USA Holdings Inc.; and
- (e) 2594834 Ontario Inc.
- (f) 10927040 Canada Inc.

The Home Comfort business was classified as held for sale and as discontinued operations as of September 30, 2018 and December 31, 2017. The Gas & Power business was classified as held for sale and as discontinued operations as of September 30, 2018 and December 31, 2017. As a result, the financial results from operations for prior periods have been restated to reflect results from continuing and discontinued operations for comparative purposes. See *Section 6 Discontinued Operations* for additional information.

In this MD&A, the terms "we", "us", "our", and "Company" refer to ONEnergy, Gas & Power, Home Comfort and PVL.

4. **OVERVIEW AND BUSINESS STRATEGY**

(a) **Business**

The Company operates its business under two primary brand names: Sunwave Gas & Power, for the sale of natural gas and electricity to residential and commercial customers; and ONEnergy, for energy efficiency products and services.

ONEnergy focuses on continually improving and expanding the value proposition offered to customers by offering complementary services and products as part of their relationship with ONEnergy. ONEnergy via its Sunwave and ONEnergy branded businesses specializes in helping customers use energy more wisely by minimizing their energy consumption and then cost-effectively managing the balance.

Energy Efficiency

The Company sells commercial energy efficiency products and services business under the ONEnergy brand. ONEnergy offers commercial, industrial, manufacturing, retail and institutional clients a range of energy efficiency products and services including high efficiency lighting, commercial HVAC products and services, energy storage

(battery) products and services, energy auditing services, energy management software products and services and commercial solar photovoltaic design and construction.

(b) Geographic focus

The Company's primary geographic focus across all of its businesses is on markets in Canada and the northeast U.S.

Gas & Power has customers in the northeast U.S. markets specifically the Connecticut, Pennsylvania and Massachusetts electricity retailing markets. It operates in two electric distribution service territories in Connecticut, three in Pennsylvania, two in Massachusetts and three in Ohio. Gas & Power has a pending electric supplier licensing application in New York. In Ontario, Gas & Power serves customers at approximately 68 electric LDCs as well as both major gas utilities.

Energy Efficiency has customers with multiple locations throughout Canada.

(c) Discontinued operations

Home Comfort

Home Comfort owns and operates a portfolio of furnaces, air conditioners, boilers and ancillary equipment ("HVAC") and water heaters, which are rented to residential customers in Ontario and Alberta, under long-term water heater and HVAC rental programs. In addition, Home Comfort sells and installs HVAC and water heaters directly to residential customers. Since mid-2015, Home Comfort has focused principally on the Ontario new home construction market.

Home Comfort has a long-term financing agreement with Home Trust Company ("Home Trust") for the funding of HVAC and water heater rentals. The Home Trust loan is serviced from the payments received from the end customer over the seven to ten year life of the loan.

In December 2015 the Company formally commenced the process to sell Home Comfort. As at September 30, 2018 and December 31, 2017, Home Comfort was classified as held for sale and as discontinued operations. See *Section 6 Discontinued Operations* for additional information and the financial results of Home Comfort.

Gas & Power

ONEnergy's energy retailing business currently involves the sale of electricity to residential and commercial customers in Connecticut, Pennsylvania, Massachusetts and Ohio and the sale of electricity and natural gas to residential and commercial customers in Ontario under long-term fixed-price or variable-priced contracts under the brand name Sunwave Gas & Power™. Gas & Power's strategy is to focus on markets that provide a strong value proposition for its customers while providing the Company with attractive margins and return on capital.

Gas & Power's gross margin is derived from the difference between the price charged to its customers and the price paid to its wholesale energy suppliers. Gas & Power also incurs selling expenses to compensate third-party energy brokers for customer acquisition activities. Customer acquisition costs paid to these third party sales channels are comprised of a mixture of upfront payments and residual-based payments. All such costs are recognized as expenses in the period incurred unless the Company expects to recover the costs in the future. In addition, Gas & Power incurs general, administrative and finance expenses to operate its business.

The Company markets its energy commodity products through various sales channels. Gas & Power markets energy commodity to commercial customers in both the U.S. and Canada through a network of direct sales agents who provide customers with a highly interactive and customized sales process. In U.S. residential markets, Gas & Power markets and sells to both residential and commercial customers via the Company's www.gosunwave.com website as well as via state-operated energy shopping websites in Connecticut (www.energizeCT.com), Pennsylvania (www.PApowerswitch.com), Massachusetts (www.cessweb.azurewebsites.net) and Ohio (www.energychoice.ohio.gov). Additionally Gas & Power utilizes both independent telemarketing services and targeted, customized direct mailings to reach potential customers in its chosen U.S. markets.

In November 2017 the Company formally commenced the process to sell Gas & Power. As at September 30, 2018 and December 31, 2017, Gas & Power was classified as held for sale and as discontinued operations. See *Section 6 Discontinued Operations* for additional information and the financial results of Gas & Power. On October 4, 2018, the Company announced that it entered into a definitive agreement with C Wave Power & Gas Inc. for the sale of ONEnergy's U.S. Gas & Power business. See *Section 21 Sale of U.S. Gas & Power Business to C Wave* for additional information.

5. RESULTS OF CONTINUING OPERATIONS

Home Comfort is presented as discontinued operations as it was classified as held for sale as of September 30, 2018 and December 31, 2017. Gas & Power is presented as discontinued operations as it was classified as held for sale as of September 30, 2018 and December 31, 2017. Home Comfort and Gas & Power are therefore excluded from the operating results presented below.

Selected financial information

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Income (loss)				
Revenue	\$ (32)	\$ 159	\$ 193	\$ 1,710
Cost of sales	2	210	146	1,509
Gross margin	(34)	(51)	47	201
Selling	106	301	378	849
General and administrative	298	699	593	2,687
Finance income	35	-	35	2
Finance cost	(22)	(50)	(175)	(57)
Foreign exchange gain (loss)	-	6	(15)	7
Loss from continuing operations	(425)	(1,095)	(1,079)	(3,383)
Loss per share from continuing operations – basic and diluted	(0.02)	(0.05)	(0.05)	(0.15)

As at	September 30, 2018	December 31, 2017
Financial position		
Current assets	\$ 679	\$ 1,055
Non-current assets	151	205
Current liabilities	14,693	11,074
Shareholders' equity	(4,516)	(484)

Revenue

Revenue for the three and nine months ended September 30, 2018 was \$(32) and \$193, respectively, compared to \$159 and \$1,710 for the same period in 2017. The decrease is attributed to fewer Energy Efficiency projects completed during the three and nine months ended September 30, 2018 compared to the same period in 2017. Revenue for the three months ended September 30, 2018 is attributed to customer credits processed during the period.

Cost of sales

Cost of sales for the three and nine months ended September 30, 2018 was \$2 and \$146, respectively, compared to \$210 and \$1,509 for the same period in 2017. The decrease is a result of lower activity in the Energy Efficiency business.

Selling

Selling expenses for the three and nine months ended September 30, 2018 were \$106 and \$378, respectively, compared to \$301 and \$849 for the same period in 2017.

Selling costs arise from customer aggregation activity including (i) commissions; (ii) other customer acquisition costs; and (iii) management and back-office support costs. A summary of selling expenses is set out below:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Commissions	\$ 1	\$ 16	\$ 14	\$ 84
Customer acquisition and marketing	-	-	-	3
Management and back-office support	105	285	364	762
Total selling expenses	\$ 106	\$ 301	\$ 378	\$ 849
Personnel costs included in management and back-office support	\$ 66	\$ 87	\$ 209	\$ 292

General and administrative

General and administrative expenses include personnel costs, professional fees, occupancy, information technology, and other administrative overheads for the Company. A summary of the key components of general and administrative expenses is set out below:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Personnel	\$ 149	\$ 170	\$ 470	\$ 563
Professional fees	14	263	309	780
Litigation costs	24	85	(537)	893
Occupancy	35	34	105	92
Operations	1	2	5	11
Other expenses	64	133	207	311
Depreciation and amortization	11	12	34	37
Total general and administrative expenses	\$ 298	\$ 699	\$ 593	\$ 2,687

Personnel

Personnel costs include wages, salaries, benefits, separation payments and share-based payments. Personnel costs decreased by \$21 and \$93 for the three and nine months ended September 30, 2018, respectively, compared to the same period in 2017 primarily due to lower headcount.

Professional fees

Professional fees are comprised of legal, accounting, audit and consulting fees. Professional fees decreased by \$249 and \$471 for the three and nine months ended September 30, 2018 respectively, compared to the same period in 2017. Professional fees for the three and nine months ended September 30, 2017 were primarily related to a potential transaction with OZZ Electric Inc. which was terminated in November 2017.

Former Officer and Director litigation costs

Litigation costs are the legal fees and other related costs to the Statement of Claim (see *Section 14 Former Officer and Director Litigation*). Litigation costs for the nine months ended September 30, 2018 include a \$767 recovery of HST as a result of a favourable ruling from the Federal Court of Appeal. The litigation costs for the nine months ended September 30, 2017 were incurred in preparation for the trial with the McGoeys Defendants commencing in April 2017 and concluding in June 2017.

Occupancy

Occupancy costs for the three and nine months ended September 30, 2018 were comparable to the same period in 2017.

Operations

Operations expenses for the three and nine months ended September 30, 2018 were comparable to the same period in 2017.

Other expenses

Other expenses include costs for investor relations, costs for the shareholders' annual and special meeting, insurance and other general & administrative costs. Other expenses decreased by \$69 and \$104 for the three and nine months ended September 30, 2018, respectively, compared to the same period in 2017.

Finance income

Interest income recognized on cash and cash equivalents balances was \$35 and \$35 for the three and nine months ended September 30, 2018, respectively, compared to \$NIL and \$2 for the same period in 2017.

Finance costs

Finance costs were \$22 and \$175 for the three and nine months ended September 30, 2018, respectively, compared to \$50 and \$57 for the same period in 2017, as a result of interest on the convertible note payable and promissory note payable entered into during the latter part of 2017.

Loss from continuing operations

Loss from continuing operations amounted to \$425 and \$1,079 for the three and nine months ended September 30, 2018, respectively, or \$0.02 and \$0.05 per basic and diluted share, respectively. Loss from continuing operations amounted to \$1,095 and \$3,383 or \$0.05 and \$0.15 per basic and diluted share for the three and nine months ended September 30, 2017.

6. DISCONTINUED OPERATIONS

(a) Home Comfort

In December 2015 the Company formally commenced the process to sell Home Comfort. Home Comfort has been operating in a highly competitive environment which has seen its major competitors consolidate, making it difficult for management to derive real growth and profitability from the segment. As a result, management has decided this is a non-core business. At September 30, 2018 and December 31, 2017 Home Comfort was classified as held for sale and as a discontinued operation.

During 2015, the Company reviewed a number of proposals to acquire Home Comfort. In December 2015, Cricket Energy Holdings Inc. ("Cricket") expressed an interest in acquiring Home Comfort. As an indication of their continued interest, Cricket advanced a further \$354 and \$1,851 in cash and working capital support during the three and nine months ended September 30, 2018, respectively. The advances carry no interest and are repayable on demand. Certain assets were sold to Cricket during the three and nine months ended September 30, 2018 with a portion of the proceeds used to repay the advances from Cricket. The balance outstanding as at September 30, 2018 was \$2,339 (December 31, 2017 - \$3,478). On March 9, 2017, the Company entered into a letter of intent ("LOI") with Cricket whereby Cricket will acquire Home Comfort for \$8,300. One of Cricket's significant shareholders is also a shareholder of ONEnergy. The purchase price will be satisfied with cash and a promissory note. In addition, the Company will deliver a promissory note to Cricket for the working capital advances outstanding on closing. The promissory notes will be non-interest bearing and will be payable on demand. The disposition of Home Comfort was approved by shareholders at a special meeting of shareholders held on September 28, 2017 (the "Special Meeting"). Cricket and the Company are currently negotiating a definitive agreement (the "Home Comfort Sale Agreement") which will set forth the detailed terms of Home Comfort's sale to Cricket. The Home Comfort Sale Agreement was expected to be executed in conjunction with the completion of the transaction with OZZ Electric Inc. However, that transaction was terminated in November 2017. The sale is subject to final approval of the TSX Venture Exchange (the "Exchange") and is expected to close during 2018.

Results of operations

Home Comfort's revenue is comprised of rental revenue from its portfolio of HVAC and water heater rental equipment. This is supplemented with equipment sales. Revenue for the three and nine months ended September 30, 2018 was \$540 and \$1,654, respectively, compared to \$582 and \$1,826 for the same period in 2017.

Home Comfort's cost of sales is comprised of amortization of the rental equipment cost and, for equipment sales, the cost of the equipment and installation. Home Comfort's cost of sales for the three and nine months ended September 30, 2018 was \$NIL and \$NIL, respectively, compared to \$(1) and \$11 for the same period in 2017.

Loss from discontinued operations amounted to \$53 and \$135, for the three and nine months ended September 30, 2018 respectively, or \$0.00 and \$0.00 per basic and diluted share, respectively. Loss from discontinued operations amounted to \$106 and \$316 for the three and nine months ended September 30, 2017, respectively, or \$0.00 and \$0.01 per basic and diluted share, respectively.

(b) Gas & Power

In November 2017 the Company formally commenced a process to sell Gas & Power. Gas & Power has been operating in a highly competitive regulated environment requiring significant working capital commitments along with challenging weather conditions and volatility in wholesale energy prices. As a result, Gas & Power has experienced operating losses since the third quarter of 2017. The disposition of Gas & Power is expected to be completed during 2018. At September 30, 2018 and December 31, 2017 Gas & Power was classified as held for sale and as a discontinued operation.

On October 4, 2018, the Company announced that it entered into a definitive agreement with C Wave Power & Gas Inc. for the sale of ONEnergy's U.S. Gas & Power business. See *Section 21 Sale of U.S. Gas & Power Business to C Wave* for additional information.

Results of operations

Gas & Power's revenue for the three and nine months ended September 30, 2018 was \$11,194 and \$32,931, respectively, compared to \$11,844 and \$32,900 for the same periods in 2017. Residential customer attrition and the impact of weather in 2018 resulted in lower kWh served. Revenue is derived from sales of natural gas and electricity to customers in Ontario and sales of electricity in Connecticut, Pennsylvania, Massachusetts and Ohio. U.S. operations contributed \$10,699 and \$30,715 of revenues for the three and nine months ended September 30, 2018, respectively, compared to \$11,198 and \$30,343 for the same periods in 2017.

Gas & Power's cost of sales is comprised of the cost of natural gas or electricity, along with costs to deliver to the LDCs. Cost of sales for the three and nine months ended September 30, 2018 was \$11,549 and \$34,522, respectively, compared to \$12,134 and \$31,910 for the same periods in 2017. The commercial customer segment has customized pricing typically with favourable pricing in the initial years of a multi-year contract resulting in compressed margins during that time. Margins were impacted in 2017 as a result of a mild winter. Increased competition in Gas & Power's primary sales channel created further margin compression and higher customer attrition as selling prices decreased at various times. The Company enters into financial swap contracts and forward contracts for electricity in order to manage exposures to changes in electricity prices. The Company experienced \$6 and \$68 of losses for the three and nine months ended September 30, 2018, respectively, compared to \$96 and \$342 of losses for the same periods in 2017 under these contracts.

Income from discontinued operations amounted to \$328 for the three months ended September 30, 2018, or \$0.01 per basic and diluted share. Loss from discontinued operations amounted to \$2,799 for the nine months ended September 30, 2018, or \$0.12 per basic and diluted share. Loss from discontinued operations amounted to \$410 and \$2,617 for the three and nine months ended September 30, 2017, respectively, or \$0.01 and \$0.10 per basic and diluted share, respectively.

7. ADJUSTED EARNINGS FROM CONTINUING OPERATIONS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("ADJUSTED EBITDA")

The following table reconciles Adjusted EBITDA to net loss from continuing operations for the respective periods as determined under IFRS:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Loss from continuing operations	\$ (425)	\$ (1,095)	\$ (1,079)	\$ (3,383)
Add/(subtract)				
Depreciation and amortization	17	22	53	63
Finance income	(35)	-	(35)	(2)
Finance costs	22	50	175	57
Foreign exchange loss (gain)	-	(6)	15	(7)
Adjusted EBITDA ⁽¹⁾	\$ (421)	\$ (1,029)	\$ (871)	\$ (3,272)

- (1) Management views Adjusted EBITDA as an important measure of operating performance of the Company; however, since Adjusted EBITDA does not have any standardized meaning prescribed by IFRS, it may not be considered in isolation of IFRS measures such as (1) net loss, as an indicator of operating performance, or (2) cash flows from operating, investing and financing activities, as a measure of liquidity. We believe, however, that it is an important measure as it allows us to assess our ongoing business without the impact of depreciation or amortization expenses as well as non-operating factors. It is intended to indicate our ability to incur or service debt and invest in capital assets while allowing us to compare our business to our peers and competitors. This measure is not a defined term under IFRS and might not be comparable to similar measures presented by other issuers.

8. QUARTERLY FINANCIAL RESULTS FROM CONTINUING OPERATIONS

The table below sets out financial information from continuing operations for the past eight quarters:

	2018			2017			2016	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	\$ (32)	\$ 95	\$ 130	\$ 294	\$ 159	\$ 914	\$ 637	\$ 290
Cost of sales	2	54	90	587	210	785	514	258
Gross margin	(34)	41	40	(293)	(51)	129	123	32
Operating expenses before the undernoted	387	27	504	(19)	978	1,283	1,212	448
Adjusted EBITDA	(421)	14	(464)	(274)	(1,029)	(1,154)	(1,089)	(416)
Depreciation and amortization	(17)	(18)	(18)	(18)	(22)	(20)	(21)	(24)
Finance income	35	-	-	-	-	1	1	6
Finance costs	(22)	(68)	(85)	(74)	(50)	(2)	(5)	(5)
Unrealized foreign exchange gain (loss)	-	(5)	(10)	(13)	6	6	(5)	(1)
Impairment loss on assets	-	-	-	-	-	-	-	(270)
Loss from continuing operations	\$ (425)	\$ (77)	\$ (577)	\$ (379)	\$ (1,095)	\$ (1,169)	\$ (1,119)	\$ (710)
Loss per share from continuing operations								
Basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.05)	\$ (0.03)

9. LIQUIDITY AND CAPITAL RESOURCES

The following sources of funding for future expenditures are expected by management to be available: (i) existing cash and working capital; (ii) internally generated cash flow from operations; (iii) borrowing capacity under our Shell Energy credit facility; (iv) external debt financing; and (v) new equity capital through the issuance of additional shares.

The Company's total cash liquidity is \$50 comprised of cash. Unrestricted cash was \$50 at September 30, 2018 compared with \$268 at December 31, 2017.

As at September 30, 2018, the Company has an accumulated deficit of \$45,421 (December 31, 2017 - \$41,408), including a net loss of \$150 and \$4,013 for the three and nine months ended September 30, 2018, respectively (net loss of \$1,611 and \$6,316 for the three months and nine months ended September 30, 2017, respectively). To address its financing needs, the Company will work towards concluding the previously announced sale of its Home Comfort business, entering into and concluding the sale of the Gas & Power business as well as securing additional debt and/or equity financing. Whether and when the Company can achieve the above is uncertain. As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will have sufficient capital to fund its ongoing operations or develop and deploy any further products without future financing. If adequate funds are not available or the Company is unable to obtain additional customers and contracts, the Company may have to substantially reduce or eliminate planned expenditures and seek additional financing from shareholders or lenders. If the Company is unable to obtain additional financing when and if required, the Company may be unable to continue operations.

Under the credit facility agreements Shell Energy has provided Gas & Power credit arrangements for its Canadian and U.S. operations. Under the Canadian revolving credit facility Shell Energy provides Gas & Power with advances of up to \$1,000 for commodity purchases and financial derivatives and related services. Interest is payable on outstanding advances at 4% plus the greater of: (i) 3% or (ii) LIBOR. Under the U.S. revolving credit and collateral credit facilities Shell Energy provides Gas & Power with advances of up to US\$15,000 for commodity purchases, certain working capital uses, collateral security support and financial derivatives and related services. Interest is payable on outstanding advances under the revolving credit facility at 4% plus the greater of: (i) 3% or (ii) LIBOR, and under the collateral credit facility at 4% plus the greater of: (i) 4% or (ii) LIBOR. On September 30, 2018, LIBOR was 2.40% (December 31, 2017 - 1.69%). An additional interest rate penalty of 0.50% applies to all facilities in the event that Gas & Power were to be in default of certain financial covenants. Interest is repayable in the month following the month that advances were made. Principal on the revolving credit facility is repayable in the month following the month that advances were made. Principal on the collateral credit facility is repayable

by November 20, 2018. No further advances can be made after November 20, 2018. While reserving its rights under the agreements, including repayment of all amounts due, Shell Energy has agreed to continue to perform under the terms of the agreements until the completion of the sale of ONEnergy's U.S. Gas & Power business to C Wave Power & Gas Inc. See *Section 21 Sale of U.S. Gas & Power Business to C Wave* for additional information.

The agreements are secured by a general security agreement and a pledge of Gas & Power's assets and subject to certain covenant restrictions. As at September 30, 2018, Gas & Power was non-compliant with two covenants in the Shell credit agreements. An additional interest rate penalty of 0.5% is applied until Gas & Power becomes compliant with this covenant.

As at September 30, 2018, Gas & Power had \$3,917 (US\$3,026) (December 31, 2017 - \$4,081) outstanding under the U.S. collateral credit facility and \$NIL (US\$NIL) (December 31, 2017 - \$648) outstanding under the U.S. revolving credit facility. In 2017 and 2018, no advances were drawn on the Canadian credit facilities. Under the U.S. credit facilities, amounts are available in US\$5,000 tranches depending on monthly delivered volumes. As at September 30, 2018, a total of US\$5,000 (December 31, 2017 – US\$5,000) was available to be drawn on these facilities. Under the Canadian credit facilities, a total of \$1,000 (December 31, 2017 - \$1,000) was available to be drawn. Interest is provided at 8.0% per annum on the collateral credit facility plus an interest penalty of 0.5%; and at 7.0% per annum on the revolving credit facility plus an interest penalty of 0.5%.

As partial consideration for entering into the agreements above, Gas & Power has agreed to provide Shell Energy with a "participation" payment based upon the performance of Gas & Power during the term of the agreements. A participation payment is payable to Shell Energy upon Gas & Power reaching certain milestones such as customer count thresholds, an acquisition of control of Gas & Power, a disposition of Gas & Power's assets or a material public share issuance by Gas & Power or the Company. The payment is based on a certain percentage of Gas & Power's equity value at the time of the triggering event. The payment, if and when triggered, is a one-time event. For clarity, the calculation of the payment is based on Gas & Power's equity value at the time of the triggering event, and not upon the equity value of the Company. Given that various events could result in the achievement of triggering milestones, and that the milestones that would trigger a payment may occur at any point over the life of the agreements, as at September 30, 2018 and December 31, 2017 management does not believe it is reasonably possible to estimate either the timing or the amount of such participation payment. No amount for a participation payment to Shell Energy has been accrued as at September 30, 2018 and December 31, 2017.

The credit facility has been reclassified to liabilities relating to assets held for sale.

Home Comfort has a long-term financing agreement with Home Trust for the funding of HVAC and water heater rentals. Under the Home Trust agreement, Home Comfort receives funds equal to the amount of the seven or ten year cash flow (depending on product) of the HVAC and water heater contracts discounted to present value at the contracted rate, which is currently 8.9%. The Home Trust loan is serviced from the payments received from the rental customer over the 7 to 10 year life of the loan. The loan is secured by each rental agreement, the related equipment and a cash reserve held by Home Trust.

The change in cash is summarized as follows:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Cash provided by (used in) operating activities of continuing operations	\$ 3,189	\$ (631)	\$ 3,958	\$ (3,208)
Cash used in investing activities of continuing operations	-	(1,052)	-	(2,021)
Cash provided by (used in) financing activities of continuing operations	303	1,385	(1,154)	2,228
Effect of foreign currency translation	(16)	(236)	101	(402)
Increase (decrease) in cash from continuing operations	3,476	(534)	2,905	(3,403)
Increase (decrease) in cash from discontinued operations	(3,823)	(752)	(3,123)	1,023
Decrease in cash	\$ (347)	\$ (1,286)	\$ (218)	\$ (2,380)

Cash provided by operating activities of continuing operations for the three months ended September 30, 2018 was \$3,189 compared to cash used in operating activities of continuing operations of \$631 for the same period in 2017, an increase of \$3,820. The increase was primarily a result of loss from continuing operations decreasing by \$670 and the change in non-cash operating assets and liabilities increasing by \$3,200.

Cash provided by operating activities of continuing operations for the nine months ended September 30, 2018 was \$3,958 compared to cash used in operating activities of continuing operations of \$3,208 for the same period in

2017, an increase of \$7,166. The increase was primarily a result of loss from continuing operations decreasing by \$2,304 and the change in non-cash operating assets and liabilities increasing by \$4,773.

Cash used in investing activities of continuing operations for the three and nine months ended September 30, 2018 was \$NIL and \$NIL, respectively, compared to cash used in investing activities of continuing operations of \$1,052 and \$2,021 for the same period in 2017, due to the change in restricted cash. Restricted cash is cash held as collateral to support letters of credit issued by the Company and as financial assurance against operations in certain U.S. and Canadian markets. Restricted cash related to the Gas & Power business was reclassified to assets held for sale as of December 31, 2017.

Cash provided by financing activities of continuing operations for the three months ended September 30, 2018 was \$303 compared to cash provided by financing activities of continuing operations of \$1,385 for the same period in 2017, a decrease of \$1,082. The provision of cash for the three months ended September 30, 2018 was comprised of an increase in advances from Cricket of \$354 and promissory note payable of \$172 offset by repayments of convertible note payable, due to related party and interest of \$223. The provision of cash for the three months ended September 30, 2017 was comprised of advances from Cricket of \$321 and convertible note payable of \$1,114 net of interest of \$50.

Cash used in financing activities of continuing operations for the nine months ended September 30, 2018 was \$1,154 compared to cash provided by financing activities of continuing operations of \$2,228 for the same period in 2017, a decrease of \$3,382. The use of cash for the nine months ended September 30, 2018 was comprised of repayments of advances from Cricket of \$1,139, repayment of convertible note payable of \$200, repayment of promissory note payable of \$38 and interest of \$77 offset by an increase in due to related party of \$300. The provision of cash for the nine months ended September 30, 2017 was comprised of advances from Cricket of \$1,172 and convertible note payable of \$1,114 net of interest of \$58.

10. OFF-BALANCE SHEET ARRANGEMENTS

Gas & Power is required to post financial assurance in order to operate in certain states or utility service territories. Energy Efficiency is required, on certain contracts, to post financial assurance to assure satisfactory completion of its installation contracts. The Company has issued letters of credit to satisfy the financial assurance requirement. If these letters of credit were withdrawn by the Company, it would be required to post another form of financial assurance satisfactory to the regulatory agency or utility in order to continue to operate in that electricity retailing market, or to the customer in order to secure the contract. The Company has \$967 deposited with a financial institution as security for outstanding letters of credit. As at September 30, 2018, the Company has \$956 (December 31, 2017 - \$1,554) in outstanding letters of credit.

11. SHARE CAPITAL

As at September 30, 2018 there were 23,975 Common Shares issued and outstanding (December 31, 2017 – 23,975).

In determining diluted loss per share for the three and nine months ended September 30, 2018 and 2017, the weighted average number of shares outstanding was not increased for stock options outstanding as they are considered anti-dilutive.

Trading in the common shares of the Company was halted on April 26, 2018 on the announcement of a potential transaction with the Suske Parties (see *Section 20 Acquisition of Suske Parties*). Trading is expected to remain halted pending additional information relating to this transaction being provided to the Exchange.

12. STOCK BASED COMPENSATION

Stock option plans

For the three and nine months ended September 30, 2018, stock option costs totaling \$7 and \$54, respectively, were incurred related to employees and contractors, compared to \$24 and \$73 for the same period in 2017. The options were recognized as selling expenses and general and administrative expenses and have been recorded in contributed surplus.

The Company did not grant any options to purchase Common Shares of the Company during the three and nine months ended September 30, 2018.

Deferred share units

For the three and nine months ended September 30, 2018, deferred share units (“DSUs”) totaling \$NIL and \$22, respectively, were granted to non-executive directors compared to \$NIL and \$25 for the same period in 2017. DSUs are recognized as general and administrative expenses and recorded as current liabilities.

13. TAX LOSSES

The Company’s tax attributes may be utilized by the Company in its future operations, or may be utilized by a potential acquirer to offset income, provided certain tests are satisfied including those related to a change in control of the Company.

Deferred taxes, in respect of the Company’s loss carry-forwards, are recognized to the extent that it is probable that they can be utilized. The Company has the following Federal non-capital income tax losses from continuing operations, which may be carried forward to reduce future years’ taxable income. These losses will expire in the taxation years ending December 31 as follows:

<u>Year</u>	<u>Amount</u>
2028	\$ 5,555
2029	115,579
2030	5,748
2031	19,992
2032	3,457
2033	3,702
2034	2,981
2035	3,295
2036	85
2037	3,640
2038	937
	<u>\$ 164,971</u>

14. FORMER OFFICER AND DIRECTOR LITIGATION

On June 1, 2017, Justice Conway of the Ontario Superior Court of Justice granted judgment in favour of the Company against the Company’s former CEO Gerald McGoey and his personal service company Jolian Investments Limited (collectively the “McGoey Defendants”) in the amount of \$5,766 plus legal costs and interest, for breach of fiduciary duty in respect of the decision of the former board of directors of the Company to award certain equity cancellation payments and performance bonuses to Look’s senior management and directors. The judgment also grants both a constructive trust and a tracing order over the damages owing.

On June 27, 2017, the McGoey Defendants filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act. On November 14, 2017, a proposal (the “Proposal”) was filed with the court. In connection with the Proposal, the Company filed a Proof of Claim in respect of the amounts owing. At the General Meeting of Creditors (“Creditors’ Meeting”) held on December 12, 2017, creditors who were qualified to vote at the Creditors’ Meeting did not approve the Proposal with the result that the McGoey Defendants were each deemed to have thereupon made an assignment in bankruptcy. The Company is now pursuing its collection effort through the bankruptcy process.

On June 30, 2017, the McGoey Defendants filed a Notice of Appeal with the Court of Appeal for Ontario (the “Court of Appeal”). On July 30, 2018, the McGoey Defendants filed a Notice of Abandonment of Appeal with the Court of Appeal.

15. OPERATING RISKS AND UNCERTAINTIES

Financial instruments and risk management

The Company’s activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company’s management team with guidance from the Audit Committee and the Risk Management Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Electricity and natural gas derivatives

The Company has entered into contracts with customers to provide electricity or natural gas at either variable or fixed prices, with the majority of the electricity and natural gas provided by the Company to customers pursuant to fixed price contracts. Fixed price contracts expose the Company to changes in market prices of electricity and natural gas as the Company is obligated to purchase the electricity or natural gas at floating wholesale market prices for the electricity or natural gas consumed by its customers. To reduce its exposure to short-term and long-term movements in commodity prices arising from the procurement of electricity or natural gas at floating prices, the Company uses derivative financial and physical contracts to secure fixed price commodity supply to cover its estimated fixed price delivery. The derivative financial contracts are fixed-for-floating swaps whereby the Company agrees with a counterparty, principally Shell Energy, to cash settle the difference between the floating price and the fixed price on a notional quantity of electricity for a specified time frame. The cash flow from these instruments is expected to be effective in offsetting the Company's price exposure and serves to fix the Company's wholesale cost of electricity or natural gas to be delivered to the customer. The Company remains subject to commodity risk for any volumetric differences between the actual quantities used by customers and the forecasted quantities upon which the commodity hedging is based.

Realized swap settlements under derivative instruments are included in cost of sales in the Gas & Power results. Unrealized gains or losses resulting from changes in the fair value of the swaps, generally referred to as mark-to-market gains or losses, have been recognized as the change in fair value on derivative instruments in the Gas & Power results.

The fair value of derivative financial instruments is the estimated amount that the Company would pay or receive to dispose of these derivative instruments in the market, in the unlikely event that the Company was required to dispose of its derivative instruments. The Company has estimated the value of derivative instruments using market-based forward wholesale price curves.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. Financial instruments, which are potentially subject to credit risk for the Company, consist primarily of cash and accounts and other receivables.

Credit risk associated with cash is minimized by ensuring this financial asset is placed with financial institutions with high credit ratings.

The LDCs provide billing & collection services and assume the risk of any bad debts from customers for a fee. Therefore, the Company receives the collection of customer account balances directly from the LDCs. Management believes that the risk of the LDCs failing to deliver payment to the Company is minimal. For Home Comfort, in markets where LDCs do not provide billing & collection services for a fee, the customer is billed directly by Home Comfort. The Company's customers are individually insignificant and geographically dispersed. The Company currently believes that its susceptibility to an individually significant write-off as a result of concentrations of customer accounts receivable with those LDCs is remote. For Energy Efficiency, the Company receives deposits in advance of performing installations thereby reducing its overall exposure on individual projects, such that the Company is not susceptible to an individually significant write-off.

The Company's maximum exposure to credit risk at the end of the reporting period under its financial instruments is summarized as follows:

As at	September 30, 2018	December 31, 2017
Accounts and other receivables		
Current	\$ 5,816	\$ 6,943
31- 90 days	46	283
Over 90 days	70	98
	\$ 5,932	\$ 7,324

All of the Company's cash is held with major financial institutions in Canada and in the U.S., and management believes the exposure to credit risk with these institutions is not significant. The Company's maximum assessed exposure to credit risk, as at September 30, 2018 and December 31, 2017, is the carrying value of its accounts and other receivables.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or other financial assets. The Company's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital, regulatory requirements and obligations, and debt repayments under both normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists.

Contractual Obligations

In the normal course of business, ONEnergy is obligated to make future payments under various non-cancellable contracts and other commitments.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, payments received in advance of consumption, derivative instruments, credit facility, advances from Cricket, long-term debt and commitments. As at September 30, 2018, the payments due by period, excluding liabilities relating to assets classified as held for sale, are set out in the following table:

	Payment due by period			Total
	Less than one year	Between one and five years	More than five years	
Accounts payable and accrued liabilities	\$ 10,807	\$ -	\$ -	\$ 10,807
Advances from Cricket Energy Holdings Inc.	2,339	-	-	2,339
Convertible note payable	1,075	-	-	1,075
Promissory note payable	172	-	-	172
Due to related party	300	-	-	300
Commitments	62	158	-	220
	\$ 14,755	\$ 158	\$ -	\$ 14,913

Interest rate risk

The Company is exposed to interest rate fluctuations associated with its floating rate credit facility. The Company's current exposure to interest rate risk does not economically warrant the use of derivative instruments and the Company does not currently believe that it is exposed to material interest rate risk.

Currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of the Company's U.S. operations.

Although the Company is headquartered in Ontario, the majority of the Company's customers and revenues are in the U.S. A material portion of ONEnergy's income is generated in U.S. dollars and will be subject to currency fluctuations.

ONEnergy may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect its operating results. Translation risk is not hedged. With respect to translation exposure, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the nine months ended September 30, 2018, assuming that all the other variables had remained constant, comprehensive loss would have been \$126 lower/higher (nine months ended September 30, 2017 – comprehensive loss \$72 lower/higher).

Fair Values

IFRS 7 Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

The fair values of short-term financial assets and liabilities, including cash, restricted cash, accounts and other receivables, accounts payable and accrued liabilities, payments in advance of consumption and credit facility as

presented in the unaudited interim condensed consolidated statements of financial position, approximate their carrying amounts due to the short period to maturity of these financial instruments.

Supplier Risk

Gas & Power purchases all of the natural gas and electricity delivered to its customer through long-term contracts entered into with various suppliers. The Company has an exposure to supplier risk as the ability to continue to deliver natural gas and electricity to its customers is reliant upon ongoing operations of these suppliers and their ability to fulfill their contractual obligations.

Both Home Comfort and Energy Efficiency work with multiple vendors for the sourcing of their products, and neither are reliant on a single supplier for any material amount of products or services.

16. OTHER RISK FACTORS

In addition to operating risks described in *Section 15 Operating Risks and Uncertainties* are other risk and uncertainties that ONEnergy can foresee. The information presented in *Section 18 Other Risk Factors* in our MD&A for the year ended December 31, 2017 has not changed materially since December 31, 2017.

17. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The minimum payments required under the terms of non-cancellable operating leases are as follows:

September 30, 2018

	Between one			
	Less than one year	and five years	More than five years	Total
Non-cancellable lease	\$ 241	\$ 184	\$ -	\$ 425
Non-cancellable sublease	(179)	(26)	-	(205)
	\$ 62	\$ 158	\$ -	\$ 220

(b) Proceedings

On August 30, 2018, the Company was served with a Statement of Claim ("NRF Claim") filed in the Ontario Superior Court of Justice by Norton Rose Fulbright Canada LLP ("Norton Rose") claiming damages of \$775 in connection with the provision of legal services, advice and representation ("Legal Services") to ONEnergy. Norton Rose remitted invoices to the Company for Legal Services of which approximately \$775 remain unpaid. The Company has recorded the invoices as normal course trade payables when received and as such the entire amount of the NRF Claim is reflected in the Company's current liabilities under accounts payable and accrued liabilities.

On September 18, 2018, the Company filed a Notice of Intent to Defend. The Company has made a settlement offer to Norton Rose and continues to negotiate terms of a settlement.

Norton Rose represented ONEnergy in its claim against the McGoey Defendants (see *Section 14 Former Officer and Director Litigation*). The Company received a favourable judgement in its claim, which included an award for legal costs, however the Company is still pursuing collection from the McGoey Defendants.

(b) Contingencies

In the normal course of its operations, the Company may be subject to other litigation and claims.

The Company indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management's discussion and analysis of operating results and financial condition are made with reference to the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 which have been prepared in accordance with IAS 34. The Company's significant accounting policies are summarized in detail in Note 2 of the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 and in Note 2 of the Company's audited consolidated financial statements for year ended December 31, 2017.

19. ACCOUNTING POLICY DEVELOPMENTS

(a) Accounting standards applied in the reporting period

IFRS 2, Share-Based Payment was amended in June 2016 with "Amendment to IFRS 2 – Classification and Measurement of Share Based Payment Transactions." These amendments address the classification and measurement of share-based payment transactions for a number of situations where existing guidance is not clear. The amendments were applied with an effective date of January 1, 2018 with no impact to the interim condensed consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9") is part of the IASB's wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model where the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

The standard is effective for annual periods beginning on or after January 1, 2018. Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 9 as an adjustment to the opening balance of equity as at the date of initial application.

Upon adoption of the new standard, the classification of loans and receivables no longer exists and all financial assets classified as loans and receivables, including cash, restricted cash and accounts and other receivables, have been classified as financial assets at amortized cost. The Company's energy derivatives continue to be classified as fair value through profit or loss. The Company's financial liabilities except for energy derivatives also continue to be classified as financial liabilities at amortized cost.

The impact of applying IFRS 9, including the adoption of the 'expected loss' impairment model and the effects of own credit risk on the changes in fair value of liabilities at fair value through profit or loss, was determined to be insignificant. Accordingly, no adjustments were considered necessary to the unaudited interim condensed consolidated financial statements as a result of adopting IFRS 9 with an effective date of January 1, 2018.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"): In May 2014, the IASB issued IFRS 15 which supersedes existing standards and interpretations including IAS 18, *Revenue* and IFRIC 13, *Customer Loyalty Programs*. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, *Leases*. This Standard requires revenue to be recognized in a method that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services.

This standard is effective for annual periods beginning on or after January 1, 2018 and is required to be applied retrospectively to all contracts that are not complete on the date of initial application. Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. Upon adoption of the new standard, the Company identified the following areas as being affected by the new standard:

- Costs incurred to acquire a customer contract are required to be recognized as an asset and amortized over the expected life of the contract. Prior to the adoption of IFRS 15, commissions incurred in obtaining Gas & Power contracts were expensed as incurred. Management has assessed the impact of contract acquisition costs related to contracts lasting for greater than one year and has determined the amount related to the change to be immaterial.
- Under the Energy Efficiency segment, management has reviewed the contracts to identify distinct performance obligations and whether each identified obligation is satisfied over time or at a point in time. Prior

to the adoption of IFRS 15, revenue from contracts in the Energy Efficiency segment was measured at a point of time, being at the time of completion of the project under contract. Management has assessed the impact of the timing of recognition of distinct performance obligations and concluded that certain contracts under the Energy Efficiency segment should be recognized over a period of time as certain of the contracts contain distinct performance obligations that enhance an asset ultimately controlled by the customer. However, based on the analysis conducted, the amount related to the change was determined to be immaterial.

Accordingly, no adjustments were made to the unaudited interim condensed consolidated financial statements as a result of adopting IFRS 15 with an effective date of January 1, 2018.

(b) Accounting standards issued but not yet applied

The IASB has issued the following standard and interpretation not yet adopted by the Company but will have an impact on future periods:

- IFRS 16, *Leases* – effective for annual periods beginning on or after January 1, 2019.

The changes are described in the audited consolidated financial statements for the year ended December 31, 2017. Management continues to assess the impact of this Standard on the consolidated financial statements. As at the date of this MD&A, there have been no significant changes to the disclosure related to the implementation and potential effects of this Standard that was included in the audited consolidated financial statements for the year ended December 31, 2017.

20. ACQUISITION OF SUSKE PARTIES

On April 26, 2018, the Company announced it entered into an LOI with Suske Capital Inc. (“Suske Capital”), on behalf of certain Suske Capital subsidiaries and other entities (collectively, the “Suske Parties”), that outlines the basic terms and conditions of a proposed reorganization of ONEnergy and a subsequent business combination (the “Transaction”) with the Suske Parties. Completion of the Transaction would potentially result in a reverse takeover and change of business of the Company under the policies of the Exchange.

A definitive agreement (“Definitive Agreement”) is being negotiated between ONEnergy and Suske Capital, on behalf of the Suske Parties, which will set forth the detailed terms and conditions of the Transaction as are customary for transactions of this nature. As required under the policies of the Exchange, the Transaction would be subject to the approval of the Company’s shareholders and the Exchange.

21. SALE OF U.S. GAS & POWER BUSINESS TO C WAVE

On October 4, 2018, the Company announced that it entered into a definitive agreement with C Wave Power & Gas Inc. (“C Wave”), under which C Wave will acquire ONEnergy’s U.S. Gas & Power business (the “C Wave Transaction”) for cash consideration of U.S. \$9,700 (including working capital), subject to customary post-closing adjustments. To satisfy any claims that may arise under the definitive agreement, U.S. \$300 of the cash consideration will be paid into escrow for an 18 month period following the close of the C Wave Transaction. The proceeds from the C Wave Transaction will be used to repay the Company’s credit facility, transaction costs and other liabilities of approximately U.S.\$8,900.

C Wave will acquire all the outstanding common shares of Sunwave USA Holdings Inc., which together with its subsidiaries, forms ONEnergy’s U.S. Gas & Power business. The U.S. Gas & Power business comprises the Company’s U.S. energy retailer business with electricity customers in Connecticut, Pennsylvania, Massachusetts and Ohio.

As required under the policies of the Exchange, the C Wave Transaction will be subject to the approval of the Company’s shareholders and the Exchange. The Company received shareholder approval at a special meeting of shareholders held on November 26, 2018.

The C Wave Transaction is also subject to the receipt of required regulatory approvals and consents, including approval by the United States Federal Energy Regulatory Commission, and the satisfaction of the other closing conditions described in the definitive agreement.

22. ADDITIONAL INFORMATION

Additional information regarding the Company’s financial statements and corporate documents is available on SEDAR at www.sedar.com and on the Company’s website at www.ONEnergyinc.com.

ONEnergy Inc.

SHAREHOLDER INFORMATION

Board of Directors

Chairman of the Board

Stephen J.J. Letwin
President & CEO, IAMGOLD Corporation

Directors

David Rattee
Corporate Director

Lawrence Silber
Partner, Kelly Santini LLP

Officers

Stephen J.J. Letwin
Chairman

Ray de Ocampo
Chief Financial Officer

Robert K. Weir
Chief Operating Officer

Auditors

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Transfer Agent and Registrar

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Shareholder enquiries

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Stock exchange listing

ONEnergy's shares are listed on Tier 1 of the TSX
Venture Exchange under the symbol OEG