MANAGEMENT'S DISCUSSION AND ANALYSIS
CRIUS ENERGY TRUST

November 13, 2017

This management's discussion and analysis ("**MD&A**") of Crius Energy Trust (the "**Trust**") dated November 13, 2017 has been prepared with all information available up to and including November 13, 2017. This MD&A should be read in conjunction with the Trust's unaudited interim condensed consolidated financial statements and accompanying notes as at and for the three and nine months ended September 30, 2017, and the Trust's audited consolidated financial statements and accompanying notes and MD&A for the year ended December 31, 2016. The Trust's financial statements and other disclosure documents, including the annual information form of the Trust for the fiscal year ended December 31, 2016, dated March 16, 2017, are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") under the Trust's issuer profile at www.sedar.com and on the Trust's website at www.criusenergytrust.ca. The units of the Trust ("**Units**") are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "KWH.UN".

The Trust prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board. The consolidated financial statements of the Trust are presented in United States dollars, which is the functional currency of the Trust. All figures within this MD&A are presented in United States dollars unless otherwise indicated. Certain totals, subtotals and percentages may not reconcile due to rounding.

Certain information contained in this MD&A constitutes non-IFRS financial measures and/or forward-looking statements (as defined herein). Investors are cautioned to read the sections entitled *"Non-IFRS Financial Measures"* and *"Forward-Looking Statements"* at the end of this MD&A. Certain key terms and abbreviations used in this MD&A are defined in the section entitled *"Key Terms and Abbreviations"* below.

Overview of the Trust

The Trust is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario on September 7, 2012, for the purpose of providing investors with a distribution-producing investment. Following the completion of the initial public offering of the Trust in November 2012, the Trust held an approximate 26.8% indirect ownership interest in the operating subsidiary, Crius Energy, LLC. In July 2015, the Trust acquired additional LLC Units (as defined herein) in exchange for consideration comprised of cash, financed by way of a prospectus offering of Units, resulting in an increase of the Trust's indirect ownership interest in Crius Energy, LLC from 26.8% to 43.1%. In June 2016, the Trust acquired the remaining LLC Units not already held, directly or indirectly, by the Trust in exchange for consideration comprised of Units and cash, financed by way of a prospectus offering of subscription receipts of the Trust, resulting in an increase in the Trust's indirect ownership in Crius Energy, LLC from 43.1% to 100% (the "**Remaining LLC Acquisition**").

Crius Energy is a comprehensive energy solutions partner that provides innovative electricity, natural gas and solar products to residential and commercial customers through exclusive partnerships and direct-to-consumer marketing channels. Our unique brands offer consumers a broad suite of energy products and services including fixed and variable contracts, renewable energy, and bundled products to support their energy needs beyond what is offered by their local utility. Company growth is achieved organically with customers acquired through our diversified marketing channels and through accretive acquisitions in the deregulated energy and solar industries, where there is a significant opportunity to participate in the consolidation of market participants. The Company currently sells energy products in 19 states and the District of Columbia with plans to continue expanding its geographic reach.

The Company's revenues are earned primarily from electricity and natural gas sales, and are recognized based on customer consumption. Seasonal variability of customer usage of electricity and natural gas may cause the Company's revenues and gross margins to fluctuate. In general, electricity consumption is highest during the summer months of July and August due to cooling demand and, to a lesser extent, during the winter months of January and February due to heating demand. Heating demand also influences natural gas consumption, which is typically highest between the months of November and March. The Company's revenues may also fluctuate based on retail rates charged to customers, customer growth and customer attrition. The Company also receives various other customer fees not tied to customer consumption.

In addition, the Company receives revenues from originating and installing solar systems, primarily based on the generating capacity of the solar systems it sells. Solar revenues are recognized upon certain milestones related to the installation of the solar systems.

The Company procures its electricity, natural gas and hedging requirements in various wholesale energy markets, including physical and financial markets, using both short-term and long-term contracts. For electricity and natural gas, the Company procures its wholesale energy requirements at various utility load zones for electricity and city gates for natural gas, based on the energy usage and geographic location of our customers. The Company manages its exposure to short-term and long-term movements in wholesale energy prices by hedging using derivative instruments. These derivative instruments are principally physical forward contracts and financial fixed-for-floating swaps, whereby the Company agrees to take physical delivery or cash settle the difference between the floating price and the fixed price on a notional quantity of electricity or natural gas for a specified timeframe, at a specified location. The Company remains subject to commodity risk for any volumetric differences between the actual quantities used by its customers and the forecasted quantities upon which such hedging instruments are based.

The Company's gross margin is primarily derived from the difference between the revenues received from its electricity and natural gas customers and the cost of sales paid to its energy and non-energy suppliers, together with its gross margin from the origination and installation of solar products. The Company also incurs selling expenses through a mixture of upfront and residual-based payments. All such costs are recognized as expenses in the period incurred, pursuant to the applicable contractual arrangements in place. In addition, the Company incurs general, administrative, financing and other expenses to operate its business.

Key Terms and Abbreviations

"**Adjusted EBITDA**" means EBITDA adjusted to exclude certain non-operating and non-cash items. See the section entitled *"Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA"* in this MD&A for a reconciliation of EBITDA and Adjusted EBITDA to net income (loss) as calculated under IFRS, the most directly comparable measure in the Trust's consolidated financial statements. Adjusted EBITDA is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"**Adjusted Working Capital**" means current assets less current liabilities, excluding unrealized gains and losses on derivatives. See section entitled "*Adjusted Working Capital*" in this MD&A for a reconciliation of Adjusted Working Capital to the Trust's consolidated balance sheet as prepared under IFRS. Adjusted Working Capital is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"**Administrator**" means Crius Energy Administrator Inc., or such other party as may be appointed as administrator of the Trust from time to time.

"Board" means the board of directors of Crius Energy Administrator Inc., the administrator for and on behalf of the Trust.

"**Customer**" refers to an RCE (see definition of RCE below).

"**Deferred Trust Units**" means the deferred trust units of the Trust issued pursuant to the deferred trust plan adopted by the Trust on January 6, 2016 as amended, supplemented or restated from time to time.

"**Distributable Cash**" means the amount of cash flow available to the Trust to meet its distribution obligations. See the section entitled *"Distributable Cash and Distributions"* in this MD&A for a reconciliation of Distributable Cash to cash flows provided by (used in) operating activities as calculated under IFRS, the most directly comparable measure in the Trust's consolidated financial statements. Distributable Cash is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization. EBITDA is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"**kWh**" means kilowatt hour and is a measurement of volume of electricity.

"**LLC Units**" means the membership units of Crius Energy, LLC.

"**Maintenance Capital Expenditures**" consist of capital expenditures included within cash flows used in investing activities from the Consolidated Statement of Cash Flows, adjusted to exclude cash flows used in investing activities relating to acquisitions. Maintenance Capital Expenditures is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"Macquarie Energy" means Macquarie Energy LLC.

"**MMBtu**" means one million British Thermal Units and is a measurement of volume of natural gas.

"**MWh**" means Megawatt hour and is a measurement of volume of electricity.

"**MW**" means Megawatt and is a measurement of capacity of electricity.

"**Payout Ratio**" means the proportion of Distributable Cash paid out as distributions to Unitholders over a defined period, expressed as a percentage. See the section entitled *"Distributable Cash and Distributions"* in this MD&A for the calculation of Payout Ratio. Payout Ratio is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"**Phantom Units**" means cash-settled phantom Units granted under the Phantom Unit Rights Plan of the Company.

"**RCE**" means residential customer equivalents, which is an industry standard unit of measurement of consumption per annum equivalent to 10 MWh (or 10,000 kWh) in the case of the electricity and 100 MMBtu in the case of natural gas. We have estimated the number of RCEs in accordance with industry conventions based on information available regarding customers and their historical usage and are subject to adjustment based on updated available information.

"**Remaining LLC Acquisition**" means the acquisition by Crius Energy Trust, directly or indirectly of all of the remaining LLC Units of the Crius Energy, LLC not already owned by Crius Energy Trust.

"**Total Cash and Availability**" means the sum of cash and cash equivalents and any excess availability that is available to the Trust under its credit facilities. Total Cash and Availability is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"**Total Distributions**" means the total distributions made to Unitholders, including both distributions to Unitholders of the Trust as well as, for the applicable periods, distributions to non-controlling interest. Total Distributions is a non-IFRS financial measure. Refer to section entitled *"Non-IFRS Financial Measures"* at the end of this MD&A.

"**Unitholder**" means a holder of Units.

"**Units**" means the units of the Trust that are listed for trading on the TSX under the symbol "KWH.UN".

"USG&E Acquisition" means the acquisition by the Trust of U.S. Gas & Electric, Inc. in July 2017.

Unless the context indicates otherwise, references in this MD&A to "volume", "usage" and "consumption" refer to MWh in the case of electricity and MMBtu in the case of natural gas.

Throughout this MD&A, for purposes of convenience, references to (i) the "**Trust**", the "**Company**", "**Crius Energy**", "**we**" or "**our**" refer to Crius Energy Trust and its subsidiaries and (ii) "**Management**" refer to the management of the Trust and its subsidiaries.

Q3 2017 HIGHLIGHTS

Financial Highlights

- Revenue of $269.9 million in the third quarter of 2017, representing a 21.2% increase from $222.6 million in the third quarter of 2016, driven by increased revenues associated with the acquisition of U.S. Gas & Electric, Inc. ("**USG&E**") at the beginning of the third quarter of 2017, offset by materially lower usage per customer as a result of the cooler-than-normal summer weather conditions in the third quarter of 2017 compared to the prior year warmer-than-normal summer weather conditions.

- Gross margin of 20.4% of total revenue for the third quarter of 2017, representing a decrease from gross margin of 21.5% achieved in the third quarter of 2016. The decrease in gross margin as a percentage of revenue in the quarter is consistent with recent trends resulting from the increased mix of lower-margin commercial and municipal aggregation customers in the portfolio, partially offset by the addition of the higher-margin USG&E customer portfolio.

- Adjusted EBITDA of $18.3 million in the third quarter of 2017, representing a decrease from $20.6 million achieved in the third quarter of 2016. The decrease in Adjusted EBITDA for the third quarter of 2017 was primarily attributable to lower average usage per customer due to mild weather conditions experienced in the third quarter together with decreased gross margin per unit resulting from the above-mentioned customer portfolio mix.

- Distributable Cash for the third quarter of 2017 was $13.2 million and Total Distributions were $8.2 million, which compares to Distributable Cash of $10.6 million and Total Distributions of $5.6 million for the quarter ended September 30, 2016. The Payout Ratio for the last twelve months was 61.4%, which is in line with Management's approach to maintain a conservative Payout Ratio.

Operational Highlights

- Achieved net customer growth of 418,000 customers in the third quarter of 2017, representing 40.7% quarter-over-quarter growth, with Crius Energy's total customer count reaching 1,446,000 customers.
  - Added 197,000 customers organically from sales and marketing channels, representing an increase over the average in the prior four quarters of 128,000, with the increase primarily driven by the direct-to-consumer channel. Additionally, approximately 350,000 customers were added through the acquisition of USG&E that was successfully completed during the quarter.
  - Gross customer drops in the third quarter of 129,000 customers were higher than the average in the prior four quarters of 107,000. On a comparable period basis, the increased absolute number of customer drops is expected due to the expanded size of the portfolio as a result of the acquisition of USG&E. On a percentage basis, customer drops were 9.9% for the third quarter of 2017, which compares favourably to the average quarterly attrition of 10.3% for the trailing four quarters.

- Continued traction in the solar segment
  - Sold 179 solar systems representing 1.4 MW of generating capacity.
  - The community solar initiative launched during the second quarter of 2017 continued to progress during the third quarter of 2017, contributing $1.6 million of revenue. The initiative offers a direct-to-consumer program that allows customers the ability to purchase solar energy from community based solar installations backed by five-year power purchase agreements.

Growth and Corporate Highlights

- Successful completion of USG&E Acquisition
  - In July 2017, Crius Energy successfully completed the acquisition of USG&E which included a diverse portfolio of approximately 350,000 electricity and natural gas customers in Connecticut, Illinois, Kentucky, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and the District of Columbia.
  - As part of the USG&E Acquisition, the Trust issued 12,908,175 Units under a bought deal equity offering. The Trust also issued 3,847,870 Units to certain selling shareholders of USG&E, as partial consideration for the acquisition for a total equity issuance of 16,756,045 Units.
  - Management expects to achieve after-tax synergies to Distributable Cash of $55 million to $60 million over a three-year period based on annual run-rate after-tax cash synergies of $12 million to $14 million through organizational restructuring, a transition to the Company's technology platform, renegotiated credit facility pricing and trading terms and tax benefits from the intra-group funding of the transaction with intercompany debt, as well as one-time synergies of approximately $18 million in cash tax savings arising out of the ability to utilize net operating losses ("**NOLs**") of Verengo to offset current and future taxable income over the next two to three years.

- Announced further distribution growth
  - In July 2017, the Board approved an additional 2% increase to distributions paid on Units for the third quarter of 2017, representing an annualized increase of C$0.0158 per Unit and a total annualized distribution of C$0.8043 per Unit.

- Acquisition of Big Sky Gas Holdings, LLC ("**Big Sky Gas**")
  - In July 2017, Crius Energy acquired a 100% equity interest in Big Sky Gas, a natural gas marketing business with approximately 4,000 customers based in Montana. The aggregate purchase price consisted of the conversion of a $0.5 million convertible term loan and the exercise of warrants of Big Sky Gas held by the Company for 81% ownership interest in Big Sky Gas. The remaining 19% ownership interest was acquired in exchange for an earn-out, based on future profitability targets agreed upon between the parties.

Highlights Subsequent to the End of Q3 2017

- Announced further distribution growth
  - In October 2017, the Board approved an additional 2% increase to distributions paid on Units for the fourth quarter of 2017, representing an annualized increase of C$0.0161 per Unit and a total annualized distribution of C$0.8204 per Unit.

- Entered into a Three-Year CREDO Mobile partnership, our second Energy Rewards™ Integrated Energy Platform ("**IEP**") partner
  - Early in the fourth quarter, Crius entered into a three-year agreement with CREDO Mobile, an American mobile virtual network operator headquartered in San Francisco with a network of approximately three million subscribers, to offer energy products to CREDO Mobile's customers through the IEP.
  - The three-year partnership will allow access to CREDO Mobile's network of subscribers, with a focus on sales of green energy and residential solar, in keeping with CREDO Mobile's environmental commitment.

Q3 2017 DISCUSSION

The third quarter of 2017 was highlighted by the successful completion of the acquisition of USG&E, representing a transformative acquisition for the Company. The acquisition is expected to be accretive, materially enhancing the financial profile of the Trust as the pro-forma business is expected to generate more than $1 billion of revenue and $100 million of Adjusted EBITDA annually.

In the third quarter of 2017, as a result of Management and the Board's confidence in the Company's future growth prospects and conservative Payout Ratio, the Board approved a 2% increase to the distribution. The 2% increase was the seventh consecutive quarterly increase to distributions.

Current quarter financial results were challenged by summer weather conditions that were materially cooler than long-term averages, which had a direct impact on customer energy usage. Average temperatures in the markets we serve customers were approximately 24% lower in the third quarter of 2017 than the prior comparable quarter, as measured by cooling degree days ("**CDDs**"). Management estimate that the reduced customer volumes as compared to the prior comparable quarter had a negative impact of $9.2 million on gross margin, with an estimated $4.7 million being attributable to the cooler-than-normal 2017 summer and an estimated $4.5 million being attributable to the warmer-than-normal 2016 summer, which benefited gross margins in the prior comparable quarter. Additionally, a continuation of recent trends of a changing customer mix resulted in lower unit margins resulting from the shift to a larger proportion of lower-margin commercial and municipal aggregation customers, together with $1.0 million in transaction and integration costs in connection with the acquisition of USG&E impacted Adjusted EBITDA.

Overall revenues increased 21.2% in the third quarter of 2017 to $269.9 million from $222.6 million in the third quarter of 2016. The period-over-period increase is primarily the result of the addition of revenue associated with the acquisition of USG&E, offset by materially lower usage per customer as a result of the cooler-than-normal summer weather conditions in the third quarter of 2017 compared to the prior comparable quarter, which was a warmer-than-normal summer.

Solar revenues in the third quarter of 2017 were $3.5 million, an increase from $0.4 million in the third quarter of 2016. Solar revenues in the third quarter of 2017 were comprised of two components. The first component was the $1.9 million in revenue related to the origination and installation of solar systems. During the quarter, 30 solar systems were installed representing capacity of 0.2 MW. In terms of the gross solar sales pipeline, 179 systems representing 1.4 MW were sold during the quarter. Gross sales volume was lower than expected in the third quarter of 2017 primarily due to unforeseen delays in expanding our sales capabilities in the California market. The second component was $1.6 million in revenue related to the aggregation of community solar customers under a partnership with a leading developer of community solar projects. Under the agreement, which was entered into during the second quarter, Crius Energy offers a direct-to-consumer program that allows customers to purchase solar energy from community based solar installations backed by five-year power purchase agreements. Crius Energy receives a customer acquisition fee which is recognized as revenue based upon customer acquisition activity, which is primarily undertaken prior to the development of the solar farms, with the balance of the revenue being recognized over the life of the agreements, based on customer acquisition required to replace attrition. The initial agreement is related to solar farms in the Texas market with nameplate capacity of approximately 63 MW to be developed in 2017, which equates to approximately 32,000 community solar customers, of which approximately two-thirds were signed up in the second quarter of 2017 and the remaining customers were signed up in the current quarter. Crius Energy has the option to participate in a similar project in 2018 for additional developments of approximately 32 MW of installed capacity, which equates to approximately 16,000 community solar customers.

Gross margin for the third quarter of 2017 was $55.0 million, an increase from $47.8 million of gross margin in the third quarter of 2016, impacted by the material variance in year-over-year temperatures, offset by the incremental gross margin from the recently acquired USG&E business. As a percentage of total revenue, gross margin was 20.4% in the third quarter of 2017, a decrease from 21.5% in the same quarter of the previous year. The decrease in gross margin as a percentage of revenue in the quarter is consistent with recent trends resulting from the increased mix of lower-margin commercial and municipal aggregation customers in the portfolio, partially offset by the addition of the higher-margin USG&E customer portfolio.

Adjusted EBITDA in the third quarter of 2017 was $18.3 million, a decrease from the $20.6 million reported in the third quarter of 2016. The decrease in Adjusted EBITDA for the third quarter of 2017, despite the inclusion of USG&E results, was impacted by the above-mentioned materially lower average usage per customer due to materially cooler weather conditions compared to the prior comparable quarter, the continued impact of the transition of the portfolio mix, and one-time costs related to the acquisition of USG&E. The solar business contributed negative $0.3 million to Adjusted EBITDA in the quarter.

Management is pleased to report significant progress towards final resolution and settlement of the pending legal and regulatory matters for which the Company established a legal reserve in the first half of 2017, with the legal reserve remaining unchanged at $13.0 million through the end of the third quarter. Management has entered into agreements in principle to settle these matters and expects to announce such settlements within the next few months. The associated legal fees of $0.3 million incurred in the third quarter of 2017, which were excluded from Adjusted EBITDA and Distributable Cash, were materially decreased from the prior two quarters as the matters near resolution.

Distributable Cash was $13.2 million in the third quarter of 2017 compared to $10.6 million in the third quarter of 2016. Total Distributions paid in the third quarter of 2017 were $8.2 million, compared to $5.6 million in the third quarter of 2016. The increase in Distributable Cash is primarily due to reduced capital expenditures compared to the third quarter of 2016 and the increase in Total Distributions is attributable to increases in the number of units outstanding and increase in the amount distributed per Unit compared to the third quarter of 2016. For the last twelve months, Distributable Cash was $41.5 million and Total Distributions paid were $25.5 million, representing a Payout Ratio of 61.4%.

As at September 30, 2017, Crius Energy had 1,446,000 customers, up from 1,028,000 at the beginning of the quarter, representing net customer growth of 418,000 customers, or 40.7%. The increase in customers was driven by net organic growth of 68,000 customers and the acquisition of 350,000 customers from USG&E, which was lower than the expected 375,000 customers previously announced due to differing accounting methodologies adopted by the Company upon acquisition. Organic customer additions totaled 197,000 customers driven by sales activity across our diversified sales channels including our direct-to-consumer channels which are now further enhanced by the added USG&E capabilities, representing an increase over the average in the prior four quarters of 128,000. Customer drops in the third quarter of 129,000 customers were higher than the average in the prior four quarters of 107,000. On a comparable period basis, the increase in the absolute number of customer drops is expected due to the expanded size of the portfolio as a result of the acquisition of USG&E. On a percentage basis, customer drops were 9.9% for the third quarter of 2017, which compares to the average quarterly attrition of 10.3% for the trailing 4 quarters.

At September 30, 2017, the Trust had Total Cash and Availability of $69.5 million, consisting of $24.3 million of cash and cash equivalents, and $45.2 million available under the Company's credit facilities. This compares to the Total Cash and Availability as at December 31, 2016 of $49.9 million, consisting of cash and cash equivalents of $10.9 million and $39.0 million of availability under the credit facility. The current availability benefited from a temporary $20.0 million limit increase, as part of the acquisition of USG&E, which expires in the fourth quarter of 2017. The Company has $49.1 million in long-term debt, consisting of a $6.2 million subordinated, forgivable term loan with the Connecticut Department of Economic and Community Development at an annual interest rate of 2.0%, and a subordinated promissory note with certain shareholders of USG&E related to the acquisition in the net amount, after post-closing working capital adjustments of $42.9 million, at an annual interest rate of 9.5%.

OUTLOOK

Management of Crius Energy are confident that the scale and diversity of the business well-positions the Company to continue to grow both organically and through acquisitive growth opportunities. Our core deregulated energy business remains a fundamentally strong business with net growth in customers continuing again this quarter, and with the acquisition of USG&E during the third quarter and the enhancement of the direct-to-consumer channel, the business is expected to continue on a positive trajectory. While the third quarter provided challenging weather conditions, with materially cooler-than-normal summer temperatures, the business has performed well over the past several years with 12 consecutive quarters of net customer growth and financial performance generally consistent with or above market expectations.

The acquisition of USG&E was successfully completed early in July 2017 and represents a significant growth milestone for Crius Energy as the business now serves more than 1.4 million customers and the proforma business is expected to generate more than $1 billion of revenue and $100 million of Adjusted EBITDA annually. The acquisition is expected to positively impact customer growth as USG&E has well-developed direct-to-consumer sales channels that can be leveraged across new markets and products, including solar, as well as customer retention and win-back capabilities that are expected to increase net customer growth of the customer portfolio. The integration of USG&E into Crius Energy's business is on track and meeting Management's expectations to date, and we have welcomed a strong and well-respected team that are committed to a seamless integration of the businesses. Management is pleased to report that we expect to achieve after-tax synergies to Distributable Cash from $55 million to $60 million over a three-year period. This is based on annual run-rate after-tax cash synergies in the range of $12 million to $14 million which are expected to be fully achieved starting in the beginning of 2019, through organizational restructuring, a transition to the Company's technology platform and renegotiated credit facility pricing and trading terms, with approximately half of these synergies expected to be realized in 2018, net of integration costs. Management expect that approximately $12 million to $14 million synergies will be impactful to Adjusted EBITDA as a result of organizational restructuring, vendor consolidation, technology systems transition and operational improvements to energy procurement and trading terms, and approximately $2 million to $3 million synergies will be impactful to financing costs as a result of improved credit facility pricing and terms. Additionally, the funding of the transaction was structured to push-down the proceeds from the equity offering and Unit issuance within the Crius organizational structure as intercompany debt, resulting in incremental annual cash tax savings of $4 million, impactful to Distributable Cash. The total cross-border intercompany loans are now $226 million, with a blended average interest rate of 9.2%, which now provides an annualized cash tax benefit of approximately $8 million, based on intercompany interest of $21 million.

In addition, to these annual run-rate synergies, the Company expects the transaction to generate one-time synergies of approximately $18 million in cash tax savings arising out of the ability to utilize net operating losses (**"NOLs"**) of Verengo to offset current and future taxable income of USG&E, including the majority of the above-mentioned synergies, which we expect to realize over the next two to three years, subject to the applicable limitations and rules in the Internal Revenue Code. Our synergy estimates are based on future tax rates and fiscal policies being relatively consistent with the current Crius blended effective Federal and State tax rate of approximately 40%. Any changes in tax law, including the tax rates, the treatment of interest deductibility and NOLs, will have a direct impact on our synergy estimates. Management will continue to evaluate the effects of potential U.S. tax reform. However, varying proposals on changes to the current tax law do not allow sufficient clarity to reach a conclusion at this time.

In the deregulated energy business, Management is focused on enhancing organic growth of the business by leveraging the well-developed direct-to-consumer channels acquired through the acquisition of USG&E, and through the expansion of our strategic partnership channel. These initiatives are expected to benefit customer growth in 2018 and beyond.

Early in 2017, we announced a five-year extension to our existing exclusive partnership with Comcast to continue marketing electricity and natural gas products to their customer base. We remain focused on the integration of Crius Energy products into the Comcast core home product suite and are continuing to develop and refine the product offerings with plans to be fully integrated by the end of the year and to recommence enrolling customers in early 2018. In addition, we expanded our relationship through a five-year strategic agreement to jointly market the IEP to service providers interested in offering energy products to their customer base. The IEP platform allows additional partners to offer their customers electricity, natural gas and solar energy provided by Crius Energy combined with smart home technology, applications and devices offered by Comcast creating a compelling integrated energy offer for their customers. The IEP strategy was designed to increase value from our strategic partnership channel as it increases speed-to-market for new partners, reduces the cost for Crius Energy to on-board new partners, increases operational efficiency for Crius Energy to serve customers going forward, and enhances customer value through an integrated energy product suite combining Crius Energy and Comcast products which makes the offering more compelling for new partners and their customers. Earlier this year we on-boarded Rise Broadband onto the IEP platform, and early in the fourth quarter we entered into an agreement to add CREDO Mobile as the second IEP partner that will begin offering Crius Energy's products to their network of approximately three million subscribers across 18 deregulated energy states and the District of Columbia in early 2018. The Company is actively marketing the IEP to additional third party partners and has a robust pipeline of potential partners, with additional partner announcements expected by year-end.

Additionally, in our strategic partnership channel, FairPoint Communications was acquired by Consolidated Communications in early July 2017. Consolidated Communications offers internet, television, phone and home security solutions to their customers in 24 states in the United States, of which 16 are deregulated electricity and/or natural gas markets. The partnership offers the Company an expanded opportunity for energy product offerings beyond the existing markets of Maine and New Hampshire under the partnership with FairPoint Communications. Management is currently evaluating the expansion opportunity with consideration on how best to go to market under the new ownership.

Management continues to focus on growth in the deregulated energy business in the commercial and municipal aggregation customer segments. We see continued growth opportunities in these segments, and while these are typically lower margin customers, they provide diversification and generally have longer term contracts that provide value and stability to the portfolio.

In the solar business, we have significantly expanded our capabilities and now operate a vertically integrated residential rooftop solar business in 5 states, having completed the acquisition and integration of both the direct residential solar assets from SunEdison and solar installation assets from Verengo earlier this year. Sales are expected to ramp up with an expanded direct-to-consumer sales team and multiple financing options, including purchase, loan and power purchase agreement products now available on the sales and marketing platform. Additionally, we are now actively marketing solar products in California through a direct-to-consumer salesforce, the largest solar market in the United States, under our well-recognized Verengo brand. Installations in the fourth quarter are expected to exceed installations in the third quarter, and new home installations are a growing segment of the solar business. Further expansion of our community solar business is expected in 2018 and beyond as we evaluate potential partners to expand outside of the Texas market. Crius Energy has the option to participate in a project in 2018 for additional developments of approximately 32 MW of installed solar capacity in Texas, which equates to approximately 16,000 community solar customers. While Management expects the fourth quarter of 2017 to continue to be a net negative contribution to EBITDA, we continue to be confident that the solar business will deliver positive EBITDA in 2018 as a result of our expanded California operations and full integration with our retail energy business.

In October 2017, the Board approved a 2% increase in distributions paid to Unitholders, following consecutive increases in each quarter since January 2016. With the completion of the USG&E Acquisition and the expected pro-forma improvements to Distributable Cash and Payout Ratio, the Board and Management were confident in delivering this increase to Unitholders.

Management continues to evaluate acquisition opportunities including both asset and equity acquisitions, which would further enhance our customer base, and continue the growth of cash flows and value to Unitholders. We are highly focused on maximizing customer life-time value and continue to evolve the Company's strategy to support this endeavor.

Selected Consolidated Financial and Operational Data

The following selected historical financial information has been derived from the unaudited interim condensed consolidated financial statements of the Trust as at and for the three and nine month period ended September 30, 2017 and 2016 and the audited consolidated financial statements of the Trust as at and for the year ended December 31, 2016. The operating data has been prepared by Management based on the Company's records.

Statement of Income (Loss) Highlights
(in millions)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue	$269.9	$222.6	$627.4	$572.4
Cost of sales	214.9	174.8	498.2	451.4
Gross margin	55.0	47.8	129.2	121.0
Expenses				
Selling expenses	12.2	8.4	23.2	22.2
General and administrative	24.8	26.1	76.4	58.9
Unit-based compensation	1.0	1.5	5.8	4.2
Depreciation and amortization	14.3	10.6	46.3	30.1
Operating income (loss)	2.7	1.2	(22.5)	5.6
Other (expenses) income				
Finance costs	(5.5)	(3.1)	(10.1)	(8.4)
Distributions to non-controlling interest	—	—	—	(5.7)
Change in fair value of derivative instruments	7.1	(5.3)	(2.0)	24.8
Change in fair value of warrants	0.4	—	(0.6)	0.1
Change in fair value of non-controlling interest	—	—	—	6.7
Income (loss) before income taxes	4.7	(7.2)	(35.2)	23.1
Benefit from income taxes	(20.3)	(1.6)	(19.4)	(0.5)
Net income (loss)	**$25.0**	**$(5.6)**	**$(15.8)**	**$23.6**
EBITDA[1]	24.5	6.5	21.2	61.6
Adjusted EBITDA[1]	**$18.3**	**$20.6**	**$46.8**	**$47.2**

Note:

(1) EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net income (loss) or other data prepared in accordance with IFRS. See *"Non-IFRS Financial Measures"*. The following table is a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the periods indicated.

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA
(in millions)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net income (loss)	$25.0	$(5.6)	$(15.8)	$23.6
Excluding the impacts of:				
Finance costs	5.5	3.1	10.1	8.4
Benefit from income taxes	(20.3)	(1.6)	(19.4)	(0.5)
Depreciation and amortization	14.3	10.6	46.3	30.1
EBITDA	24.5	6.5	21.2	61.6
Excluding the impacts of:				
Unit-based compensation	1.0	1.5	5.8	4.2
Distributions to non-controlling interest	—	—	—	5.7
Change in fair value of derivative instruments	(7.1)	5.3	2.0	(24.8)
Change in fair value of warrants	(0.4)	—	0.6	(0.1)
Change in fair value of non-controlling interest	—	—	—	(6.7)
Loss on sale of Viridian assets and related charges	—	7.3	—	7.3
Legal reserve and associated legal fees	0.3	—	17.2	—
Adjusted EBITDA	**$18.3**	**$20.6**	**$46.8**	**$47.2**

Statement of Financial Position Highlights
(in millions)

	As at September 30, 2017	As at December 31, 2016
Current assets	$187.0	$126.3
Total assets	540.3	299.3
Current liabilities	223.4	146.9
Long-term liabilities	96.8	12.8
Unitholders' equity	220.1	139.6

Statement of Cash Flows Highlights
(in millions)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash flows provided by (used in) operating activities	$5.3	$19.2	$(1.5)	$25.8
Cash flows used in investing activities	(89.0)	(8.3)	(95.9)	(19.0)
Cash flows provided by (used in) financing activities	78.6	(9.6)	110.8	(7.4)
Cash and cash equivalents at beginning of period	29.4	9.2	10.9	11.2
Cash and cash equivalents at end of period	24.3	10.6	24.3	10.6

Operational Highlights

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Electricity				
Volumes (MWh)	2,691,000	2,353,000	6,229,000	5,894,000
Revenue ($ million)	256.8	218.6	588.4	544.5
Gross margin ($ million)	46.8	45.2	109.2	106.1
Gross margin ($/MWh)	17.41	19.22	17.53	18.00
Gross margin as a % of revenue	18.2%	20.7%	18.6%	19.5%
Natural gas				
Volumes (MMBtu)	1,397,000	448,000	4,663,000	3,908,000
Revenue ($ million)	7.9	1.8	25.3	19.1
Gross margin ($ million)	4.0	0.4	8.8	6.2
Gross margin ($/MMBtu)	2.84	0.92	1.89	1.58
Gross margin as a % of revenue	50.2%	22.7%	34.9%	32.4%

Customer Aggregation

The following table summarizes the Company's gross additions and drops in electricity and natural gas customers from both organic growth and acquisitions activity during the quarter ended September 30, 2017, and over the prior trailing four quarters.

Customer Aggregation
(in customers)[1]

	Opening Customer Count	Customer Adds	Customer Drops	Net Change	Closing Customer Count
Electricity	878,000	88,000	(68,000)	20,000	898,000
Natural Gas	64,000	5,000	(5,000)	—	64,000
Quarter ended September 30, 2016	**942,000**	**93,000**	**(73,000)**	**20,000**	**962,000**
Net Change % of Opening Customer Count				***2.1%***	
Electricity	898,000	86,000	(65,000)	21,000	919,000
Natural Gas	64,000	5,000	(6,000)	(1,000)	63,000
Quarter ended December 31, 2016	**962,000**	**91,000**	**(71,000)**	**20,000**	**982,000**
Net Change % of Opening Customer Count				***2.1%***	
Electricity	919,000	153,000	(126,000)	27,000	946,000
Natural Gas	63,000	3,000	(9,000)	(6,000)	57,000
Quarter ended March 31, 2017	**982,000**	**156,000**	**(135,000)**	**21,000**	**1,003,000**
Net Change % of Opening Customer Count				***2.1%***	
Electricity	946,000	169,000	(141,000)	28,000	974,000
Natural Gas	57,000	3,000	(6,000)	(3,000)	54,000
Quarter ended June 30, 2017	**1,003,000**	**172,000**	**(147,000)**	**25,000**	**1,028,000**
Net Change % of Opening Customer Count				***2.5%***	
Electricity	974,000	396,000	(112,000)	284,000	1,258,000
Natural Gas	54,000	151,000	(17,000)	134,000	188,000
Quarter ended September 30, 2017	**1,028,000**	**547,000**	**(129,000)**	**418,000**	**1,446,000**
Net Change % of Opening Customer Count				***40.7%***	

Note:

(1) Customer counts in the above table refer to RCEs or residential customer equivalents, an industry standard unit of measurement of consumption per annum equivalent to 10 MWh (or 10,000 kWh) in the case of the electricity and 100 MMBtu in the case of natural gas. We have estimated the number of RCEs in accordance with industry conventions based on information available regarding customers and their historical usage and are subject to adjustment based on updated available information. Customer adds and customer drops do not always reflect a customer's service commencement date or service end date due to time lags following the customer's enrolment date and termination request date.

(2) Customer Adds in the quarter ended September 30, 2017 include 350,000 RCEs acquired from USG&E in July 2017, comprising 216,000 electricity customers and 134,000 natural gas customers.

Solar system sales and installations

The following table summarizes the Company's solar systems sold and solar systems installed over the three months ended September 30, 2017, as well as the prior quarters ended June 30, 2017 and March 31, 2017. The sales and installations relate only to sales and installations under the current integrated solar business model, and exclude any installations pursuant to the prior legacy reseller business model.

Solar Systems Sold and Installed[1]
(by number and in MW of generating capacity)

	Systems	MW
Quarter ended March 31, 2017		
Gross Sales	271	1.8
Installations	15	0.1
Quarter ended June 30, 2017		
Gross Sales	258	1.8
Installations	35	0.2
Quarter ended September 30, 2017		
Gross Sales	179	1.4
Installations	30	0.2

Note:

(1) Gross sales of solar systems in the above table represent gross sales only and we expect a certain portion of these sales to be cancelled by the customer prior to installation. Additionally, there is a time lag between gross sales and the installation of the solar systems, which may vary based on numerous factors.

(2) The above table does not include solar system installations related to the Verengo solar business.

Summary of Quarterly Results
(in millions)

	Quarter ended September 30, 2017	Quarter ended June 30, 2017	Quarter ended March 31, 2017	Quarter ended December 31, 2016	Quarter ended September 30, 2016	Quarter ended June 30, 2016	Quarter ended March 31, 2016	Quarter ended December 31, 2015
Revenue	$269.9	$180.2	$177.4	$171.4	$222.6	$169.0	$180.8	$147.5
Cost of sales	214.9	143.0	140.3	133.9	174.8	135.9	140.6	112.0
Gross margin	55.0	37.2	37.1	37.5	47.8	33.1	40.2	35.5
Expenses								
Selling expenses	12.2	6.1	4.9	6.6	8.4	6.6	7.2	9.8
General and administrative	24.8	24.9	26.7	17.3	26.1	12.9	20.0	17.3
Unit-based compensation	1.0	2.1	2.6	0.7	1.5	1.1	1.6	0.5
Depreciation and amortization	14.3	14.3	17.7	9.4	10.6	10.1	9.4	7.4
Operating income (loss)	2.7	(10.2)	(14.8)	3.5	1.2	2.4	2.0	0.5
Other (expenses) income								
Finance costs	(5.5)	(2.4)	(2.3)	(1.9)	(3.1)	(2.6)	(2.8)	(1.7)
Distributions to non-controlling interest	—	—	—	—	—	(2.2)	(3.5)	(3.8)
Change in fair value of derivative instruments	7.1	(0.8)	(8.3)	21.3	(5.3)	37.4	(7.2)	(1.6)
Change in fair value of warrants	0.4	(0.4)	(0.6)	0.1	—	—	0.1	0.2
Change in fair value of non-controlling interest	—	—	—	—	—	7.7	(1.0)	9.3
Income (loss) before income taxes	4.7	(13.8)	(26.0)	23.0	(7.2)	42.7	(12.4)	2.9
(Benefit from) provision for income taxes	(20.3)	0.8	0.2	2.4	(1.6)	2.4	(1.3)	(2.9)
Net income (loss)	**$25.0**	**$(14.6)**	**$(26.2)**	**$20.6**	**$(5.6)**	**$40.3**	**$(11.1)**	**$5.8**

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net income (loss)	$25.0	$(14.6)	$(26.2)	$20.6	$(5.6)	$40.3	$(11.1)	$5.8
Excluding the impacts of:								
Finance costs	5.5	2.4	2.3	1.9	3.1	2.6	2.8	1.7
Benefit from income taxes	(20.3)	0.8	0.2	2.4	(1.6)	2.4	(1.3)	(2.9)
Depreciation and amortization	14.3	14.3	17.7	9.4	10.6	10.1	9.4	7.4
EBITDA	24.5	2.9	(6.0)	34.3	6.5	55.4	(0.2)	12.0
Excluding the impacts of:								
Unit-based compensation	1.0	2.1	2.6	0.7	1.5	1.1	1.6	0.5
Distributions to non-controlling interest	—	—	—	—	—	2.2	3.5	3.8
Change in fair value of derivative instruments	(7.1)	0.8	8.3	(21.3)	5.3	(37.4)	7.2	1.6
Change in fair value of warrants	(0.4)	0.4	0.6	(0.1)	—	—	(0.1)	(0.2)
Change in fair value of non-controlling interest	—	—	—	—	—	(7.7)	1.0	(9.3)
Loss on sale of Viridian assets and related charges	—	—	—	—	7.3	—	—	—
Legal reserve and associated legal fees	0.3	7.9	9.0	—	—	—	—	—
Adjusted EBITDA	**$18.3**	**$14.1**	**$14.5**	**$13.6**	**$20.6**	**$13.6**	**$13.0**	**$8.4**

Distributable Cash and Payout Ratio

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Cash flows from operating activities	$5.3	$1.3	$(8.2)	$15.2	$19.2	$7.1	$(0.6)	$3.8
Changes in operating assets and liabilities	(13.4)	(5.7)	(14.2)	2.2	(1.2)	(6.8)	(14.9)	(9.4)
Cash flows from operating activities excluding changes in operating assets and liabilities	**$18.7**	**$7.0**	**$6.0**	**$13.0**	**$20.4**	**$13.9**	**$14.3**	**$13.2**
Finance costs included in financing activities	(5.3)	(2.7)	(2.3)	(2.3)	(3.1)	(2.5)	(2.5)	(2.0)
Maintenance Capital Expenditures	(0.5)	(0.8)	(0.9)	(1.2)	(6.1)	(2.0)	(1.4)	(2.2)
Unit-based compensation payments	—	—	(4.1)	(0.3)	(0.6)	—	(0.6)	—
Legal reserve and associated legal fees	0.3	7.9	9.0	—	—	—	—	—
Distributable Cash	**$13.2**	**$11.4**	**$7.7**	**$9.2**	**$10.6**	**$9.4**	**$9.8**	**$9.0**
Distributions to non-controlling interest	—	—	—	—	—	3.4	3.6	3.7
Distributions to Unitholders	8.2	5.8	5.8	5.7	5.6	2.2	2.1	2.2
Total Distributions	**$8.2**	**$5.8**	**$5.8**	**$5.7**	**$5.6**	**$5.6**	**$5.7**	**$5.9**
Payout Ratio	**62.1%**	**50.9%**	**75.3%**	**62.0%**	**52.8%**	**59.6%**	**58.2%**	**65.6%**

Discussion of Operations
For the three and nine months ended September 30, 2017 and 2016

Revenue

For the three month period ended September 30, 2017, revenue was $269.9 million, representing an increase of 21.2% from $222.6 million for the three month period ended September 30, 2016. For the nine months ended September 30, 2017, revenue was $627.4 million, representing an increase of 9.6% from $572.4 million for the nine months ended September 30, 2016. The period-over-period revenue was higher primarily due to revenues associated with the acquisition of USG&E at the beginning of the third quarter of 2017, but was offset by materially lower usage per customer as a result of the cooler-than-normal summer weather conditions in the third quarter of 2017 compared to the prior comparable quarter, which was a warmer-than-normal summer. Average temperatures in the markets we serve customers were approximately 24% lower in the third quarter of 2017 than the prior comparable quarter, as measured by CDDs.

Electricity

Electricity revenue for the three month period ended September 30, 2017 was $256.8 million, representing an increase of 17.5% from $218.6 million for the three month period ended September 30, 2016, primarily as a result of a 2.7% higher average retail rate per unit, and a 14.4% increase in volume. Electricity volumes for the three month period ended September 30, 2017 were 2,691,000 MWh representing an increase of 14.4% from 2,353,000 MWh for the three month period ended September 30, 2016, with the increase being primarily due to higher average customers associated with the acquisition of USG&E at the beginning of the third quarter of 2017 but offset by materially lower usage per customer as a result of the cooler-than-normal summer weather conditions in the third quarter of 2017 compared to the prior comparable quarter, which was a warmer-than-normal summer.

Electricity revenue for the nine month period ended September 30, 2017 was $588.4 million, representing an increase of 8.1% from $544.5 million for the nine month period ended September 30, 2016, as a result of a 2.3% higher average retail rate per unit, and a 5.7% increase in volume. Electricity volumes for the nine month period ended September 30, 2017 were 6,229,000 MWh representing an increase of 5.7% from 5,894,000 MWh for the nine month period ended September 30, 2016, with the increase being primarily due to higher average customers associated with the acquisition of USG&E at the beginning of the third quarter of 2017.

Natural Gas

Natural gas revenue for the three month period ended September 30, 2017 was $7.9 million, representing an increase of 336.5% from $1.8 million for the three month period ended September 30, 2016, primarily as a result of increased volume and higher average retail rates per unit, due to the addition of the natural gas customer portfolio acquired from USG&E. Natural gas volumes for the three month period ended September 30, 2017 were 1,397,000 MMBtu, representing an increase of 211.8% from 448,000 MMBtu for the three month period ended September 30, 2016.

Natural gas revenue for the nine month period ended September 30, 2017 was $25.3 million, representing an increase of 32.5% from $19.1 million for the nine month period ended September 30, 2016, as a result of a 11.0% higher average retail rate per unit, and a 19.3% increase in volume. Natural gas volumes for the nine month period ended September 30, 2017 were 4,663,000 MMBtu, representing an increase of 19.3% from 3,908,000 MMBtu the nine month period ended September 30, 2016, with the increase being primarily due to higher average customers associated with the acquisition of USG&E at the beginning of the third quarter of 2017.

Solar Revenue

Solar revenue for the three month period ended September 30, 2017 was $3.5 million, representing an increase from revenues of $0.4 million in the three month period ended September 30, 2016. Solar revenues related to the origination and installation of the solar systems in the third quarter of 2017 were $1.9 million, compared to $0.4 million in the prior comparable period. Solar revenues in the third quarter of 2017 included $1.6 million associated with the new community solar initiative launched in the second quarter of 2017 for the aggregation of community solar customers.

Solar revenue for the nine month period ended September 30, 2017 was $8.7 million, representing an increase from revenues of $2.1 million in the nine month period ended September 30, 2016. The period-over-period comparison benefited by $5.0 million in revenue associated with the new community solar initiative launched during the second quarter of 2017 for the aggregation of community solar customers. Excluding this new revenue stream, solar revenues were up by $1.6 million over the prior comparable period.

Fee Revenue

Fee revenue, consisting of various fees received from customers, for the three month period ended September 30, 2017 was $1.7 million, compared to $1.8 million for the three month period ended September 30, 2016.

Fee revenue, for the nine month period ended September 30, 2017 was $4.9 million, representing a decrease of 25.2% from $6.6 million for the nine month period ended September 30, 2016, which was attributable to elimination of fees from Viridian independent contractors following the sale of certain Viridian assets in July 2016.

Gross Margin

For the three month period ended September 30, 2017, gross margin was $55.0 million, representing an increase from $47.8 million for the three month period ended September 30, 2016. Gross margin for the three month period ended September 30, 2017 was 20.4% of total revenue, representing a decrease from 21.5% of total revenue for the three month period ended September 30, 2016.

For the nine month period ended September 30, 2017, gross margin was $129.2 million, representing an increase of 6.8% from $121.0 million for the nine month period ended September 30, 2016. Gross margin for the nine month period ended September 30, 2017 was 20.6% of total revenue, representing a decrease from 21.1% for the nine month period ended September 30, 2016.

The period-over-period increases in gross margin are attributable to the addition of the customer portfolio acquired from USG&E at the beginning of the third quarter of 2017, but offset by materially lower usage per customer as a result of the cooler-than-normal summer weather conditions in the third quarter of 2017 compared to the warmer-than-normal summer experienced in the prior year. Lower period-over-period gross margins as a percentage of revenue is consistent with recent trends resulting from the increased mix of lower-margin commercial and municipal aggregation customers in the portfolio, but offset by the addition of the higher-margin USG&E portfolio.

Electricity

Electricity gross margin for the three month period ended September 30, 2017 was $46.8 million, representing an increase of 3.6% from $45.2 million for the three month period ended September 30, 2016. For the three month period ended September 30, 2017, electricity gross margin per unit was $17.41/MWh and electricity gross margin was 18.2% of electricity revenues, representing decreases from $19.22/MWh and 20.7% respectively, for the three month period ended September 30, 2016. Gross margins in the current quarter were largely flat with the prior year comparable period, despite the addition of the customers acquired from USG&E, due to the adverse impact from the cooler-than-normal summer weather conditions, which were 24% lower than prior comparable period as measured by CDDs, resulting in materially lower electricity usage per customer. Lower period-over-period gross margins as a percentage of revenue has been exacerbated by the impact of cooler-than-normal weather in the third quarter, however is consistent with recent trends resulting from the increased mix of lower-margin commercial and municipal aggregation customers in the portfolio, but offset by the addition of the higher-margin USG&E portfolio.

Electricity gross margin for the nine month period ended September 30, 2017 was $109.2 million, representing an increase of 2.9% from $106.1 million for the nine month period ended September 30, 2016. For the nine month period ended September 30, 2017, electricity gross margin was 18.6% of electricity revenues, and electricity gross margin per unit was $17.53/MWh, representing decreases from 19.5% and $18.00/MWh, respectively, for the nine month period ended September 30, 2016. Gross margins and gross margin per unit variances were due to similar reasons as noted above.

Natural Gas

Natural gas gross margin for the three month period ended September 30, 2017 was $4.0 million, an increase from $0.4 million for the three month period ended September 30, 2016. For the three month period ended September 30, 2017, natural gas gross margin per unit was $2.84/MMBtu, representing an increase from $0.92/MMBtu, for the three month period ended September 30, 2016. The increase in gross margin and gross margins per unit in the quarter were primarily attributable to the acquisition of the USG&E customer portfolio at the beginning of the third quarter of 2017.

Natural gas gross margin for the nine month period ended September 30, 2017 was $8.8 million, representing a 42.7% increase from $6.2 million for the nine month period ended September 30, 2016. For the nine month period ended September 30, 2017, natural gas gross margin per unit was $1.89/MMBtu, representing an increase from $1.58/MMBtu, for the nine month period ended September 30, 2016. The increase in gross margin per unit in the period were due to the reasons noted above.

Other

Gross margin for the three and nine month periods ended September 30, 2017 included solar gross margin of $2.4 million and $6.2 million, respectively and various fees received from customers of $1.7 million and $4.9 million, respectively. For three and nine month periods ended September 30, 2016, solar gross margin was $0.4 million and $2.1 million, respectively and revenues from independent contractors in the network marketing channel and various fees received from customers were $1.8 million and $6.6 million, respectively, with the period-over-period changes due to the reasons noted above.

Selling Expenses

Selling expenses consist of commissions due to our various sales channels including to independent contractors in our network marketing channel, and to Viridian International Management LLC ("**Viridian International**") following the sale of certain Viridian assets in July 2016, commercial and residential brokers, telemarketing and door-to-door vendors, partners in our strategic partnerships, employees both for customer consumption and enrolling new electricity, natural gas and solar customers, and vendors used in the Company's direct mail and other direct marketing campaigns. Selling expenses are expensed in the period during which they are earned by the independent contractors, strategic partners, employees or vendors, as applicable.

Commissions earned are comprised of upfront commissions, which are primarily based on the successful enrollment of customers, and residual commissions, which are primarily based on customer consumption and receipt of customer payments. The commission structures utilized are summarized below:

- Commissions due to independent contractors for customers acquired through network marketing (prior to the sale of certain Viridian assets in July 2016) were calculated according to a multi-level compensation plan designed to reward independent contractors for building successful marketing networks. Under the compensation plan, independent contractors are eligible to earn upfront and residual commissions, cash bonuses and promotional pay based on several factors, including, but not limited to, customer enrollment and energy usage.

- Commissions due for customers acquired through our strategic partnerships, and through Viridian International (following the sale of certain Viridian assets in July 2016), are calculated primarily based on upfront commissions calculated per customer enrolled, and may be subject to a partial or full repayment of such commission for customers who terminate their service within certain time frames and a residual-based commission based on a revenue or energy usage over a customer's term of enrollment.

- Commissions due to independent contractors in our direct marketing channel primarily comprise upfront commissions, based on successful customer enrollments, and may be subject to a partial or full repayment of such commission for customers who terminate their service within certain time frames, or paid under hourly contracts. Selling costs also include costs from various vendors used in direct mail and other direct marketing campaigns.

- Commissions due to brokers in our commercial broker channel are primarily residual commissions, which are based on energy usage over a customer's term of enrollment.

- Commissions due to employees and independent contractors based on customer enrolments and/or the size and pricing of the solar systems sold.

For the three month period ended September 30, 2017, selling expenses were $12.2 million, representing an increase of 44.8% from $8.4 million for the three month period ended September 30, 2016. Selling expenses for the three month period ended September 30, 2017 amounted to 4.5% of revenue compared to 3.8% of revenue for the three month period ended September 30, 2016. Selling expenses consist of:

(a) Upfront electricity and natural gas customer acquisition costs for the three month period ended September 30, 2017 of $5.3 million (amounting to $27 per customer acquired), representing an increase from $2.2 million for the three month period ended September 30, 2016 (amounting to $23 per customer acquired), with the higher costs in the third quarter of 2017, as compared to the prior comparable period as well as recent quarters, being primarily a result of the impact of increased additions and increased upfront selling costs per customer following the USG&E acquisition, which represents and increased mix of sales channels associated with higher upfront customer acquisition costs.

(b) Residual-based electricity and natural gas commissions for the three month period ended September 30, 2017 of $6.3 million (amounting to 2.3% of revenues), representing an increase from $5.6 million for the three month period ended September 30, 2016 (amounting to 2.5% of revenues). Residual-based commissions were higher in the third quarter of 2017, primarily due to addition of residual-based commissions associated with the USG&E Acquisition at the beginning of the third quarter of 2017.

(c) Solar selling costs for the three month period ended September 30, 2017 of $0.6 million, representing a decrease from $0.7 million for the three month period ended September 30, 2016.

For the nine month period ended September 30, 2017, selling expenses were $23.2 million, representing an increase of 4.5% from $22.2 million for the nine month period ended September 30, 2016. Selling expenses for the nine month period ended September 30, 2017 amounted to 3.7% of revenue compared to 3.9% of revenue for the nine month period ended September 30, 2016. These expenses consist of:

(a) Upfront electricity and natural gas customer acquisition costs for the nine month period ended September 30, 2017 of $8.7 million (amounting to $17 per customer acquired), representing an increase from $7.0 million for the nine month period ended September 30, 2016 (amounting to $21 per customer acquired), with the higher costs in the current period being impacted by the increased additions as a result of the acquisition of USG&E and the decrease in upfront selling costs per customer were driven by the large number of additions related to municipal aggregations and default service auctions in the period, which are associated with minimal upfront selling costs.

(b) Residual-based electricity and natural gas commissions for the nine month period ended September 30, 2017 of $12.5 million (amounting to 2.0% of revenues), compared to $12.9 million for the nine month period ended September 30, 2016 (amounting to 2.3% of revenues).

(c) Solar selling costs for the nine month period ended September 30, 2017 of $2.0 million, representing a decrease from $2.4 million for the nine month period ended September 30, 2016.

General and Administrative Expenses

General and administrative expenses for the three and nine month periods ended September 30, 2017 were $24.8 million and $76.4 million, respectively compared to $26.1 million and $58.9 million for the three and nine month periods ended September 30, 2016, respectively, as set out in the tables below.

Excluding the impact of the legal reserve and associated legal fees and the loss on sale of Viridian assets and related charges, both which are excluded from Adjusted EBITDA, general and administrative expenses would have been $24.5 million and $59.2 million, respectively, for the three and nine month periods ended September 30, 2017, compared to $18.8 million and $51.6 million, respectively for the prior comparable period, with the net increases of $5.7 million and $7.6 million respectively being primarily attributable to the addition of the cost-base of USG&E as well as transaction and integration costs related to the acquisition in July 2017.

General and Administrative Expenses
(in $ millions and % of revenue)

	Three months ended September 30, 2017		Three months ended September 30, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	$	%	$	%	$	%	$	%
POR fees / bad debt	$2.6	1.0%	$1.8	0.8%	$5.9	0.9%	$4.9	0.9%
Processing costs	1.5	0.6%	1.1	0.5%	3.8	0.6%	3.5	0.6%
Human resources	8.9	3.3%	5.9	2.7%	21.4	3.4%	20.5	3.6%
Gross receipts taxes and other taxes	2.1	0.8%	3.2	1.4%	5.6	0.9%	6.0	1.0%
Professional and consultant fees	2.4	0.9%	0.4	0.2%	4.5	0.7%	2.4	0.4%
Legal and regulatory	0.3	0.1%	1.3	0.6%	2.2	0.4%	3.4	0.6%
Solar operating expenses	2.1	0.8%	1.9	0.9%	6.0	1.0%	1.9	0.3%
Other costs	4.6	1.7%	3.2	1.4%	9.8	1.6%	9.0	1.6%
Loss on sale of Viridian assets and related charges	—	—%	7.3	3.3%	—	—%	7.3	1.3%
Legal reserve and associated legal fees	0.3	0.1%	—	—%	17.2	2.7%	—	—%
Total	**$24.8**	**9.2%**	**$26.1**	**11.7%**	**$76.4**	**12.2%**	**$58.9**	**10.3%**

General and administrative expenses incurred during the three and nine month periods ended September 30, 2017 were made up of the following categories:

(a) POR fees / bad debt represent fees paid to the local distribution companies ("**LDCs**") pursuant to Purchase of Receivables ("**POR**") programs, under which the LDCs assume credit risk associated with customer non-payment and bad debt costs incurred in markets where the Company does not operate under a POR program, which exposes the Company to customer credit risk. The POR fees / bad debt costs for the three month period ended September 30, 2017 were $2.6 million, representing 1.0% of revenue, compared to $1.8 million for the three month period ended September 30, 2016, representing 0.8% of revenue for that period, with the increase primarily due to the USG&E Acquisition at the beginning of the third quarter of 2017.

The POR fees / bad debt costs for the nine month period ended September 30, 2017 were $5.9 million, representing 0.9% of revenue, compared to $4.9 million for the nine month period ended September 30, 2016, representing 0.9% of revenue for that period, with the increase primarily due to the USG&E Acquisition.

(b) Processing costs for the three month period ended September 30, 2017 of $1.5 million include various data processing and information technology costs incurred to service our customers and salesforce, compared to $1.1 million for the three month period ended September 30, 2016, with the increase primarily due to the USG&E Acquisition.

Processing costs for the nine month period ended September 30, 2017 were $3.8 million, compared to $3.5 million in costs incurred for the prior comparable period in 2016, with the increase primarily due to the USG&E Acquisition.

(c) Human resource costs for the three month period ended September 30, 2017 of $8.9 million, consist of costs incurred in relation to the Company's employee base, temporary staff and independent contractors compared to costs in the prior comparable period in 2016 of $5.9 million, with the increase primarily due to the USG&E Acquisition.

Human resource costs for the nine month period ended September 30, 2017 were $21.4 million compared to the prior comparable period in 2016 of $20.5 million, with the increase primarily due to the USG&E Acquisition.

(d) Gross receipts taxes and other taxes represent operational taxes in various states and jurisdictions and are primarily driven by revenue. For the three month period ended September 30, 2017 gross receipts taxes and other taxes were $2.1 million, representing 0.8% of revenue, compared to $3.2 million incurred in the prior comparable period in 2016, representing 1.4% of revenue, with the prior period amount being elevated due to certain sales tax and other tax accruals.

Gross receipts taxes and other taxes for the nine month period ended September 30, 2017 amounted to $5.6 million, representing 0.9% of revenue, compared to $6.0 million incurred in the prior comparable period in 2016, representing 1.0% of revenue, with the prior period amount being elevated due to certain sales tax and other tax accruals.

(e) Professional and consultant fees for the three month period ended September 30, 2017 of $2.4 million represent audit, tax, investor relations, share registry, valuation, due diligence, internal controls consulting and other fees and compares to $0.4 million in the prior comparable period in 2016. The current period was impacted by $1.0 million in transaction and integration costs related to the USG&E Acquisition.

Professional and consultant fees for the nine month period ended September 30, 2017 amounted to $4.5 million, which compares to $2.4 million incurred in the prior comparable period in 2016. The current period was impacted by $1.3 million in transaction and integration costs related to the USG&E Acquisition.

(f) Legal and regulatory costs for the three month period ended September 30, 2017 of $0.3 million represent external legal fees and compares to $1.3 million in the prior comparable period in 2016.

Legal and regulatory costs for the nine month period ended September 30, 2017 amounted to $2.2 million compared with $3.4 million in costs incurred in the prior comparable period in 2016. The current period was impacted by $1.0 million in transaction costs related to the USG&E Acquisition.

(g) Solar operating expenses for the three month period ended September 30, 2017 of $2.1 million represent costs associated with the operation of the solar business and compares to $1.9 million in the prior comparable period in 2016.

Solar operating expenses for the nine month period ended September 30, 2017 amounted to $6.0 million compared with $1.9 million in the prior comparable period in 2016, with the increase being due to the fact that the prior period costs only included solar operating expenses for the third quarter as prior to the acquisition of the SunEdison residential solar business and the Verengo acquisition, there were no solar operating expenses in the fee-based legacy solar business.

(h) Other costs for the three month period ended September 30, 2017 of $4.6 million represent the balance of corporate, operational and marketing related expenses incurred to operate our business. These costs compare to $3.2 million in the prior comparable period in 2016, with the current period being impacted by acquisition of USG&E at the beginning of the third quarter of 2017.

Other costs for the nine month period ended September 30, 2017 amounted to $9.8 million compared with $9.0 million in the prior comparable period in 2016, with the period-over-period comparison being impacted by the same reason noted above.

(i) As a result of the sale of the Viridian assets in July 2016 to Viridian International, the Company recognized a loss on sale and related charges of $7.3 million for the three and nine month period ended September 30, 2016. These represent non-recurring charges including the difference between the consideration received from Viridian International and the net book value of the intangible assets related to the Viridian sales channel that were established in the initial public offering of the Trust in November 2012, as well as a charge to fully reserve for the promissory note and related receivables owed to the Company by Viridian International under the transaction agreements.

(j) Legal reserve and associated legal fees for the three month period ended September 30, 2017 of $0.3 million, consisted of ongoing legal fees relating to the pending litigation and regulatory matters discussed below relating to sales and marketing practices. These legal fees incurred in the current quarter were excluded from Adjusted EBITDA and Distributable Cash.

Legal reserve and associated legal fees for the nine month period ended September 30, 2017 amounted to $17.2 million, consisting of the legal reserve established by the Company of $13.0 million, and associated legal fees of $4.2 million in the nine month period ended September 30, 2017, for certain pending litigation and regulatory matters relating to sales and marketing practices. Management does not expect the disposition of these matters to have a material adverse effect on the Company's results of operations or financial condition and will seek to resolve these matters in the manner Management believes to be in the best interests of Unitholders. This legal reserve, together with associated legal fees incurred were excluded from Adjusted EBITDA and Distributable Cash.

Unit-Based Compensation

The unit-based compensation charge relates to the cumulative net issuance of Phantom Units to Management and other parties under the Company's Phantom Unit Rights Plan, as well as of Deferred Trust Units to the Board. For the three and nine month periods ended September 30, 2017, the unit-based compensation expense amounted to $1.0 million and $5.8 million, representing a decrease from $1.5 million and an increase from $4.2 million for the three and nine month periods ended September 30, 2016. The expense reflects the fair value of the unit-based compensation based on the market price of Units at the end of the period and the applicable vesting period.

Depreciation and Amortization

Depreciation and amortization relate to the property and equipment and intangibles used in the Company's operations. Depreciation and amortization for the three and nine month periods ended September 30, 2017 was $14.3 million and $46.3 million, representing increases from $10.6 million and $30.1 million for the three and nine month periods ended September 30, 2016. The increases are primarily attributable to the amortization of intangible assets related to the acquisition of USG&E at the beginning of the third quarter of 2017.

Finance Costs

Finance costs for the three and nine month periods ended September 30, 2017 were $5.5 million and $10.1 million, representing increases from $3.1 million and $8.4 million for the three and nine month periods ended September 30, 2016. Finance costs are incurred pursuant to the Company's Supplier Agreements as well as under its Term Loans. Refer to the discussion in the section entitled *"Liquidity and Capital Resources"* in this MD&A, for a detailed description of the Supplier Agreements and Term Loans. The higher finance fees for the three and nine month periods ended September 30, 2017 were attributable the higher energy volumes as a result of the acquisition of USG&E at the beginning of the third quarter of 2017, increased usage on the credit facility, partially to fund the cash portion of the USG&E Acquisition and interest on the Term Loans which were entered into in the current periods.

Distributions to Non-Controlling Interest

Due to certain provisions relating to redemption rights for the non-controlling interest in change of control circumstances that existed in the Trust's governance documents prior to the completion of the Remaining LLC Acquisition in June 2016, the non-controlling interest was classified as a long-term liability on the consolidated statement of financial position. Accordingly, prior to June 2016, distributions paid by Crius Energy, LLC to the non-controlling interest were included in the profit and loss under this caption. Distributions to non-controlling interest were $5.7 million for the nine months ended September 30, 2016. However, following June 2016 there are no longer distributions to non-controlling interest due to the elimination of the non-controlling interest ownership of the LLC Units as a result of the Remaining LLC Acquisition in June 2016, which resulted in acquisition by the Trust, directly or indirectly, of 100% of Crius Energy, LLC.

Change in Fair Value of Derivative Instruments

The change in fair value of derivative instruments consists of changes in unrealized gains or losses on derivatives, which represent the estimated amount that the Trust would need to pay or receive to dispose of the remaining notional commodity or currency positions in the market if the derivative contracts to which the Company are party were to be terminated at the respective period end (see the section entitled *"Financial Instruments and Risk Management"* in this MD&A).

For the three and nine month periods ended September 30, 2017, the changes in unrealized gains or losses associated with derivative contracts were a net gain of $7.1 million and a net loss of $2.0 million respectively, compared to a net loss of $5.3 million and a net gain of $24.8 million for the three and nine month periods ended September 30, 2016, respectively. The net gains and losses in the periods were primarily the result of increases and decreases in forward energy prices relative to our forward hedge positions.

Change in Fair Value of Derivative Instruments
(in millions)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Forward electricity positions	$6.3	$(5.2)	$(1.7)	$19.6
Forward natural gas positions	—	0.4	(1.2)	5.9
Weather derivative positions	—	0.1	0.1	(0.4)
Forward currency positions	0.8	(0.6)	0.8	(0.2)
Change in fair value of derivative instruments	**$7.1**	**$(5.3)**	**$(2.0)**	**$24.9**

These gains and losses represent non-cash gains and losses associated with mark-to-market movements on forward hedge positions that are outstanding at period end. These hedges are put in place to hedge either the fixed price exposure of customers on fixed price contracts, the expected short-term exposure of variable priced customers, or the impacts of currency movements on the Trust's distributions, thereby minimizing the impact of these unrealized mark-to-market gains and losses.

Change in Fair Value of Warrants

The change in fair value of warrant liability for the three and nine month periods ended September 30, 2017 was a net gain of $0.4 million and a net loss of $0.6 million, respectively, compared to no gain and a net gain of $0.1 million, respectively, for the three and nine month periods ended September 30, 2016. These gains and losses represent the mark-to-market valuation of the 750,000 Unit purchase warrants ("**Warrants**") issued to Macquarie Energy in connection with the Supplier Agreements (as defined in the section entitled *"Liquidity and Capital Resources"* in this MD&A). The valuation of the Warrants is based on an option valuation model, and accordingly the non-cash gains and losses are the result of changes in the Unit price, volatility, yield, time to maturity and risk-free rate over the period.

Change in Fair Value of Non-Controlling Interest

In June 2016, the Trust acquired all the remaining LLC Units not already owned by the Trust, following which the Trust no longer has a non-controlling interest liability relating to the non-controlling members of Crius Energy, LLC. Accordingly, the Trust no longer has gains and losses representing the mark-to-market valuation of such non-controlling interest liability. However, due to certain provisions relating to redemption rights for the non-controlling interest in change of control circumstances that existed in the Trust's governance documents prior to the Remaining LLC Acquisition completed in June 2016, the non-controlling interest was classified as a long-term liability on the statement of financial position. Accordingly, this non-controlling interest is measured at fair value at the end of each period with the gain or loss being recorded in the profit and loss. The fair value of the non-controlling interest was measured principally based on the trading price of Units on the TSX, with an adjustment for certain profit interest units of the Company that was calculated using an option pricing model. The change in fair value of non-controlling interest was a gain of $6.7 million for the nine month period ended September 30, 2016 and was primarily the result of changes in the trading price of Units, during the reporting period.

Benefit from Income Taxes

For the three and nine month periods ended September 30, 2017, the Trust recorded a benefit from income taxes of $20.3 million and $19.4 million, respectively, compared to a benefit from income taxes of $1.6 million and $0.5 million, respectively in the prior comparable periods in 2016. The provision for (benefit from) income taxes is based on Management's estimate of the average annual effective income tax rate expected for the full financial year, after factoring the impact of state taxes and judgments related to the ability to realize deferred tax assets, and the tax impact of discrete items.

For the nine months ended September 30, 2017, the provision for (benefit from) income taxes differs from the amount derived by applying the U.S. statutory federal rate of 34% to the pre-tax loss principally due to the effect of state taxes and a change in judgment around the ability to realize deferred tax assets in future years. The benefit from income taxes was impacted by the recognition of $18.5 million in deferred tax assets in the quarter, primarily related to net operating losses ("**NOLs**"), of Verengo that are expected to be utilized against current and future taxable income as a result of the USG&E Acquisition, subject to the applicable limitations and rules in the Internal Revenue Code.

For the nine months ended September 30, 2016, the income tax provision (benefit) differs from the amount derived by applying the U.S. statutory federal rate of 34% to pretax loss principally due to the effect of state taxes, judgments related to the ability to realize deferred tax assets and permanent items such as distributions to non-controlling interest holders. Under United States partnership taxation rules, Crius Energy, LLC was not a taxable entity prior to June 2016 and its taxable income flowed through to its non-controlling partners who were then taxed on their allocable share of the partnership income.

Net Income (Loss)

For the three and nine month periods ended September 30, 2017, net income was $25.0 million and net loss was $15.9 million, respectively, compared to net loss of $5.6 million and net income of $23.7 million for the three and nine month periods ended September 30, 2016, with the changes being attributable to the factors noted above. Net income (loss) is impacted by numerous non-cash items, some resulting from the structure of the Trust and its subsidiaries as well as the industry in which they operate. Accordingly, Management believes the additional non-IFRS financial measures of Adjusted EBITDA and Distributable Cash are useful metrics to be considered together with net income (loss) for evaluating the Trust's financial and operating performance, as they are measures that Management uses internally to assess performance.

Liquidity and Capital Resources

The Trust expects to have sufficient liquidity to fund its planned operations for the foreseeable future. The following are the primary sources of funding for future expenditures that are expected by Management to be available: (i) internally generated cash flow from operations; (ii) existing cash and working capital; and (iii) borrowing capacity under the Company's supplier agreements with Macquarie Energy and Vantage Commodities (detailed below) and (iv) external debt financing. Additionally, Management may seek to raise capital through further debt financing or through the issuance of additional Units.

Supplier Agreements

Following the acquisitions of USG&E and Big Sky Gas in the third quarter of 2017, Crius Energy has three separate supplier agreements (together referred to as "**Supplier Agreements**") in place, which are detailed below.

Crius Supplier Agreement

The supplier agreement in place between Crius Energy and Macquarie Energy ("**Crius Supplier Agreement**") provides for the exclusive supply of wholesale energy needs and hedging requirements for the Crius Energy business (excluding the newly acquired USG&E and Big Sky Gas operations) for a term ending in January 2019. Under the Crius Supplier Agreement, Macquarie Energy assumes the responsibility for meeting all the credit and collateral requirements with each Independent System Operator. Further, the Company's customers as well as the LDCs serving the Company's customers are directed to remit all customer payments into a designated restricted bank account (the "**Lockbox**"), and the funds in that account are used to pay Macquarie Energy for energy supplied and other fees and interest due under the Crius Supplier Agreement. The trade payables are secured by funds pledged in the Lockbox, accounts receivable, natural gas inventory and all other Company assets.

Macquarie Energy extends trade credit to buy wholesale energy supply, with all amounts due being payable in the month following the delivery of the energy. The credit extended under the Crius Supplier Agreement is limited to an overall exposure limit of $250.0 million subject to certain standard financial covenants, and limited to a calculated credit base based on restricted cash in the Lockbox, billed and unbilled receivables, natural gas inventory, forward value of customers and certain other items. The Company incurs a volumetric fee based on the wholesale energy delivered, which is included as finance costs in the profit and loss. Effective February 1, 2016, the Company entered into an amended supplier agreement with Macquarie Energy, whereby the volumetric fees are temporarily reduced until the Company reaches an agreed upon savings. Upon reaching the targeted savings, the volumetric fees will revert to their previous rate.

The arrangement includes a working capital facility with a sub-limit of $60.0 million under which letters of credit and cash advances can be made based on the calculated credit base. Such letters of credit and cash advances under this line are subject to an annual interest rate of 5.5% plus LIBOR, with an incremental interest rate of 1.25% applied to borrowings above a certain threshold.

Under the Crius Supplier Agreement, the Company and its operating subsidiaries are permitted to make monthly distributions provided that (i) no event of default, termination event or potential event of default has occurred, (ii) Macquarie Energy has been paid in full for all amounts owing under all then outstanding monthly invoices, (iii) Macquarie Energy has not received notice that any amount owed to any party is then currently past due, and (iv) the requested distribution would not result in a breach of any covenant under the agreement.

As at September 30, 2017, the Company has $55.0 million outstanding under its credit facility, compared to $9.5 million outstanding as at December 31, 2016. The credit facility balance was impacted by a draw at the end of the previous quarter of $19.0 million to fund a portion of the cash portion of the purchase price of the USG&E Acquisition, which closed in July 2017. As at September 30, 2017, the Company was in compliance with all covenants under the Crius Supplier Agreement.

USG&E Supplier Agreement

As a result of its acquisition of USG&E, the Company has an additional supplier agreement with Macquarie Energy (the "**USG&E Supplier Agreement**").

The terms of the USG&E Supplier Agreement are similar to the Crius Supplier Agreement, with the following key differences. The overall facility size is limited to $85.0 million, with conditions for increases to $150.0 million with Macquarie Energy's approval. The facility provides for cash advances pursuant to a revolving line of credit (the "**Revolver**"), with a sub-limit of $35.0 million (the "**Revolver Sub-limit**"), that can be used for working capital and other purposes. The facility also provides for the issuance of letters of credit, which USG&E utilizes for collateral postings with various entities, deferral of accounts payable to Macquarie Energy of up to $10.0 million for 30 days and storage loans for natural gas inventory purchased during the months of May through October of each year. The aggregate quantity of prepaid storage gas for which payment is deferred cannot exceed ten million MMBtu. As the prepaid storage gas is withdrawn in the winter, the storage loans must be repaid to the extent the prepaid storage gas balance falls below the outstanding balance of the storage loans. Any balance remaining on storage loans must be paid in full by the supply purchases payment due date in the following April. The interest rate on the Revolver, standby letters of credit, deferred payables and storage loans is 5.5% plus the 30-day LIBOR (1.24% as at September 30, 2017), per annum, payable monthly and there is a commitment fee of 0.5%, per annum, payable quarterly, on the average daily unused amount of the Revolver Sub-limit.

As at September 30, 2017, the Company has letters of credit issued totaling $8.0 million and no cash advances or storage loans drawn under the Revolver or accounts payable deferrals. As at September 30, 2017, the Company was in compliance with all covenants.

Big Sky Supplier Agreement

As a result of its acquisition of Big Sky Gas, the Company has a supplier agreement (the "**Vantage Supplier Agreement**") with Vantage Commodities Financial Services II.

The current terms of the Vantage Supplier Agreement include, among other things: (1) facility size up to $2.5 million; (2) maturity date of October 2018; (3) deferred supply sub-limit of $1.5 million; (4) interest rate on the utilization fee, revolving facility and deferred supply of 5.5% plus the 30-day LIBOR (1.24% as at September 30, 2017), per annum, payable monthly and (5) commitment fee of 1.0%, per annum. The Vantage Supplier Agreement provides for advances under a revolving facility that can be used for working capital and other purposes.

As at September 30, 2017, there were no letters of credit and cash advances of $0.6 million drawn under the Vantage Supplier Agreement. As at September 30, 2017, the Company was in compliance with all covenants.

Term Loans

The Company has two term loans, which are outstanding to the Connecticut Department of Economic and Community Development ("**CT DECD**") and certain USG&E selling shareholders (together referred to as "**Term Loans**").

In January 2017, the CT DECD advanced a term loan to the Company in the amount of $8.0 million, for a term of up to 10 years, at an annual interest rate of 2.0% (the "**CT DECD Term Loan**"). Repayment of the CT DECD Term Loan principal is deferred for the first four years of the loan term. The Term Loan contains a provision for potential debt forgiveness or early redemption based on the Company achieving certain headcount targets agreed upon with the Connecticut DECD.

In July 2017, as part of the USG&E Acquisition, certain selling shareholders advanced a subordinated promissory note (**"USG&E Sellers Note"**) to the Company in the amount of $47.5 million at an annual interest rate of 9.5%. The note has an eight year term that matures in July 2025, is non-amortizing with accrued interest being payable quarterly over the term. The promissory note is secured by the assets of USG&E, but is subordinated to the security interest of Macquarie Energy under the Supplier Agreements. The USG&E Sellers Note has been adjusted for a preliminary post-closing working capital adjustments and the net amount of $42.9 million is included in the consolidated statement of financial position.

Total Cash and Availability

As at September 30, 2017, the Trust had Total Cash and Availability of $69.5 million, consisting of cash and cash equivalents of $24.3 million and $45.2 million of availability under the credit facilities. This compares to the Total Cash and Availability as at December 31, 2016 of $49.9 million, consisting of cash and cash equivalents of $10.9 million and $39.0 million of availability under the credit facility. Total Cash and Availability at the end of the third quarter of 2017 benefited from a temporary $20.0 million limit increase as part of the USG&E Acquisition, which expires in the fourth quarter of 2017.

Cash Flow provided by (used in) Operations

Cash flow provided by operations for the three month period ended September 30, 2017 amounted to $5.3 million and included net outflows of $13.4 million for changes in operating assets and liabilities, which compared to cash flow provided by operations for the three month period ended September 30, 2016 of $19.2 million and included net outflows of $1.2 million for changes in operating assets and liabilities. Excluding these changes in operating assets and liabilities, cash flow from operations was $18.7 million for the three month period ended September 30, 2017, compared to $20.4 million for the three month period ended September 30, 2016.

Cash flow used in operations for the nine month period ended September 30, 2017 amounted to $1.5 million and included net outflows of $33.2 million for changes in operating assets and liabilities, which compared to cash flow provided by operations for the nine month period ended September 30, 2016 of $25.8 million and included net outflows of $22.8 million for changes in operating assets and liabilities. Excluding these changes in operating assets and liabilities, cash flow from operations was $31.7 million for the nine month period ended September 30, 2017, compared to $48.7 million for the nine month period ended September 30, 2016, with the decrease being primarily attributable to the $17.2 million legal reserve and associated legal fees for certain pending litigation and regulatory matters relating to certain sales and marketing practices.

Changes in operating assets and liabilities primarily arise due to the time lag associated with the cash conversion cycle or the period between the time the Company pays for wholesale energy and the time it receives payments from our customers for the energy it sells, which is also impacted by the business' growth and seasonality. The Supplier Agreements in place are borrowing base facilities and, as such, provide access to cash needed to fund changes in operating assets and liabilities associated with the build-up of customer accounts receivables and trade payables subject to a borrowing base.

Adjusted Working Capital

As at September 30, 2017, the Trust had an Adjusted Working Capital balance of negative $23.2 million compared to Adjusted Working Capital of negative $13.4 million as at December 31, 2016. The negative working capital as at June 30, 2017 is impacted by the $13.0 million legal reserve established relating to certain pending litigation and regulatory matters relating to sales and marketing practices as well as the elevated usage on the credit facility, which was used to partially fund the cash portion of the USG&E Acquisition. Adjusted Working Capital is defined as current assets less current liabilities, excluding unrealized gains and losses on derivatives. The table below shows a reconciliation of Adjusted Working Capital to the Trust's consolidated balance sheet as prepared under IFRS:

Adjusted Working Capital
(in millions)

	As at September 30, 2017	As at December 31, 2016
Current assets	187.0	126.3
Current liabilities	223.4	146.9
Working capital	**$(36.4)**	**$(20.6)**
Adjusted for the impact of:		
Other current financial assets	(4.2)	(2.1)
Other current financial liabilities	17.4	9.3
Adjusted Working Capital	**$(23.2)**	**$(13.4)**

Distributable Cash and Distributions

Distributable Cash for the three month period ended September 30, 2017 was $13.2 million and Total Distributions paid for the quarter were $8.2 million, which represented a Payout Ratio of 62.1% of Distributable Cash. This compares to Distributable Cash of $10.6 million, Total Distributions of $5.6 million and a Payout Ratio of 52.8% for the quarter ended September 30, 2016. The quarter-over-quarter increase in Distributable Cash was primarily attributable to lower capital expenditures partially offset by higher financing costs resulting from (a) increased energy volumes following the USG&E Acquisition at the beginning of the third quarter of 2017, (b) increased usage of the credit facility, partially to fund the cash portion of the USG&E Acquisition and (c) interest on the Term Loans which were entered into in the third quarter of 2017. The quarter-over-quarter increase in the Payout Ratio was a result of higher distributions due to the increasing distribution rate and the increase in Units issued and outstanding related to Units issued for the partial funding of the USG&E Acquisition.

Distributable Cash for the last twelve month period ended September 30, 2017 was $41.5 million and Total Distributions paid for the period were $25.5 million, which represented a Payout Ratio of 61.4% of Distributable Cash. This compares to Distributable Cash of $38.7 million, Total Distributions of $22.8 million and a Payout Ratio of 58.9% for the year ended December 31, 2016.

Distributable Cash excludes $17.2 million in costs relating to the legal reserve and associated legal fees relating to the pending litigation and regulatory matters. Including these costs would have resulted in Distributable Cash of $24.3 million for the last twelve months ended September 30, 2017, representing a Payout Ratio of 104.9%.

The following table provides a reconciliation of cash flows provided by (used in) operating activities to Distributable Cash and shows the Payout Ratio of Total Distributions as a percentage of Distributable Cash.

Distributable Cash and Payout Ratio
(in millions)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Trailing twelve months ended September 30, 2017	Twelve months ended December 31, 2016
Cash flows (used in) provided by operating activities	$5.3	$19.2	$13.6	$29.6
Changes in operating assets and liabilities	(13.4)	(1.2)	(31.1)	(32.2)
Cash flows from operating activities excluding changes in operating assets and liabilities	**18.7**	**20.4**	**44.7**	**61.8**
Finance costs - included in financing activities	(5.3)	(3.1)	(12.6)	(10.1)
Maintenance Capital Expenditures	(0.5)	(6.1)	(3.4)	(11.8)
Unit-based compensation payments	—	(0.6)	(4.4)	(1.2)
Legal reserve and associated legal fees	0.3	—	17.2	—
Distributable Cash	**$13.2**	**$10.6**	**$41.5**	**$38.7**
Distributions to non-controlling interest	—	—	—	10.6
Distributions to Unitholders	8.2	5.6	25.5	12.2
Total Distributions	**$8.2**	**$5.6**	**$25.5**	**$22.8**
Payout Ratio	**62.1%**	**52.8%**	**61.4%**	**58.9%**

Contractual Obligations

In the normal course of business, the Company is obligated to make future payments under various non-cancellable contracts and other commitments. As at September 30, 2017, the payments due by period are set out in the following table:

Contractual Obligations (in millions)	Contractual cash flow	Less than 1 year	1 to 5 years	More than 5 years
Trade and other payables	$168.4	$151.8	$16.6	$—
Operating leases	19.4	2.4	10.9	6.1
Financing leases	1.7	1.0	0.7	—
Credit facility	55.6	55.6	—	—
Distribution payable	2.9	2.9	—	—
Other non-current liabilities	19.2	—	18.4	0.8
Term loan payable	56.5	0.2	4.2	52.2
	$323.7	**$213.9**	**$50.8**	**$59.1**

Outstanding Unit Data

As at September 30, 2017, the Trust had the following securities outstanding: (i) 56,944,417 Units; (ii) 750,000 Warrants (which were issued to Macquarie Energy in February 2014); and (iii) 75,672 Deferred Trust Units (which were issued under the Deferred Trust Unit Plan of the Trust to non-executive directors of the Administrator as a component of their annual compensation). The 750,000 Warrants outstanding are comprised of (i) 687,500 Warrants that have vested, and (ii) 62,500 Warrants that are unvested and are scheduled to vest on February 7, 2018. Such Warrants have a strike price of C$6.23 per Unit over a five-year term ending on February 6, 2019.

Financial Instruments and Risk Management

Overview

The Trust's operations are affected by a number of underlying risks, both internal and external to the Trust. The Trust's financial position, results of operations and cash distributions are directly impacted by these factors. A full listing of the operational and business risks is set out in the annual information form of the Trust for the fiscal year ended December 31, 2016, dated March 16, 2017, which is available on SEDAR under the Trust's issuer profile at www.sedar.com and on the Trust's website at www.criusenergytrust.ca. The Trust's activities expose it to a variety of financial risks that arise as a result of its operating, investing, and financing activities, including:

- market risk, including commodity risk, interest rate risk and foreign currency risk;
- credit risk, including customer credit risk and counterparty credit risk;
- liquidity risk; and
- supplier risk.

This part of the MD&A sets out information about the Trust's exposure to each of the above-noted risks, the Trust's objectives, policies and processes for measuring and managing such risks, and the Trust's management of capital. Further quantitative disclosures are included throughout the Trust's consolidated financial statements.

Market Risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which the Trust is exposed are discussed below.

Commodity risk

The Company has entered into contracts with customers to provide electricity or natural gas at variable or fixed prices. Fixed-price contracts expose the Company to changes in market prices of electricity and natural gas, as the Company is obligated to purchase electricity and natural gas at floating wholesale market prices for delivery to its customers. The Trust is, therefore, exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Management actively monitors these positions on a daily basis in accordance with the Company's risk management policy (the "**Risk Management Policy**"). The Risk Management Policy prohibits speculative positions and sets out a variety of hedging limits, most importantly a target of maintaining a 100% hedged position, within certain tolerance bands, at all times for fixed-price contracts exposure in our electricity and natural gas portfolios. The Trust's exposure to market risk is affected by a number of factors, including the accuracy of estimation of customer commodity requirements, commodity prices, and market volatility and liquidity.

Electricity and natural gas derivatives

To reduce its exposure to short-term and long-term movements in commodity prices, arising from the procurement of electricity and natural gas at floating prices, the Company uses derivative instruments. These derivative instruments are principally physical forward contracts and fixed-for-floating swaps, whereby the Company agrees with a counterparty, through the Supplier Agreement, to take physical delivery or cash settle the difference between the floating price and the fixed price on a notional quantity of electricity or natural gas, for a specified timeframe at a specified location. 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 instruments are based.

Realized swap settlements under derivative instruments are included in cost of sales in the Trust's interim condensed consolidated statements of comprehensive income (loss). Unrealized gains or losses resulting from changes in the fair value of the derivative instruments, generally referred to as mark-to-market gains or losses, have been recognized as the change in fair value on derivative instruments in the interim condensed consolidated statements of comprehensive income (loss).

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 its derivative instruments using market-based, forward wholesale price curves wherever available.

As at September 30, 2017, the Company had electricity and natural gas derivative instruments outstanding with the following terms:

	Notional Volume	Total Remaining Volume	Maturity Date (months)	Fixed Price ($)	Fair Value ($ millions)	Notional Value ($ millions)
Fixed-for-floating electricity swaps	(15) – 100 MW	7,872,161 MWh	1 – 51	$19.20 to $80.20	$(13.0)	$313.7
Fixed-for-floating natural gas swaps	(1,000) – 10,000 MMBtu	6,078,400 MMBtu	1 – 25	$2.75 to $3.63	$(0.4)	$19.8
Physical electric forward contracts	0 – 23 MW	1,550,437 MWh	1 – 55	$20.70 to $57.35	$(4.7)	$47.2
Physical natural gas forward contracts	(692) – 6,200 MMBtu	2,766,775 MMBtu	1	$0.78 to $3.57	$0.3	$6.7
Fixed-for-floating electricity basis swaps.	(10) – 10 MW	– MWh	1 – 3	($1.65) to $36.55	$0.0	$2.4
Fixed-for-floating natural gas basis swaps	(1,071) – 1,071 MMBtu	– MMBtu	1 – 6	($1.43) to ($0.05)	$—	$0.1
Floating-for-floating natural gas basis swaps	104 – 2,200 MMBtu	– MMBtu	1 – 7	$1.46 to $3.12	$—	$0.8
Heat rate forward contracts	2 – 3 MW	7,168 MWh	1 – 9	$10.12 to $10.36	$0.0	$0.2
Electricity capacity contracts	3 – 243 MW	758,800 MWh	1 – 20	$0.57 to $13.12	$(0.3)	$3.0
Financial transmission rights	0.41 – 21.72 MW	1,045,182 MWh	1 – 20	($5.02) to $7.17	$0.6	$1.7

The fair value of electricity and natural gas financial instruments is significantly influenced by the variability of forward commodity prices. Periodic changes in forward prices could cause significant changes in the mark-to-market valuation of these financial instruments. For example, assuming that all other variables remain constant, a market move of +/-10% would result in an (decrease) increase in net income and total comprehensive income of $34.3 million but would not impact Adjusted EBITDA or Distributable Cash.

Interest rate risk

The Trust is exposed to interest rate risk on certain advances within the Company's supplier agreements. As at September 30, 2017, the Trust has cash advances and letters of credit outstanding of $55.6 million and $17.3 million respectively, under the Supplier Agreement, and therefore, is exposed to interest rate risk. The Trust's current exposure to interest rate risk does not economically warrant the use of derivative instruments and the Trust does not currently believe that it is exposed to material interest rate risk. In the three month period ended September 30, 2017 the impact of a 1.0% increase (decrease) in the interest rate on these balances would not have had a material impact on finance costs in the statement of comprehensive income.

Foreign currency risk

The Trust is exposed to currency rate risk because the Company's business operations are conducted in United States dollars, whereas distributions to Unitholders are denominated in Canadian dollars and the Units are traded on the TSX in Canadian dollars.

Currency derivatives

The Trust's policy is to mitigate its exposure to currency rate movements by entering into currency derivative products, including foreign currency options whereby the Company agrees with a counterparty to have the right to swap the floating price for a fixed price on a notional quantity of currency at or over a specified timeframe. The Trust maintains a rolling hedging program for this foreign currency exposure of at least 12 forward months, which may be extended on a quarterly basis.

As at September 30, 2017, The Trust was hedged for its currency exposure to December 31, 2019 with a foreign exchange collar with a floor of C$1.30 per US$1.00 and a cap exchange rate of C$1.40 per US$1.00, based on approximately the current level of future distributions, including the increased level of distributions following the recent equity issuances as part of the USG&E Acquisition.

As at September 30, 2017, the Trust had foreign currency derivatives outstanding with the following terms:

	Notional Value (millions)	Maturity Date (months)	Fixed Price	Fair Value (millions)
Foreign currency options	US$81.0 C$105.3	1 – 27	C$1.30 and C$1.40 per US$1	US$4.2

Realized settlements under derivative instruments are included in the relevant section of the interim condensed consolidated statements of comprehensive income (loss) or interim condensed consolidated balance sheet. Unrealized gains or losses resulting from changes in the fair value of the derivatives, generally referred to as mark-to-market gains or losses, have been recognized as the change in fair value on derivative instruments in the interim condensed consolidated statements of comprehensive income (loss).

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 prices and option valuation methods.

Period to period changes in forward currency prices could cause significant changes in the mark-to-market valuation of these hedge contracts. For example, assuming that all other variables remain constant, a market move in C$ to US$ of +/-10% would result in increase (decrease) in net income of $11.8 million and $(1.2) million, respectively, but would not impact Adjusted EBITDA or Distributable Cash.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Trust is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

Customer credit risk

In certain markets in which the Company serves electricity and natural gas customers, LDCs provide collection services and assume the risk of any bad debts owing from the Company's customers for a fee, which is referred to as a POR fee. Management believes that the risk of the LDCs failing to deliver payment to the Company is minimal; however, there is no assurance that the LDCs that provide these services will continue to do so in the future.

In certain other markets in which the Company operates, the Company is exposed directly to customer credit risk. As a result, credit review and other processes have been implemented to perform credit evaluations of customers and manage customer defaults. Customer credit risk exposure represents the risk related to the Company's accounts receivable from certain markets. If a significant number of customers in these markets were to default on their payments, it could have an adverse effect on the operations and cash flows of the Company.

As at September 30, 2017, the customer credit risk exposure was in the amount of $11.3 million and the accounts receivable aging for these markets are as follows:

	Total (millions)	Current (millions)	30-59 days (millions)	Over 60 days (millions)
Accounts receivable	$11.3	$9.9	$0.7	$0.7

Counterparty credit risk

Counterparty credit risk represents the loss that the Trust would incur if a counterparty fails to perform its contractual obligations. This risk would manifest itself in the Trust replacing the contracted commodities or currencies at prevailing market rates, thus impacting the related financial results. Counterparty risk relating to the Company's derivative financial assets with its counterparties for commodity, currency and other derivatives amounted to $4.2 million as at September 30, 2017 compared to $2.1 million for the year ended December 31, 2016. The Trust is also exposed to counterparty credit risk on certain loans and other receivables totaling $6.9 million, owed to it by Viridian International. The amounts due from Viridian International are fully reserved for, based on the Company's current understanding and assessment of Viridian International's ability to pay. The failure of a counterparty to meet its contracted obligations could have a material adverse effect on the operations and cash flows of the Trust.

Liquidity risk

Liquidity risk is the potential inability to meet financial obligations as they fall due. The Trust manages this risk by monitoring near-term and long-term cash flow forecasts to ensure adequate and efficient use of cash resources and credit facilities.

The table in the section entitled *"Contractual Obligations"* of this MD&A outlines the contractual maturities of the Trust's financial liabilities as at September 30, 2017.

Supplier risk

The Company purchases the energy it delivers to its customers through contracts primarily entered into with Macquarie Energy. This exposes the Company to supplier risk, as its ability to continue to deliver energy to its customers depends upon the ongoing operations of this supplier and its fulfillment of its contractual obligations.

Off-Balance Sheet Arrangements

Pursuant to its Supplier Agreements, the Company has issued letters of credit as at September 30, 2017 and December 31, 2016 totaling $17.3 million and $11.5 million, respectively, to various counterparties, principally LDCs.

Pursuant to separate arrangements with various insurance companies, the Company has issued surety bonds to various counterparties, including U.S. states, regulatory bodies and LDCs in return for a fee and/or meeting certain collateral posting requirements. Such surety bond postings are required in order to operate in certain U.S. states or markets. Surety bonds issued as at September 30, 2017 and December 31, 2016 totaled $40.2 million and $18.8 million, respectively.

We do not reasonably expect any presently known trend or uncertainty to affect our ability to continue using these arrangements.

Transactions Between Related Parties

Certain transactions between the Trust and its subsidiaries meet the definition of related party transactions, including intercompany notes and administrative service fees between the Trust and its subsidiaries. These transactions are eliminated on consolidation and are not disclosed in the Trust's consolidated financial statements.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

Critical Accounting Estimates

The preparation of the consolidated financial statements requires the use of judgments, estimates and assumptions to be made in applying accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities, at the date of the consolidated financial statements, and the reported income and expenses during the reporting period.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated. As the basis for its judgments, Management uses estimates and related assumptions which are based on previous experience and various commercial, economic and other factors that are considered reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual outcomes may differ from these estimates under different assumptions and conditions.

Judgments, made by Management in the application of IFRS that have a significant impact on the consolidated financial statements relate to the following:

Revenue recognition

Accounts receivable includes an unbilled receivables component, representing the amount of energy consumed by customers as at the end of the period but not yet billed. Unbilled receivables are estimated by the Trust using usage data available, multiplied by the current customer average sales price per unit.

Allowance for doubtful accounts

The Trust reviews its accounts receivable at each reporting date to assess whether an allowance needs to be provided to reflect estimated amounts that will not be collected from customers. In particular, judgment by Management is required in the estimation of the amount and timing of collectability of accounts receivable, based on financial conditions, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience.

Fair value of financial instruments

Determining the fair value of financial instruments requires judgment and is based on market prices or Management's best estimates if there is no market and/or if the market is illiquid. Where the fair value of financial instruments recorded cannot be derived from active markets, they are determined using valuation techniques including making internally generated adjustments to quoted prices in observable markets. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility of the underlying commodity price. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provisions for regulatory and litigation claims

Significant Management judgment is required to determine the amount of provisions to record for liabilities relating to regulatory and litigation claims. Provisions are recognized when the Trust has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is recognized in the in the profit and loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the profit and loss.

Impairment of intangible or non-financial assets

In assessing the recoverable amount of intangible assets or non-financial assets for potential impairment, the Trust evaluates value in use and fair value less costs of disposal. In doing so, the Trust's market capitalization is considered, as well as recent market transactions or other market indicators, future cash flows, including the discount rate to be used to calculate the present value of those cash flows. These calculations require the use of estimates. If these estimates change in the future, the Trust may be required to record impairment charges related to intangible or other non-financial assets.

Deferred taxes

Significant Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax-planning strategies.

Useful life of property and equipment and intangible assets

The amortization method and useful lives reflect the pattern in which Management expects the asset's future economic benefits to be consumed by the Trust, including customer attrition rates.

Acquisition accounting

Management uses judgment to determine whether an acquisition meets the criteria of an asset acquisition or a business combination by reviewing inputs, processes, and outputs within a transaction. All identifiable assets, liabilities and contingent liabilities acquired in an asset acquisition or business combination are recognized at fair value on the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition.

Classification of Units as equity

Units give the Unitholder the right to put the Units back to the Trust in exchange for cash. IAS 32 *Financial Instruments: Presentation* establishes the general principle that an instrument which gives the holder the right to put the instrument back to the issuer for cash should be classified as a financial liability, unless such instrument has all of the features and meets the conditions of the IAS 32 "puttable instrument exemption". If these "puttable instrument exemption" criteria are met, the instrument is classified as equity. The Trust has examined the terms and conditions of its trust indenture and classifies its outstanding Units as equity because the Units meet the "puttable instrument exemption" criteria as there is no contractual obligation to distribute cash.

New Standards and Accounting Policies Adopted

The interim condensed consolidated financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2016, with the exception of the following new standards:

Amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017. Application of the amendments will result in additional disclosures in the Trust's annual financial statements for the year ending December 31, 2017.

The amendments to IAS 12 *Income Taxes* clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017, however, they did not have an impact on the Trust's interim condensed consolidated financial statements.

Accounting Pronouncement Issued but Not Yet Applied

Below is an accounting pronouncement that was issued but is not yet effective up to the date of issuance of the Company's interim condensed consolidated financial statements. The Company will adopt this standard when it becomes effective.

IFRS 15 *Revenue from Contracts with Customers* was released in May 2014 which focuses on a principles based five–step model which is required to be applied to all contracts with customers. The guidance amongst other things provides for (i) whether revenue should be recognised at a point in time or over time, which replaces the previous distinction between goods and services, (ii) identifies distinct performance obligations, accounting for contract modifications and accounting for the time value of money and (iii) new, increased requirements for disclosure of revenue in the financial statements. Furthermore, the standard specifies how to account for incremental costs of obtaining a contract and the costs directly associated with fulfilling a contract. Provided these costs are expected to be recovered, such costs will be capitalized, subsequently amortized over the useful life of customers and tested for impairment. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018, with early adoption permitted. The Company will transition using the modified retrospective approach. The Company has evaluated the impact of the new revenue standard, as amended, on its interim condensed consolidated financial statements and related disclosures, and believes the adoption of the new standard will not impact revenue recognition for the electricity and gas business. Revenue recognized for the solar installation business under Verengo will continue to be an over-time revenue recognition model as the installation work is completed, but will change from the milestone method currently used to a percentage of completion method (cost to cost) upon the adoption of IFRS 15. This change is not expected to have a material impact to the Company's financial statements. Upon the adoption of IFRS 15, the Company's accounting for direct incremental costs of obtaining customer contracts (for example, one-time commissions and fees paid for new customer origination) and fixed capacity charges will change because the new standard requires deferral and amortization of certain direct incremental costs which are currently being expensed as incurred. Once adopted, the change in accounting for customer origination costs will not have a material impact to the Company's consolidated financial statements.

Disclosure Controls and Procedures & Internal Controls over Financial Reporting

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Trust is accumulated and communicated to Management of the Trust as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer of the Trust are responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as those terms are defined in National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**").

The Chief Executive Officer and Chief Financial Officer of the Trust have concluded that, as at September 30, 2017, the Trust's DC&P have been designed and operate effectively to provide reasonable assurance that (i) material information relating to the Trust is made known to them by others, particularly during the period in which the annual filings are being prepared, and (ii) information required to be disclosed by the Trust in its annual filings, interim filings or other reports filed or submitted by the Trust under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They have also concluded that the Trust's ICFR has been designed effectively to provide reasonable assurance regarding the reliability of the preparation and presentation of the financial statements for external purposes in accordance with IFRS, and were effective as at September 30, 2017.

It should be noted that, while the Chief Executive Officer and Chief Financial Officer of the Trust believe that the Trust's DC&P provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes in line with IFRS. Management is responsible for establishing and maintaining appropriate ICFR in relation to the nature and size of the Trust. However, any system of ICFR has inherent limitations and can only provide reasonable assurance with respect to financial statement preparation and presentation.

The Trust's ICFR has been designed based on the control framework established in *Internal Control - Integrated Framework* published in 2013 by The Committee of Sponsoring Organizations of the Treadway Commission. There were no changes to the Trust's ICFR that occurred during the period ended September 30, 2017 that materially affected, or are reasonably likely to affect, the Trust's ICFR.

Limitation on Scope of Design

The Chief Executive Officer and Chief Financial Officer of the Trust have limited the scope of design of DC&P and ICFR to exclude controls, policies and procedures of any business acquired by the Trust on or after October 1, 2016, including the Verengo acquisition, which closed in May 2017 and the USG&E Acquisition which closed in July 2017. This limitation on scope is in accordance with section 3.3(1)(b) of NI 52-109, which allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

Non-IFRS Financial Measures

Statements throughout this MD&A make reference to EBITDA, Adjusted EBITDA, Distributable Cash, Total Distributions, Payout Ratio, Adjusted Working Capital, Total Cash and Availability and Maintenance Capital Expenditures which are non-IFRS financial measures commonly used by financial analysts in evaluating the financial performance of companies, including companies in the energy industry. Accordingly, Management believes these non-IFRS financial measures may be useful metrics for evaluating the Trust's financial performance as they are measures that Management uses internally to assess performance, in addition to IFRS measures. As there is no generally accepted method of calculating these non-IFRS financial measures, these terms as used herein are not necessarily comparable to similarly titled measures of other companies. These non-IFRS financial measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net income (loss), cash flow provided from (used in) operating activities or other data prepared in accordance with IFRS. Additionally, there may be certain items included or excluded from these non-IFRS financial measures that are significant in assessing the Trust's operating results and liquidity.

Forward-Looking Statements

This MD&A contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") including, without limitation, statements relating to non-IFRS financial measures; the confidence of Management and the Board; the Trust's outlook, strategy, and ability to execute its business objectives; future payments owed to the Company; the electricity, natural gas and solar industries; governmental regulatory regimes; acquisitions and strategic partnerships; marketing channels; customers and customer growth; hedging strategies; risk management; market risk; credit risk; off-balance sheet arrangements; related party-transactions; liquidity and capital resources; critical accounting estimates; ICFR; potential transactions; results of operations; financial position or cash flows; expenses and distributions to Unitholders. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. All forward-looking statements reflect the Trust's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. All of the Trust's forward-looking statements are qualified by (i) the assumptions that are stated or inherent in such forward-looking statements, and (ii) the risks described in the section entitled *"Financial Instruments and Risk Management"* in this MD&A and in the sections entitled *"Risk Factors"* and *"Forward-Looking Statements"* in the annual information form of the Trust for the fiscal year ended December 31, 2016, dated March 16, 2017, which is available on SEDAR under the Trust's issuer profile at www.sedar.com and on the Trust's website at www.criusenergytrust.ca. Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Although the Trust has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Trust disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise, except in accordance with applicable securities laws.