



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CRIUS ENERGY TRUST**

**March 15, 2016**

The following management's discussion and analysis ("**MD&A**") for Crius Energy Trust (the "**Trust**") dated March 15, 2016 has been prepared with all information available up to and including March 15, 2016. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements and accompanying notes as at and for the years ended December 31, 2015 and December 31, 2014. The Trust's financial statements and other disclosure documents, including the Trust's Annual Information Form for the year ended December 31, 2015, dated March 15, 2016, are available on [www.sedar.com](http://www.sedar.com) under the Trust's issuer profile and on the Trust's website at [www.criusenergytrust.ca](http://www.criusenergytrust.ca). The units of the Trust ("**Units**") are traded 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. 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 forward-looking statements. Investors should 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. The Trust was established to provide investors with a distribution-producing investment through its indirect ownership interest in Crius Energy, LLC ("**Crius Energy**" or the "**Company**"). The Trust's indirect ownership interest in the Company entitles it, through its wholly-owned subsidiaries, to appoint a majority of the members of the Company's board of directors, and thereby to control the Company's day-to-day operations. The Trust completed its initial public offering ("**IPO**") on November 13, 2012 of 10,000,000 Units at a price of C\$10.00 per Unit. Concurrent with the closing of the initial public offering, the Trust, through its indirect wholly-owned subsidiaries, acquired a 26.8% indirect ownership interest in the Company. On July 2, 2015, the Trust closed a public offering of 6,785,000 Units at a price of C\$6.80 per Unit (the "**Offering**"). Concurrent with the closing of the Offering, the Trust, through its indirect wholly-owned subsidiaries, acquired an additional 16.3% ownership interest in the Company, such that the Trust holds a 43.1% indirect ownership interest in the Company as of the date hereof.

Throughout this MD&A, for purposes of convenience, references to (i) the "**Trust**", "**Crius Energy**" or "**our**" refer to Crius Energy Trust and its subsidiaries, (ii) the "**Company**" refer to Crius Energy, LLC, (iii) "**Management**" refer to the management of the Trust and the Company, together, as all of the executive officers of the Trust are also executive officers of the Company. References to results of operations refer to 100% of the consolidated operations of the Trust, notwithstanding that the Trust only holds an approximate 43.1% interest in such results.

## Key Terms and Abbreviations

"**Adjusted EBITDA**" means EBITDA adjusted to exclude any change in the fair value of derivative instruments, change in fair value of non-controlling interest, change in fair value of warrant liability, unit-based compensation, goodwill impairment and distributions to non-controlling interest. See the section entitled "*Reconciliation of Net Income (Loss) and Comprehensive Income (Loss) to EBITDA and Adjusted EBITDA*" in this MD&A for a reconciliation of EBITDA and Adjusted EBITDA to net (loss) income and total comprehensive (loss) income as calculated under IFRS, the most directly comparable measure in the Trust's consolidated financial statements.

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

"**Distributable Cash**" means the amount of cash 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.

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization.

"**KWh**" means Kilowatt hour and is a measurement of volume of electricity.

"**LLC Units**" means the membership units in the Company.

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

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

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

"**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.

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

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

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.

## Overview of Business

Crius Energy is a comprehensive energy solutions partner that provides electricity, natural gas, and markets solar products to residential and commercial customers. Crius Energy connects with energy customers through an innovative family-of-brands strategy and multi-channel marketing approach. This unique combination creates multiple access points to a broad suite of energy products and services that make it easier for consumers to make informed decisions about their energy needs. Crius Energy currently sells energy products in 17 states in the United 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 through March. The Company's revenues will also fluctuate based on retail rates charged to customers, customer growth and customer attrition.

The Company also receives revenues from the marketing of solar products, primarily based on the generating capacity of the solar systems sold. The Company also receives various customer fees as well as fees paid by independent contractors in the network marketing channel. Independent contractors pay sign-up fees and other fees to the Company to participate in the network marketing channel. Sign-up fees are deferred and recognized on a straight line basis over the twelve-month term of the agreement entered with each independent contractor, while other fees are recognized on a monthly basis.

The Company procures its energy 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 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 revenues from the marketing of solar products and the fees paid by customers and independent contractors in the network marketing channel. 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 while operating its business.

## **2015 AND FOURTH QUARTER 2015 HIGHLIGHTS**

### **Financial Highlights**

#### *2015*

- Revenue of \$686.3 million in 2015, representing an increase of 14.3% from \$600.5 million in 2014
- Gross margin of 23.9% of total revenue, an increase over the 21.5% of revenue achieved in 2014
- Adjusted EBITDA of \$52.6 million during the year, a 36.9% increase from \$38.5 million in 2014
- Distributable Cash for 2015 was \$34.7 million and total distributions of \$20.2 million, resulted in a payout ratio of 58.2% for the year

#### *Fourth Quarter 2015*

- Revenue of \$147.5 million in the fourth quarter, representing an increase of 9.8% from \$134.3 million in the fourth quarter of 2014
- Gross margin of 24.0% of total revenue for the quarter, a decrease from the 28.4% of revenue achieved in the fourth quarter of 2014
- Adjusted EBITDA of \$8.4 million during the fourth quarter, a decrease of 41.7% from \$14.4 million in the fourth quarter of 2014, with current quarter results being adversely impacted by \$4.8 million resulting from a change in the application of our accounting policy for the recognition of solar revenues. Removing the one-time impact of this accounting change, Adjusted EBITDA for the quarter was \$13.2 million.
- Distributable Cash for the fourth quarter was \$9.0 million and total distributions of \$5.9 million, resulted in a payout ratio of 65.6%

### **Operational Highlights**

- Achieved net customer growth of 2.5% in the fourth quarter of 2015, with 20,000 RCEs added to the portfolio. On an annual basis, net customer growth was 43.9% from the end of 2014, due to organic customer adds and acquisitions
  - For the quarter, gross customer adds of 98,000, were 8.9% higher than the 90,000 average organic customer adds over the prior four quarters, driven by our diversified channel strategy and an increased quarterly contribution from our Comcast Energy Rewards brand

- Gross customer drops in the fourth quarter of 78,000, were 9.3% lower than the 86,000 average customer drops over the prior four quarters due to the transition of the customer portfolio to more fixed-price contracts and commercial customers

Continued growth of the partnership with Comcast Corporation ("**Comcast**") in the fourth quarter

- Following a successful launch in the second quarter of 2015, the Company launched in five markets servicing 26 utilities by the end of 2015, and management expects continued market, product and sales channel expansion for 2016
  - Achieved continued growth in the quarter when compared to the prior quarter, adding high quality, longer-term customers to the portfolio
- Continued geographic expansion of distribution channels
    - Acquisition of TriEagle Energy earlier in the year allowed expansion into Texas through the Company's Comcast strategic partnership and network marketing channels, which were both operational in the state during the fourth quarter of 2015

### **Growth and Corporate Highlights**

- Successfully completed acquisition of TriEagle Energy for \$19.3 million, funded primarily by existing cash and availability under our credit facility
  - Increased commercial and municipal aggregation customer growth potential as the TriEagle Energy platform is now leveraged across the Crius Energy footprint.
  - Acquisition provides added portfolio diversity with longer-term, fixed price customers with more consistent energy usage profiles
  - Integration of the TriEagle Energy commercial platform into the Crius Energy business largely completed in 2015
- During the fourth quarter of 2015, the Company announced the acquisition of 75,000 electricity customers in Illinois, New York, Ohio and Texas
  - Purchased from Iron Energy LLC d/b/a Kona Energy ("**Kona Energy**") for approximately \$7.0 million
  - Increases the longer-term commercial customer base and increases the proportion of fixed rate contracts
  - Customers serviced by existing infrastructure with minimal incremental costs
  - Positive impacts on Distributable Cash and payout ratio expected from the \$5.0 million in pricing improvements over the next four years that was negotiated with Macquarie Energy LLC ("**Macquarie Energy**") as part of the acquisition
  - Greater diversification to Midwest states (Ohio and Illinois) further diluting exposure to North East and mid-Atlantic wholesale energy markets
- During 2015, the Company entered into a new exclusive reseller partnership with Sungevity, Inc. ("**Sungevity**")
  - The agreement allows the Company to co-brand and offer residential solar energy systems and products through Crius Energy's family of world-class energy brands, retaining brand awareness and upsell opportunity through the life of the solar customer relationship
  - Increased compensation from each solar system sold through Sungevity including enhanced recurring revenue for the life of the initial system contract and all customer renewal periods
  - Received 120 million warrants in Sungevity which provides additional upside from long-term solar growth
  - Integration to new reseller is progressing in line with management expectations and we completed our first full quarter of co-branded sales under the Viridian Solar and Citra Solar brands
- During the year the Trust completed a bought deal equity offering of 6.8 million Units for gross proceeds of C\$46.1 million
  - Net proceeds primarily used to increase the Trust's indirect ownership of Crius Energy to 43.1% from 26.8%
  - Remaining net proceeds of \$5.3 million were retained for general corporate purposes
  - Management expect the increased ownership of the operating company by the Trust will improve the float of the Units and market liquidity

## Highlights Subsequent to the end of 2015

- Announced a 2% distribution increase
  - In January 2016, the Trust announced that the board of directors approved a 2% increase to distributions paid on Units for the first quarter of 2016, representing an annualized increase of C\$0.014 per Unit and a total annualized distribution of C\$0.714 per Unit
  - The increase was the result of the strong operating performance in 2015, the successful completion of several acquisitions and continued organic growth strategy, all of which raised the growth profile of the business
  - The board of directors indicated the distribution would be evaluated on a quarterly basis going forward
- Closed the Kona Energy acquisition of 75,000 customers
  - In February 2016, the Company successfully completed the acquisition of the customer contracts and associated assets for approximately 75,000 electricity customers for a total preliminary purchase price of \$7.0 million
  - The acquisition further increases the Company's scale to nearly 900,000 customers and expands the Company's customer base in Illinois, New York, Ohio, and Texas
- Appointed Pat McCamley as an officer of the Trust
  - In March 2016, the board of directors approved the appointment of Pat McCamley, Executive Vice President, Corporate Development, as an officer of the Trust
  - Mr. McCamley has over 20 years of corporate and business development leadership experience and leads the Company's new business development efforts across all markets
  - The appointment is aligned with the Company's commitment to leveraging its unique partnership channel strategy and further supports the growing relationship with Comcast that was successfully launched in 2015

## 2015 DISCUSSION

Crius Energy delivered strong financial and operating performance in 2015 highlighted by significant year-over-year growth in the customer base, up 43.9%, and Adjusted EBITDA, up 36.9%. Management attribute the strong performance to the Company's successful sales and marketing channels, scalable operating platform, risk management capability and strong financial capacity as well as favorable commodity market conditions during the year.

Revenue increased 14.3% in 2015 to \$686.3 million from \$600.5 million for the year ended December 31, 2014. The increase was largely due to 17.8% greater electricity revenues primarily as a result of higher average electricity customer numbers resulting from organic customer additions and the acquisition of TriEagle Energy in April 2015.

During the year, the Company entered into a reseller agreement with Sungevity that allows the Company to co-brand and offer residential solar energy systems and products through Crius Energy's family of world-class energy brands, retaining brand awareness and upsell opportunity through the life of the solar customer relationship. Following the full transition to the new reseller agreement, the Company expects to benefit from improved economics per system sold, a more than 20 year co-branded customer relationship, and in 2016, Sungevity will become a new selling channel for the Company's energy products. The Company also received 120 million warrants in Sungevity as part of the transition which provides potential for additional value from continued growth of our solar business and the solar industry more generally.

While the solar business produced strong year-over-year growth in solar systems contracted, solar revenues in 2015 of \$1.5 million, decreased from revenues of \$6.1 million in the prior year, with the reduction attributable to a one-time \$4.8 million impact resulting from a change in application of our revenue recognition accounting policy for solar revenues, made during the fourth quarter of 2015. Prior to the fourth quarter, solar revenues were recognized upon the execution of contracts with customers, net of expected cancellations that may occur prior to installation of the solar systems. In the fourth quarter, due to elevated cancellation rates and the transition to a new solar reseller partnership, the accounting change was made to more conservatively recognize revenue at the time of the installation of the solar system. This resulted in a one-time charge in the fourth quarter to reduce revenues by \$4.8 million for solar systems that had not yet been installed, and these revenues will be recognized in future quarters based upon the installation of the systems.

Gross margin for 2015 was \$163.7 million, 27.0% greater than \$128.9 million in 2014 and benefited from favorable commodity market conditions in the year. As a percentage of total revenue, gross margin was 23.9% in 2015, an increase over the 21.5% in the previous year. The increase in gross margin as a percentage of revenue was primarily a result of broadly consistent year-over-year electric unit gross margins in a lower energy price environment in 2015. Overall gross margin benefited from increased average customer numbers resulting from organic customer additions and the TriEagle Energy acquisition.

Adjusted EBITDA in 2015 was \$52.6 million, a 36.9% increase over the \$38.5 million achieved in 2014. After adjusting for the above-mentioned one-time impact from the change in the application of our solar revenue recognition policy, Adjusted EBITDA in the fourth quarter of 2015 was \$13.2 million, compared to \$14.4 million in the fourth quarter of 2014, with current quarter results being adversely impacted by a seasonally milder winter causing temperatures to be approximately 27% higher than the 10 year normal across our core markets, as measured in Heating Degree Days.

Distributable Cash was \$34.7 million in 2015 compared to \$28.6 million in 2014, an increase of 21.3%. Total distributions paid were \$20.2 million in 2015 and \$28.4 million in 2014, representing an annual payout ratio of 58.2% and 99.3%, respectively. The improved payout ratio was driven by both lower total distributions paid as well as improved Distributable Cash year-over-year. Distributions were lower primarily as a result of the strength of the U.S. dollar against the Canadian dollar, with our business operations generating earnings in U.S. dollars whereas the distributions to Unitholders are set in Canadian dollars, as well as changes implemented which improve efficiencies within the Trust's structure related to the treatment of certain U.S. State and local withholding taxes paid on behalf of the non-controlling interest. Positive impacts on Distributable Cash resulted from strong operating cash flows, offset by elevated Maintenance Capital Expenditures of \$9.0 million during the year, which were higher than typical, and due primarily to development work on numerous growth initiatives including the integration of TriEagle Energy, a new technology platform in the network marketing channel, the ongoing launch of the Comcast strategic partner channel and the transition to the Company's new solar partner, Sungevity. Capital expenditures on these strategic initiatives are non-recurring and are expected to contribute to the long-term growth of the Company. Management expect capital expenditures to return to historical levels in 2016. It is the intention of Management to maintain a conservative payout ratio to ensure funds are available to execute its growth strategy into 2016.

At December 31, 2015, Crius Energy had 819,000 customers, up from 569,000 at the end of 2014, representing net customer growth of 250,000 customers, or 43.9% over the prior year. Net customer adds in the year were higher than rates achieved in the prior year, and benefited from the 200,000 customers acquired in the TriEagle Energy acquisition, success in the direct marketing channel and commercial sales activity, as well as from declining attrition rates across all customer segments attributable to longer-term fixed price residential and commercial customers in the portfolio.

During 2015, excluding changes in operating assets and liabilities, the Company achieved operating cash flows of \$52.6 million as compared to \$39.2 million in 2014. At December 31, 2015 the Trust had cash and cash availability of \$42.9 million. This consisted of \$11.2 million of cash and equivalents and \$31.7 million available under the credit facility. This compared to cash and cash availability of \$46.3 million at the end of 2014. Cash and availability was impacted by the \$19.3 million acquisition of TriEagle Energy in April 2015, which was primarily funded by cash.

The Trust continues to have no long-term debt and sufficient resources to execute its growth strategy. At the end of 2015, the Company had \$4.0 million outstanding under its credit facility.

During the year, the Trust increased its indirect ownership of Crius Energy through the completion of a bought deal equity offering with a syndicate of underwriters for 6,785,000 Units at a price of C\$6.80 per Unit for total gross proceeds of C\$46.1 million. The net proceeds were used to purchase additional membership units of Crius Energy, thereby increasing the Trust's indirect ownership of Crius Energy to 43.1% from 26.8%, a 16.3% increase. Management expect that the increased ownership of the operating company by the Trust will improve the float of the Units and market liquidity.

## **OUTLOOK**

Management expect to enhance long-term Unitholder value by focusing on two strategic imperatives: investing in customer growth and increasing the value of customer relationships. Management is focused on several key initiatives to meet these imperatives in the coming months and years. Management anticipate that the investments in growth will result in a compound annual growth rate ("CAGR") of approximately 16% in electricity and natural gas customers, which is in line with historical CAGR achieved in the business. Investment in the solar business is expected to drive growth rates in solar sales of at least the approximate forecasted industry CAGR of 18%.

Management expect to invest excess operating cash flow to fund these strategic growth and expansion initiatives, which may result in short-term impacts to earnings; however, long-term value creation remains the focus of Management. More specifically, Management is structuring products with lower margins in the first year plus incentives for customers to add product bundles, followed by higher margins in later years, a strategy that has short-term impacts on reported earnings. However, this approach is expected to create long-term value by increasing our customer portfolio and increasing the value of each customer relationship.

Management expect to increase the value of customer relationships by increasing revenue per customer, lowering customer attrition and reducing the cost-to-serve.

- **Increased Revenue Per Customer.** Management expect to pair current commodity offerings with higher margin product bundles to increase revenue per customer. These product bundles will be offered to new and existing commodity customers. Management expect to introduce several new products in 2016.
- **Lower Customer Attrition.** Management expect customer attrition to continue to decline in 2016 as a result of the Company offering products focused on providing customer value to drive residential customer growth and the increased focus on the commercial customer segment. Management also expect attrition to be positively impacted as more customers purchase product bundles from the Company.
- **Reduced Cost-to-Serve.** Management expect to benefit from operating leverage in our business to drive down the cost-to-serve. Our scalable technology platform enables the Company to add incremental customers with limited additional operating expense.

Management expect to deliver the forecasted customer growth as a result of strategic growth initiatives in the areas of customer segment, geography, distribution channel, and new products.

## **Customer Segment**

### *Commercial Expansion*

Management completed the integration of the TriEagle Energy platform in the first quarter of 2016. The completed integration provides the Company with expanded commercial operations, expanding the Company's commercial footprint from three states and one product (electricity) to 14 states for electricity and nine states for natural gas.

In February 2016, the Company completed the previously announced acquisition of 75,000 customers from Kona Energy and began the integration of the customers onto the Crius Energy platform. The portfolio consists of approximately 96% commercial customers and approximately 98% fixed rate contracts, which is expected to increase the percentage of commercial customers and fixed rate contracts in the Company's portfolio to approximately 40% and 75%, respectively. The acquisition also provides an opportunity to enhance our commercial sales through a broader broker portfolio.

## **Geography**

### *Texas Market*

The Company continues to make progress deploying its marketing channels into the Texas electricity market with the expansion of the TriEagle Energy electricity license to include the Viridian and Comcast Energy Rewards trade names completed in 2015. Texas is the largest deregulated energy market in the United States with high growth in forecasted energy volumes, offering a significant opportunity for the Company to increase its footprint in the State.

### *Australia Market Entry*

Early in 2016, the Company announced that it will enter the Australia market through the network marketing channel, with a turn-key and limited risk partnership with a leading retail energy supplier that is responsible for all energy procurement and operations, with Crius Energy being responsible for sales and marketing functions only. Australia has a large addressable market of more than six million households and with low market penetration rates, offering a first-mover advantage for Crius Energy's sustainability-focused brand, Viridian Energy. The initial investment to enter the market is expected to be approximately \$2.0 million in 2016 and we do not expect any contribution to EBITDA until 2017 and beyond.

### *New Licensing Activity*

The Company is actively looking to expand its presence in existing markets by adding new brands and channels. The Company has filed for and is actively seeking licenses in the following markets.

- Delaware: Comcast Energy Rewards (Electric)
- Georgia: Comcast Energy Rewards (Natural Gas)
- Maryland: Comcast Energy Rewards (Electric, Natural Gas)
- Massachusetts: Comcast Energy Rewards (Electric, Natural Gas), Public Power (Electric), Viridian Energy (Natural Gas)
- Michigan: Comcast Energy Rewards (Natural Gas), Viridian Energy (Natural Gas)
- New Hampshire: Comcast Energy Rewards (Electric), Viridian Energy (Electric)

### **Distribution Channels**

#### *Strategic Partnership with Comcast*

The Company continues to make progress expanding the footprint for marketing electricity and natural gas products under the Comcast Energy Rewards brand name. In addition to offering electricity and natural gas service in California, Illinois, Pennsylvania, New Jersey, and Texas, the Company plans to expand Comcast Energy Rewards licensing into key markets, with the priority in 2016 being Connecticut, Maryland, and Massachusetts. The Company remains on schedule to have access to all Comcast subscribers in deregulated energy markets by the end of 2016.

In addition to expanding geographically, the Company is actively looking to expand access to new channels within Comcast to increase penetration within their customer base.

#### *Viridian Energy*

Management anticipate a strong continued growth contribution from the network marketing channel. The channel will benefit from recent market expansion into Texas that was completed in 2015, new market expansion into Australia and California (natural gas) in the first half of 2016, and program enhancements that were launched in September 2015 at the national convention, PowerUp! 2015, including new technology, a new compensation plan, and product enhancements. While these initiatives had a short-term impact on Adjusted EBITDA and Distributable Cash as a result of increased selling costs and increased capital expenditures, they are expected to be a catalyst for growth in the deregulated energy and solar customer portfolios, in addition to expanding product bundle options.

#### *Sungevity*

The Company is working with its fulfillment partner for its solar energy business, Sungevity, on the launch of a new selling channel for the Company's energy products. Expected in early 2016, Sungevity will begin offering additional products to its solar customers, including green electricity and responsible natural gas through the Viridian brand. Management anticipates positive impact from this channel given the strong brand alignment between the companies, compelling overlap of geographic footprint and aligned customer interests in green energy.

### **New Products**

#### *Solar*

The Company continues to focus on growth in the solar energy business through the Viridian and Citra Solar brands. In late 2015, the U.S. federal government made the decision to extend the solar Investment Tax Credit ("ITC"). The ITC is one of the most significant public policy mechanisms to support the deployment of solar energy in the United States, providing long-term business certainty to solar energy project developers, investors and the solar industry. The ITC provides a dollar-for-dollar reduction in the income taxes that a person or company investing in solar would otherwise pay the U.S. federal government.

In 2016, Management will continue to focus on the transition to the new solar reseller agreement with Sungevity, which is expected to be completed early in 2016. While management expect operating results from the solar business in the first half of 2016 to be impacted by the transition, the Company expects the solar business to produce strong operating results in the second

half of 2016 and beyond benefiting from the ITC extension, improved economics per system sold, reduced cancellation rates due to Sungevity's technology platform and broad installation network and a more than 20 year co-branded customer relationship through the alliance with Sungevity.

### *Bundled Products*

In the ongoing emphasis on increasing the value of customer relationships, Management is focused on growing revenue per customer through pairing current product offerings with higher margin product bundles and building customer relationships that offer the opportunity for cross selling additional products to customers. In addition to core products, offerings may include smart thermostats, efficiency upgrades, HVAC audits, lighting packages and demand response programs. This bundle strategy is also expected to have a positive impact on customer attrition rates in the future.

### **Acquisitions**

In addition to the Company's organic customer growth prospects, acquisitions remain a core growth strategy for Crius Energy. The Company has a robust platform that uniquely allows the ease of acquisition and integration onto the Crius Energy platform.

The Company continues to evaluate multiple acquisition opportunities and sees market conditions for consolidation in the United States improving. We have recently experienced, increased competition for the acquisition of retail energy assets, and will continue to employ a disciplined strategy in evaluating potential transactions.

### **Distributions and Capital Structure**

In addition to the fundamental strength of our business model, Management expect the sustainability of the Trust's distributions to be further bolstered by the strength of the U.S. dollar, which results in a lower payout ratio as business operations generate earnings in U.S. dollars whereas the distributions to Unitholders are set in Canadian dollars. The Trust maintains an active currency hedging program that uses foreign currency options to set a floor exchange rate for its current distribution levels and is currently hedged through December 2017 at close to current exchange rate levels while retaining upside from further U.S. dollar strength. Additionally, the payout ratio will benefit from the \$5.0 million in pricing improvements from Macquarie Energy over the next four years negotiated as part of the acquisition of Kona Energy.

As announced in January 2016, the Board of Directors of the Trust approved a distribution increase of 2% to distributions paid on Units for the first quarter of 2016, representing an annualized increase of C\$0.014 per Unit and a total annualized distribution of C\$0.714 per Unit. The increase was the result of our 2015 performance, the successful completion of several acquisitions and continued execution of our organic growth strategy, all of which raised the growth profile of the business. As part of the announcement, the board indicated that the distribution would be evaluated on a quarterly basis going forward.

Management will continue to evaluate further opportunities to acquire additional units of Crius Energy LLC in a similar fashion to the July 2015 Offering and acquisition of an additional 16.3% interest in the operating business, with the intention of eventually increasing its ownership to 100%. We expect such opportunities will be dependent on a number of factors, including prevailing capital market conditions, foreign currency exchange rate levels, the trading price of Units and the willingness of private owners of Crius Energy LLC to sell LLC Units.

### **Regulatory Environment**

On February 23, 2016, the New York Public Service Commission ("NYPSC") issued an order, effective March 4, 2016 ("**Order**"), resulting in changes to the regulatory rules regarding the marketing of natural gas and electricity to residential and small commercial customers in the state of New York. The order applies to new or renewed residential and small commercial customer contracts only. The regulation requires customers to be offered value products in the form of either an electric product that meets a minimum 30% renewable energy content ("**Green Product**"), or an electric or gas product that meets or provides the customer savings as compared to the rate offered by the local distribution utility, measured on an annual basis ("**Saving Product**").

- Management believes the majority of Crius customers in New York are not impacted by this regulatory change as customers are already serviced with higher renewable energy content than the minimum 30% required under the regulation. Additionally, large commercial customers, which represent approximately 15% of the Company's customers in the state, are not impacted by the regulatory change.

- The Company plans to comply in the following manner: (i) for gas, offering a Savings Product, and (ii) for electricity customers not already on a compliant Green Product, automatically renewing customers onto a Savings Product unless they select a Green Product. This transition may result in increased cost-to-serve per customer and could have an impact on customer attrition rates within the state.

On March 4, 2016, Crius Energy, along with many of its peers in the retail energy industry, received a Temporary Restraining Order (“TRO”) staying the NYPSC’s Order until April 14, 2016, at which time the judge will hear a preliminary injunction hearing. Based on the success of the TRO, there is no immediate impact on our customers in New York.

## Summary

Through its industry-leading, multi-channel marketing approach, Crius Energy is uniquely positioned to capitalize on diverse opportunities in the retail energy and solar industries. Crius Energy’s growth prospects, combined with its financial capability, position it to continue its market leadership going forward.

## Selected Consolidated Financial and Operational Data

The following selected historical financial information has been derived from the audited consolidated financial statements of the Trust as at and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 and the unaudited interim condensed consolidated financial statements of the Trust for the three months ended December 31, 2015 and December 31, 2014. The operating data has been prepared by Management based on the Company’s records.

### Statement of Comprehensive Income (Loss) Highlights (in millions)

	Quarter ended December 31, 2015 (unaudited)	Quarter ended December 31, 2014 (unaudited)	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
<b>Revenue</b> .....	\$147.5	\$134.3	\$686.3	\$600.5	\$507.1
<b>Cost of sales</b> .....	112.0	96.1	522.6	471.6	403.7
<b>Gross margin</b> .....	35.5	38.2	163.7	128.9	103.4
<b>Expenses</b>					
Selling expenses .....	9.8	9.8	38.9	35.3	28.0
General and administrative .....	17.3	14.0	72.2	55.1	43.2
Goodwill impairment .....	—	—	—	77.1	60.5
Unit-based compensation .....	0.5	0.4	4.4	1.4	0.3
Depreciation and amortization .....	7.4	10.3	49.1	39.6	38.4
Operating income (loss) .....	0.5	3.7	(0.9)	(79.6)	(67.0)
<b>Other (expenses) income</b>					
Finance costs .....	(1.7)	(1.6)	(9.0)	(6.9)	(6.0)
Distributions to non-controlling interest .....	(3.8)	(1.5)	(14.9)	(18.3)	(31.2)
Change in fair value of derivative instruments .....	(1.6)	(39.4)	14.9	(58.9)	22.1
Change in fair value of warrant liability .....	0.2	(0.1)	(1.1)	(0.1)	—
Change in fair value of non-controlling interest .....	9.3	(3.1)	(62.8)	22.7	120.4
Income (loss) before income taxes .....	2.9	(42.0)	(73.8)	(141.1)	38.3
(Benefit from) provision for income taxes .....	(2.9)	(14.8)	1.1	(28.8)	(10.4)
<b>Net income (loss) and comprehensive income (loss) ...</b>	<b>\$5.8</b>	<b>\$(27.2)</b>	<b>\$(74.9)</b>	<b>\$(112.3)</b>	<b>\$48.7</b>
EBITDA <sup>(1)</sup> .....	12.0	(30.1)	(15.7)	(94.6)	82.7
<b>Adjusted EBITDA<sup>(1)</sup> .....</b>	<b>\$8.4</b>	<b>\$14.4</b>	<b>\$52.6</b>	<b>\$38.5</b>	<b>\$32.2</b>

<sup>(1)</sup> EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net loss or other data prepared in accordance with IFRS. See the section in this MD&A entitled “Non-IFRS Financial Measures”. The following table is a reconciliation of net (loss) income and comprehensive (loss) income to EBITDA and Adjusted EBITDA for the periods indicated.

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

	Quarter ended December 31, 2015 (unaudited)	Quarter ended December 31, 2014 (unaudited)	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Net income (loss) and comprehensive income (loss).....	\$5.8	\$(27.2)	\$(74.9)	\$(112.3)	\$48.7
Excluding the impacts of: .....					
Finance costs .....	1.7	1.6	9.0	6.9	6.0
(Benefit from) provision for income taxes .....	(2.9)	(14.8)	1.1	(28.8)	(10.4)
Depreciation and amortization .....	7.4	10.3	49.1	39.6	38.4
EBITDA.....	12.0	(30.1)	(15.7)	(94.6)	82.7
Excluding the impact of: .....					
Goodwill impairment .....	—	—	—	77.1	60.5
Unit-based compensation .....	0.5	0.4	4.4	1.4	0.3
Distributions to non-controlling interest .....	3.8	1.5	14.9	18.3	31.2
Change in fair value of derivative instruments .....	1.6	39.4	(14.9)	58.9	(22.1)
Change in fair value of warrant liability .....	(0.2)	0.1	1.1	0.1	—
Change in fair value of non-controlling interest .....	(9.3)	3.1	62.8	(22.7)	(120.4)
<b>Adjusted EBITDA</b>	<b>\$8.4</b>	<b>\$14.4</b>	<b>\$52.6</b>	<b>\$38.5</b>	<b>\$32.2</b>

**Statement of Financial Position Highlights**  
(in millions)

	As at December 31, 2015	As at December 31, 2014	As at December 31, 2013
Current assets .....	\$103.8	\$104.6	\$116.8
Total assets.....	280.8	263.3	381.6
Current liabilities .....	154.2	132.6	82.7
Long-term liabilities .....	162.4	119.0	168.0
Unitholders' (deficit) equity.....	(35.8)	11.7	130.9

**Statement of Cash Flows Highlights**  
(in millions)

	Quarter ended December 31, 2015 (unaudited)	Quarter ended December 31, 2014 (unaudited)	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows provided by operating activities .....	\$3.8	\$15.5	\$37.3	\$50.9	\$26.3
Cash flows used in investing activities.....	(2.2)	(1.0)	(20.4)	(9.6)	(3.0)
Cash flows used in financing activities .....	(3.9)	(10.8)	(19.9)	(42.3)	(38.3)
Cash and cash equivalents at beginning of period .....	13.5	10.6	14.3	15.3	30.3
Cash and cash equivalents at end of period.....	11.2	14.3	11.2	14.3	15.3

**Operational Highlights**

	Quarter ended December 31, 2015 (unaudited)	Quarter ended December 31, 2014 (unaudited)	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
<i>Electricity</i>					
Volumes (MWh) .....	1,498,000	1,093,000	6,395,000	4,780,000	5,113,000
Revenue (\$ million).....	140.4	119.7	636.7	540.4	475.4
Gross margin (\$ million) .....	34.3	31.1	140.5	106.0	93.4
Gross margin (\$/MWh) .....	22.88	28.51	21.97	22.16	18.27
Gross margin as a % of revenue .....	24.4%	26.0%	22.1%	19.6%	19.7%
<i>Natural gas</i>					
Volumes (MMBtu).....	1,478,000	1,896,000	5,959,000	6,601,000	4,658,000
Revenue (\$ million).....	8.7	12.3	41.5	50.3	26.6
Gross margin (\$ million) .....	2.8	4.6	15.1	13.1	4.8
Gross margin (\$/MMBtu).....	1.90	2.44	2.54	1.99	1.04
Gross margin as a % of revenue .....	32.3%	37.8%	36.4%	26.1%	18.2%

## Customer Aggregation

The following table summarizes the Company's gross additions and drops in electricity and natural gas customers over the trailing four quarters ending December 31, 2015.

### Customer Aggregation (in customers)

	Opening Customer Count	Customer Adds <sup>(1)</sup>	Customer Drops	Net Change	Closing Customer Count
Electricity .....	497,000	92,000	(78,000)	14,000	511,000
Natural Gas .....	72,000	10,000	(12,000)	(2,000)	70,000
<b>Quarter ended March 31, 2015</b> .....	<b>569,000</b>	<b>102,000</b>	<b>(90,000)</b>	<b>12,000</b>	<b>581,000</b>
<i>Net Change % of Opening Customer Count</i>				<b>2.1%</b>	
Electricity .....	511,000	281,000	(71,000)	210,000	721,000
Natural Gas .....	70,000	7,000	(8,000)	(1,000)	69,000
<b>Quarter ended June 30, 2015</b> .....	<b>581,000</b>	<b>288,000</b>	<b>(79,000)</b>	<b>209,000</b>	<b>790,000</b>
<i>Net Change % of Opening Customer Count</i>				<b>36.0%</b>	
Electricity .....	721,000	81,000	(71,000)	10,000	731,000
Natural Gas .....	69,000	8,000	(9,000)	(1,000)	68,000
<b>Quarter ended September 30, 2015</b> .....	<b>790,000</b>	<b>89,000</b>	<b>(80,000)</b>	<b>9,000</b>	<b>799,000</b>
<i>Net Change % of Opening Customer Count</i>				<b>1.1%</b>	
Electricity .....	731,000	91,000	(73,000)	18,000	749,000
Natural Gas .....	68,000	7,000	(5,000)	2,000	70,000
<b>Quarter ended December 31, 2015</b> .....	<b>799,000</b>	<b>98,000</b>	<b>(78,000)</b>	<b>20,000</b>	<b>819,000</b>
<i>Net Change % of Opening Customer Count</i>				<b>2.5%</b>	

<sup>(1)</sup> Includes approximately 200,000 customers acquired in conjunction with the acquisition of TriEagle Energy on April 1, 2015.

## Solar Systems Installed

The following table summarizes the Company's solar sales in terms of solar systems installed for the year ending December 31, 2015.

### Solar Systems Installed (in MW of generating capacity)

Systems Installed (MW)	2015	2014
Residential .....	1.7	0.5
Commercial .....	—	—
<b>Quarter ended March 31</b> .....	<b>1.7</b>	<b>0.5</b>
Residential .....	2.2	1.0
Commercial .....	—	—
<b>Quarter ended June 30</b> .....	<b>2.2</b>	<b>1.0</b>
Residential .....	2.5	1.6
Commercial .....	—	—
<b>Quarter ended September 30</b> .....	<b>2.5</b>	<b>1.6</b>
Residential .....	2.1	2.8
Commercial .....	—	—
<b>Quarter ended December 31</b> .....	<b>2.1</b>	<b>2.8</b>

## Summary of Quarterly Results

### Quarterly Results (unaudited) (in millions)

	Quarter ended December 31, 2015	Quarter ended September 30, 2015	Quarter ended June 30, 2015	Quarter ended March 31, 2015	Quarter ended December 31, 2014	Quarter ended September 30, 2014	Quarter ended June 30, 2014	Quarter ended March 31, 2014
<b>Revenue</b> .....	\$147.5	\$204.1	\$166.3	\$168.3	\$134.3	\$154.6	\$134.0	\$177.6
<b>Cost of sales</b> .....	112.0	156.1	126.4	128.0	96.1	116.7	100.3	158.5
<b>Gross margin</b> .....	35.5	48.0	39.9	40.3	38.2	37.9	33.7	19.1
<b>Expenses</b>								
Selling expenses.....	9.8	11.5	7.5	9.9	9.8	8.1	8.1	9.3
General and administrative.....	17.3	20.4	18.6	15.9	14.0	14.6	12.4	14.1
Goodwill impairment.....	—	—	—	—	—	—	—	77.1
Unit-based compensation.....	0.5	1.7	1.4	0.8	0.4	0.3	0.7	—
Depreciation and amortization.....	7.4	17.6	14.0	10.1	10.3	10.2	9.6	9.5
Operating income (loss).....	0.5	(3.2)	(1.6)	3.6	3.7	4.7	2.9	(90.9)
<b>Other (expenses) income</b>								
Finance costs.....	(1.7)	(2.5)	(3.0)	(1.8)	(1.6)	(1.6)	(1.7)	(2.0)
Distributions to non-controlling interest.....	(3.8)	(3.2)	(3.9)	(3.9)	(1.5)	(4.9)	(6.7)	(5.2)
Change in fair value of derivative instruments.....	(1.6)	11.0	3.8	1.6	(39.4)	4.9	4.6	(29.0)
Change in fair value of warrant liability.....	0.2	(0.6)	(0.2)	(0.5)	(0.1)	—	(0.3)	0.3
Change in fair value of non-controlling interest.....	9.3	(17.1)	(25.3)	(29.8)	(3.1)	10.2	(43.3)	58.9
Income (loss) before income taxes.....	2.9	(15.6)	(30.2)	(30.8)	(42.0)	13.3	(44.5)	(67.9)
(Benefit from) provision for income taxes.....	(2.9)	2.6	0.5	0.9	(14.8)	(0.5)	(0.7)	(12.9)
<b>Net income (loss) and comprehensive income (loss)</b> .....	<b>\$5.8</b>	<b>\$(18.2)</b>	<b>\$(30.7)</b>	<b>\$(31.7)</b>	<b>\$(27.2)</b>	<b>\$13.8</b>	<b>\$(43.8)</b>	<b>\$(55.0)</b>
<b>Reconciliation of Net Income (Loss) and Comprehensive Income (Loss) to EBITDA and Adjusted EBITDA</b>								
Net income (loss) and comprehensive income (loss).....	\$5.8	\$(18.2)	\$(30.7)	\$(31.7)	\$(27.2)	\$13.8	\$(43.8)	\$(55.0)
Excluding the impacts of:								
Finance costs.....	1.7	2.5	3.0	1.8	1.6	1.6	1.7	2.0
(Benefit from) provision for income taxes.....	(2.9)	2.6	0.5	0.9	(14.8)	(0.5)	(0.7)	(12.9)
Depreciation and amortization.....	7.4	17.6	14.0	10.1	10.3	10.2	9.6	9.5
EBITDA.....	12.0	4.5	(13.2)	(18.9)	(30.1)	25.1	(33.2)	(56.4)
Excluding the impact of:								
Goodwill impairment.....	—	—	—	—	—	—	—	77.1
Unit-based compensation.....	0.5	1.7	1.4	0.8	0.4	0.3	0.7	—
Distributions to non-controlling interest.....	3.8	3.2	3.9	3.9	1.5	4.9	6.7	5.2
Change in fair value of derivative instruments..	1.6	(11.0)	(3.8)	(1.6)	39.4	(4.9)	(4.6)	29.0
Change in fair value of warrant liability.....	(0.2)	0.6	0.2	0.5	0.1	—	0.3	(0.3)
Change in fair value of non-controlling interest	(9.3)	17.1	25.3	29.8	3.1	(10.2)	43.3	(58.9)
<b>Adjusted EBITDA</b> .....	<b>\$8.4</b>	<b>\$16.1</b>	<b>\$13.8</b>	<b>\$14.5</b>	<b>\$14.4</b>	<b>\$15.2</b>	<b>\$13.2</b>	<b>\$(4.3)</b>
<b>Distributable Cash and Payout Ratio</b>								
Cash flows from operating activities.....	\$3.8	\$26.7	\$(0.5)	\$7.3	\$15.5	\$19.9	\$17.7	\$(2.3)
Changes in operating assets and liabilities.....	9.4	(13.7)	14.6	5.1	(2.2)	(4.9)	(3.8)	(0.7)
<b>Cash flows from operating activities excluding changes in operating assets and liabilities</b> .....	<b>13.2</b>	<b>13.0</b>	<b>14.1</b>	<b>12.4</b>	<b>13.3</b>	<b>15.0</b>	<b>13.9</b>	<b>(3.0)</b>
Finance costs included in financing activities.....	(2.0)	(3.1)	(2.1)	(1.7)	(1.4)	(1.8)	(1.4)	(2.1)
Maintenance Capital Expenditures <sup>(1)</sup> .....	(2.2)	(2.9)	(2.0)	(1.9)	(1.0)	(1.3)	(1.4)	(0.2)
<b>Distributable Cash</b> .....	<b>\$9.0</b>	<b>\$7.0</b>	<b>\$10.0</b>	<b>\$8.8</b>	<b>\$10.9</b>	<b>\$11.9</b>	<b>\$11.1</b>	<b>\$(5.3)</b>
Distributions to non-controlling interest.....	3.7	3.2	3.1	3.4	4.6	4.9	6.3	5.8
Distributions to Unitholders.....	2.2	1.9	1.4	1.4	1.6	1.6	1.6	2.1
<b>Total distributions</b> .....	<b>\$5.9</b>	<b>\$5.1</b>	<b>\$4.5</b>	<b>\$4.8</b>	<b>\$6.2</b>	<b>\$6.5</b>	<b>\$7.9</b>	<b>\$7.9</b>
<b>Payout Ratio</b> .....	<b>65.6%</b>	<b>72.9%</b>	<b>45.0%</b>	<b>54.5%</b>	<b>56.9%</b>	<b>54.6%</b>	<b>71.2%</b>	<b>NA</b>

<sup>(1)</sup> Maintenance capital expenditures consisted of 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.

The financial data presented above for each of the eight most recently completed quarters has been prepared in accordance with IFRS, as issued by the International Accounting Standards Board, and presented in United States dollars.

## **Discussion of Operations**

### **For the years ended December 31, 2015 and December 31, 2014**

#### ***Revenue***

For the year ended December 31, 2015, revenue was \$686.3 million, representing an increase of 14.3% from \$600.5 million for the year ended December 31, 2014. Revenue growth was partially driven by the strong contribution from the network marketing channel, which generated \$323.6 million of revenue in 2015.

#### ***Electricity***

Electricity revenue for the year ended December 31, 2015 was \$636.7 million, representing an increase of 17.8% from \$540.4 million for the year ended December 31, 2014, as a result of a 33.8% increase in volume, partially offset by a 11.9% lower average retail rate per unit, reflecting lower market prices for energy. Electricity volumes for the year ended December 31, 2015 were 6,395,000 MWh representing an increase of 33.8% from 4,780,000 MWh for the year ended December 31, 2014, with the increase due to higher average customer numbers resulting from organic customer additions and the TriEagle Energy acquisition.

#### ***Natural Gas***

Natural gas revenue for the year ended December 31, 2015 was \$41.5 million, representing a decrease of 17.5% from \$50.3 million for the year ended December 31, 2014, as a result of a 9.7% decrease in volume and an 8.7% decrease in average retail rate per unit, reflecting lower market prices for energy. Natural gas volumes for the year ended December 31, 2015 were 5,959,000 MMBtu, representing a decrease of 9.7% from 6,601,000 MMBtu for the year ended December 31, 2014, with the decrease resulting from lower average usage per customer and lower average customer numbers.

#### ***Solar Revenue***

Solar revenue for the year ended December 31, 2015 was \$1.5 million, representing fees earned in connection with the marketing of solar systems with total generation capacity of 8.5 MW. This represents a decrease of 76.1% from revenues of \$6.1 million and 5.9 MW in the year ended December 31, 2014. The reduction in revenues was primarily attributable to a one-time \$4.8 million impact resulting from a change in application of our revenue recognition accounting policy for solar revenues, made during the fourth quarter of 2015. Prior to the fourth quarter, solar revenues were recognized upon the execution of contracts with customers, net of expected cancellations that may occur prior to installation of the solar systems. In the fourth quarter, due to elevated cancellation rates and the transition to a new solar reseller partnership, the accounting change was made to more conservatively recognize revenue at the time of the installation of the solar system. This resulted in a one-time charge in the fourth quarter to reduce revenues by \$4.8 million for solar systems that had not yet been installed. Removing the one-time impact of this accounting policy change, solar revenue for 2015 would have been \$6.3 million.

#### ***Fee Revenue***

Fee revenue, consisting of sign-up fees and other monthly fees received from independent contractors in the network marketing channel and various fees received from customers, for the year ended December 31, 2015 was \$6.6 million, representing an increase of 82.2% from \$3.6 million for the year ended December 31, 2014, which was primarily attributable to customer fee revenues in the Texas electricity market as a result of the TriEagle Energy acquisition, which closed on April 1, 2015.

#### ***Gross Margin***

For the year ended December 31, 2015, gross margin was \$163.7 million, representing an increase of 27.0% from \$128.9 million for the year ended December 31, 2014 and benefited from favourable commodity market conditions in the year. Gross margin for the year ended December 31, 2015 was 23.9% of total revenue, representing an increase from 21.5% of total revenue for the year ended December 31, 2014. Gross margin benefited from increased average customer numbers due to organic customer additions and the TriEagle Energy acquisition, with the increase in gross margin as a percentage of revenue in the current year primarily a result of broadly consistent year-over-year electric unit gross margins in a lower energy price environment in 2015.

### *Electricity*

Electricity gross margin for the year ended December 31, 2015 was \$140.5 million, representing an increase of 32.6% from \$106.0 million for the year ended December 31, 2014. For the year ended December 31, 2015, electricity gross margin per unit was \$21.97/MWh and electricity gross margin was 22.1% of electricity revenues, compared to \$22.16/MWh and 19.6%, respectively, for the year ended December 31, 2014. Electricity gross margin per unit in the year was broadly consistent with the prior year and, with the lower energy price environment, electric gross margin as a percentage of revenue was higher. Electricity gross margins per unit were driven lower by the increasing commercial customer base in the portfolio from the TriEagle Energy acquisition, and offset by higher unit margins on our variable rate customer portfolio, which has benefited from the lower wholesale energy price environment.

### *Natural Gas*

Natural gas gross margin for the year ended December 31, 2015 was \$15.1 million, representing a 15.1% increase from \$13.1 million for the year ended December 31, 2014. For the year ended December 31, 2015, natural gas gross margin per unit was \$2.54/MMBtu and natural gas gross margin was 36.4% of natural gas revenues representing an increase from \$1.99/MMBtu and 26.1%, respectively, for the year ended December 31, 2014, with the increases in unit margin and gross margin as a percentage of revenue in the current year aided by the impact of the significant year-over-year decrease in wholesale natural gas prices on our variable rate customer portfolio.

### *Other*

Gross margin for the year ended December 31, 2015 included solar revenues of \$1.5 million, and revenues from independent contractors in the network marketing channel and various fees received from customers of \$6.6 million. For the year ended December 31, 2014, solar revenues were \$6.1 million, and revenues from independent contractors in the network marketing channel and various fees received from customers were \$3.6 million. These revenues do not have associated cost of sales.

### ***Selling Expenses***

Selling expenses consist of commissions due to (i) independent contractors in the network marketing channel, commercial broker channel, telemarketing and door-to-door channels, (ii) partners in our strategic partnerships, (iii) employees for enrolling new electricity, natural gas and solar customers, and for customer consumption, and (iv) vendors used in the Company's direct mail and other direct marketing campaigns. Selling expenses are expensed in the period that they are earned by the independent contractors, strategic partnerships, 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 are 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 a number of factors, including, but not limited to, customer enrollment and energy usage.
- Commissions due for customers acquired through our strategic partnerships 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 timeframes, 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 are primarily comprised of 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 timeframes, 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 in a sales team focusing on solar sales are based on the size and pricing of the solar systems sold.

For the year ended December 31, 2015, selling expenses were \$38.9 million, representing an increase of 10.0% from \$35.3 million for the year ended December 31, 2014. Selling expenses for the year ended December 31, 2015 amounted to 5.7% of revenue compared to 5.9% of revenue for the year ended December 31, 2014. Selling costs in 2015 were impacted by additional commissions incentives offered in the network marketing channel during the transition to a new compensation plan structure that was launched at the national convention, PowerUP! 2015, in September 2015. These expenses consist of:

- Upfront electricity and natural gas customer acquisition commissions for the year ended December 31, 2015 of \$12.9 million (amounting to \$34 per customer acquired), representing an increase from \$12.5 million for the year ended December 31, 2014 (amounting to \$47 per customer acquired), with the 2015 costs being impacted by the upfront component of the above-mentioned transitional commissions incentives offered in the network marketing channel. Upfront selling costs in the current year were impacted by higher organic customer enrollments compared to the prior comparable period in 2014, offset by lower upfront costs per customer, due to increased commercial customer enrollments, with a residual-based commissioning structure, as a result of the TriEagle Energy acquisition. In addition, upfront costs per customer were elevated in the prior year due to an investment of \$3.2 million in targeted direct marketing campaigns employed by the Company in several utility markets in the Northeastern U.S. to take advantage of market opportunities, which successfully generated approximately 40,000 customer enrollments in the period.
- Residual-based electricity and natural gas commissions for the year ended December 31, 2015 of \$21.3 million (amounting to 3.1% of revenues), representing an increase from \$20.1 million for the year ended December 31, 2014 (amounting to 3.3% of revenues), with the increase being impacted by the residual based component of the above-mentioned transitional commissions incentives offered in the network marketing channel. In addition, this impact was partially offset by two factors associated with the acquisition of TriEagle Energy on April 1, 2015. Firstly, residual-based commissions owed to brokers based on usage of the customers acquired are treated under acquisition accounting as an assumed liability and are included in the preliminary purchase price allocation for the acquisition, based on estimated customer usage and contracted commission rates. Thus, ongoing payment of residual-based commissions associated with the customers acquired from TriEagle Energy, of approximately \$2.6 million or 0.4% of revenue, relieve the liability on the consolidated statement of financial position rather than be expensed as a selling cost. Secondly, the Texas electricity market structure is a 'marketer consolidated billing' model, in contrast to the 'utility consolidated billing' and 'dual billing' models in other Crius Energy electricity and natural gas markets. Under the Texas model, the marketer, Crius Energy, is responsible for the billing and collection of transmission and distribution charges of the local utility as well as its own energy charges, and as such residual-based commissions are lower as a percentage of revenue as they are based only on the energy charges and usage.
- Solar selling expenses for the year ended December 31, 2015 of \$4.6 million (amounting to 314.7% of solar revenues), representing an increase from \$2.7 million for the year ended December 31, 2014 (amounting to 44.8% of solar revenues). Solar selling expenses as a percentage of revenue were significantly higher than typical and were impacted by higher fixed costs during the partner transition in the latter half of the year as well as by the impact of the one-time reduction in solar revenues as a result of the aforementioned change in the application of our solar revenue recognition policy.

## General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2015 were \$72.2 million. This represented an increase from \$55.1 million for the year ended December 31, 2014, as set out in the tables below. The increased level of general and administrative expenses year-over-year was impacted by the acquisition of TriEagle Energy on April 1, 2015.

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

	Year ended December 31, 2015		Year ended December 31, 2014	
	\$	%	\$	%
POR fees / bad debt.....	\$6.7	1.0%	\$7.5	1.2%
Processing costs .....	7.5	1.1%	6.6	1.1%
Human resources.....	29.5	4.3%	22.1	3.7%
Gross receipts taxes and other taxes .....	6.2	0.9%	5.1	0.8%
Professional and consultant fees .....	3.8	0.6%	3.1	0.5%
Legal and regulatory .....	2.9	0.4%	2.2	0.4%
Other .....	15.6	2.3%	8.5	1.4%
<b>Total.....</b>	<b>\$72.2</b>	<b>10.5%</b>	<b>\$55.1</b>	<b>9.2%</b>

General and administrative expenses incurred during the year ended December 31, 2015 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 expense for the year ended December 31, 2015 was \$6.7 million, representing 1.0% of revenue, compared to \$7.5 million for the year ended December 31, 2014, representing 1.2% of revenue for that period. The decrease was impacted by a reduction in bad debt expense in the markets in which the Company is exposed to credit risk, partly due to the increase in the mix of commercial customers, which are generally associated with lower bad debt expense.
- (b) Processing costs for the year ended December 31, 2015 of \$7.5 million include various data processing and information technology costs incurred to service our customers and salesforce. This figure compares to \$6.6 million for the year ended December 31, 2014. Processing costs were higher due to the increased costs of servicing the TriEagle Energy customer base and the more operationally-intensive Texas market.
- (c) Human resource costs for the year ended December 31, 2015 of \$29.5 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 2014 of \$22.1 million. The increase was primarily the result of overall growth in employee headcount over the period as a result of the TriEagle Energy acquisition as well as to support our growth initiatives and improve our operational and risk management capabilities and increased incentive compensation which is based on achievement of Company profitability and growth targets.
- (d) Gross receipts taxes and other taxes for the year ended December 31, 2015 of \$6.2 million represent operational taxes in various states and jurisdictions and are primarily driven by revenue. This compares to the \$5.1 million incurred in the prior comparable period in 2014, with the increase primarily attributable to higher revenues in certain markets such as New York and Pennsylvania, where such taxes are applicable, which was impacted by the acquisition of TriEagle Energy, which had a concentration of customers in such markets.
- (e) Professional and consultant fees for the year ended December 31, 2015 of \$3.8 million represent audit, tax, investor relations, share registry, valuation, due diligence, internal controls consulting and other fees and compares to \$3.1 million in the prior comparable period in 2014, with the current period being impacted by \$0.3 million of acquisition due diligence costs, including the TriEagle Energy acquisition.
- (f) Legal and regulatory costs for the year ended December 31, 2015 of \$2.9 million represent external legal fees incurred in the United States and Canada and compares to \$2.2 million in the prior comparable period in 2014 with the increase primarily attributable to costs associated with industry-wide increased activity by regulatory agencies as well as \$0.3 million related to the TriEagle Energy acquisition.

- (g) Other costs for the year ended December 31, 2015 of \$15.6 million represent the balance of corporate, operational and marketing related expenses incurred to operate our business. These costs compare to \$8.5 million in the prior comparable period in 2014 with the increase being primarily attributable to the increased costs associated with the TriEagle Energy acquisition, which closed on April 1, 2015, increased costs associated with the Viridian national convention, PowerUP! 2015, held in September 2015, as well as the program improvements that were launched at the convention including new technology, product enhancements and other programmatic improvements. In addition, costs were impacted in the current period by the regulatory environment in certain markets leading to increased compliance and fulfillment costs including those related to additional customer notices.

### ***Goodwill Impairment***

The Trust recorded no goodwill impairment for the year ended December 31, 2015. The Trust recorded goodwill impairment charges for the year ended December 31, 2014 of \$77.1 million due to the carrying value of equity being in excess of the market capitalization of the Trust, adjusted for an estimated acquisition premium. The impairment charge in the prior period was non-cash and did not impact our normal business operations or liquidity, cash flow from operations or financial covenants under our credit facility.

### ***Unit-Based Compensation***

The unit-based compensation charge relates to the cumulative net issuance of Phantom Unit Rights ("**PURs**") and Restricted Trust Units ("**RTUs**") to Management, the directors of the Crius Energy Administrator Inc. (the "**Administrator**") and other parties. For the year ended December 31, 2015, unit-based compensation expense amounted to \$4.4 million, representing an increase from \$1.4 million for the year ended December 31, 2014. The expense reflects the fair value of the unit-based compensation based on the market price of the Units at the end of the period and the applicable vesting period. The unit-based compensation expense in the current periods was impacted by an increased Unit price, increased unit-based issuances to both Management and the sellers of TriEagle Energy as part of the acquisition that closed on April 1, 2015 as well as additional vesting.

### ***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 year ended December 31, 2015 was \$49.1 million, representing an increase from \$39.6 million for the year ended December 31, 2014. The increase is primarily attributable to incremental amortization associated with intangible asset additions made by the Company, including the TriEagle Energy acquisition completed on April 1, 2015 as well as the impact of changes in estimates of the useful lives of intangible assets.

### ***Finance Costs***

Finance costs for the year ended December 31, 2015 were \$9.0 million, representing an increase from \$6.9 million for the year ended December 31, 2014. Finance costs are primarily incurred pursuant to the Company's credit facility with Macquarie Energy LLC ("**Macquarie Energy**"). Refer to the discussion in the section entitled "*Liquidity and Capital Resources*" in this MD&A, for a detailed description of this facility. The higher finance fees for the year ended December 31, 2015 as compared to the prior comparable period in 2014 were attributable to increased volumetric energy fees primarily as a result of increased customer numbers including customers acquired in the TriEagle Energy acquisition that closed on April 1, 2015.

### ***Distributions to Non-Controlling Interest***

Distributions to non-controlling interest for the year ended December 31, 2015 were \$14.9 million, compared to \$18.3 million for the year ended December 31, 2014. This decrease was primarily due to the reduction in the non-controlling interest ownership of the Company's units as a result of the acquisition of an additional 16.3% indirect ownership interest by the Trust on July 2, 2015. In addition, distributions to non-controlling interest were lower than the prior comparable periods due to the effects of a stronger USD/CAD exchange rate, which results in lower U.S. denominated distributions to the non-controlling interest.

Due to certain provisions in the Trust's governance documents, which in change of control circumstances provide the non-controlling interest a redemption right, the non-controlling interest is classified as a long-term liability on the consolidated statement of financial position. Accordingly, monthly distributions paid by Crius Energy to the non-controlling interest are included in the profit and loss.

### ***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 were to be terminated at the respective period end (see the section entitled "*Financial Instruments and Risk Management*" in this MD&A).

For the year ended December 31, 2015, the changes in unrealized gains or losses associated with derivative contracts were net gains of \$14.9 million compared to net losses of \$58.9 million for the year ended December 31, 2014.

### **Change in Fair Value of Derivative Instruments (in millions)**

	<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2014</b>
Forward electricity positions.....	\$12.7	\$(53.7)
Forward natural gas positions.....	3.0	(5.1)
Weather derivative positions.....	0.2	0.3
Forward currency positions.....	(1.0)	(0.4)
<b>Change in fair value of derivative instruments.....</b>	<b>\$14.9</b>	<b>\$(58.9)</b>

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 thus minimizing the impact of these unrealized mark-to-market gains and losses.

### ***Change in Fair Value of Warrant Liability***

The change in fair value of warrant liability for the year ended December 31, 2015 represented a loss of \$1.1 million compared to a loss of \$0.1 million for the year ended December 31, 2014. This loss represents the mark-to-market valuation of the 750,000 Unit purchase warrants ("**Warrants**") issued to Macquarie Energy as consideration for the expansion of the Supplier Agreement (as defined in the section entitled "*Liquidity and Capital Resources*" in this MD&A) in February 2014. The valuation of the Warrants is based on an option valuation model, and accordingly the non-cash loss is the result of changes in the Unit price, volatility and yield, the time to maturity and the risk-free rate over the period.

### ***Change in Fair Value of Non-controlling Interest***

The change in fair value of non-controlling interest for the year ended December 31, 2015 was a loss of \$62.8 million compared to a gain of \$22.7 million for the year ended December 31, 2014. These gains and losses represent the mark-to-market valuation of the non-controlling interest liability included on the Trust's statement of financial position. The mark-to-market valuation losses in the year ended December 31, 2015 were primarily the result of an increase in the trading price of Units over the period.

Due to certain provisions in the Trust's governance documents, which in change of control circumstances provide the non-controlling interest a redemption right, the non-controlling interest is classified as a long-term liability on the Trust's consolidated 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 is measured principally based on the trading price of Units on the TSX, with an adjustment for certain profit interest units of the Company that is calculated using an option pricing model.

### ***Provision for (benefit from) Income Taxes***

For the year ended December 31, 2015, the Trust recorded a provision for income taxes of \$1.1 million and for the year ended December 31, 2014, the Trust recorded a benefit from income taxes of \$(28.8) million. The Trust was in a pre-tax loss position for the year, and was in a net loss position for the same period after adjusting for permanent differences, including the change in fair value of non-controlling interest, distributions to non-controlling interest and removing the profit or loss of the Company that is attributed directly to the non-controlling partners of the Company. Under United States partnership taxation rules, Crius Energy, LLC is not a taxable entity and its taxable (loss) income flows through to its partners who are then taxed on their allocable share of the partnership (loss) income.

### ***Net Loss and Comprehensive Loss***

For the year ended December 31, 2015, net loss and comprehensive loss was \$74.9 million, compared to net loss and comprehensive loss of \$112.3 million for the year ended December 31, 2014, respectively, with the changes being attributable to the factors noted above. Net loss and comprehensive loss is impacted by numerous non-cash items, some being a result of the structure of the Trust and its subsidiaries as well as the industry in which it operates. Accordingly, Management believes the additional non-IFRS financial measures of Adjusted EBITDA and Distributable Cash are useful metrics to be considered together with net loss and comprehensive 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 agreement (the "**Supplier Agreement**") with Macquarie Energy. Additionally, Management may seek to raise capital through the following means: (iv) external debt financing; and (v) the issuance of additional Units.

### ***Supplier Agreement***

The Supplier Agreement provides for the exclusive supply of the Company's wholesale energy needs and hedging requirements for a term ending in January 2019. Under the Supplier Agreement, Macquarie Energy assumes the responsibility for meeting all the credit and collateral requirements with each Independent System Operator ("**ISO**"). Further, the Company's customers and 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 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 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 in the Trust's finance costs in the profit and loss.

The Supplier Agreement 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 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 under the Supplier Agreement 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 Supplier Agreement. For a detailed description of the Supplier Agreement, refer to the section entitled "*Principal Agreement with Macquarie Energy*" in the Annual Information Form of the Trust for the

year ended December 31, 2015, which is available on SEDAR under the Trust's issuer profile at [www.sedar.com](http://www.sedar.com) and on the Trust's website at [www.criusenergytrust.ca](http://www.criusenergytrust.ca).

As at December 31, 2015, the Trust has no long-term debt and \$4.0 million outstanding under its credit facility, compared to no long-term debt and no amounts outstanding under its credit facility as at December 31, 2014. At December 31, 2015, the Company was in compliance with all covenants under the Supplier Agreement.

### ***Cash and Availability***

As of December 31, 2015, the Trust had total cash and availability of \$42.9 million consisting of cash and cash equivalents of \$11.2 million and \$31.7 million of availability under the credit facility. This compares to the total cash and availability as at December 31, 2014 of \$46.3 million, consisting of cash and cash equivalents of \$14.3 million and \$32.0 million of availability under the credit facility. The cash and availability was impacted by the \$19.3 million acquisition of TriEagle Energy in April 2015, which was primarily funded by cash.

### ***Cash Flow from Operations***

Cash flow from operations for the year ended December 31, 2015 amounted to \$37.3 million and included net outflows of \$15.3 million for changes in operating assets and liabilities, which compared to cash flow from operations for the year ended December 31, 2014 of \$50.9 million and included net inflows of \$11.7 million for changes in operating assets and liabilities. Excluding these changes in operating assets and liabilities, cash flow from operations was \$52.6 million for the year ended December 31, 2015, compared to \$39.2 million for the year ended December 31, 2014.

Cash flow from operations for the three month period ended December 31, 2015 amounted to \$3.8 million and included net outflows of \$9.4 million for changes in operating assets and liabilities, which compared to cash flow from operations for the three month period ended December 31, 2014 of \$15.5 million and included net inflows of \$2.2 million for changes in operating assets and liabilities. Excluding these changes in operating assets and liabilities, cash flow from operations was \$13.2 million for the three month period ended December 31, 2015, compared to \$13.3 million for the three month period ending December 31, 2014.

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 sold, which is also impacted by the business' growth and seasonality. The credit facility in place with Macquarie Energy is a borrowing base facility and, as such, provides access to cash that is needed to fund changes in operating assets and liabilities associated with the build-up of customer accounts receivables and trade payables.

### ***Working Capital***

As of December 31, 2015, the Trust had an adjusted working capital balance, defined as current assets less current liabilities, excluding unrealized gains and losses on derivatives, of negative \$9.2 million (December 31, 2014 — \$7.9 million). The decrease of \$17.1 million was primarily attributable to the impacts of the TriEagle Energy acquisition on April 1, 2015. The Company settled the \$19.3 million acquisition purchase price with (a) \$15.9 million in cash, which impacted adjusted working capital, as well as (b) the issuance of \$3.4 million of PURs in the Company which are to be settled in cash based on the future trading price of the Units on the TSX on the first and second anniversary of the acquisition date, the current portion of this liability, which impacts adjusted working capital, is \$2.1 million. In addition, the Company assumed negative working capital in the acquisition, including the recognition of an assumed liability for the estimated residual-based broker commissions owed for customers acquired as part of the acquisition. The current portion of these assumed liabilities as at December 31, 2015 was \$3.4 million, which contributed to the negative adjusted working capital. 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)**

	<u>As at December 31, 2015</u>	<u>As at December 31, 2014</u>
Current assets .....	\$103.8	\$104.6
Current liabilities .....	154.2	132.6
<b>Working capital</b> .....	<b>\$(50.4)</b>	<b>\$(28.0)</b>
Adjusted for the impact of:		
Other current financial assets .....	1.9	2.1
Other current financial liabilities .....	43.1	38.0
<b>Adjusted working capital</b> .....	<b>\$(9.2)</b>	<b>\$7.9</b>

***Distributable Cash and Distributions***

Distributable Cash for the year ended December 31, 2015 was \$34.7 million and total distributions paid for the year were \$20.2 million, which represented a payout ratio of 58.2% of Distributable Cash. This compares to Distributable Cash of \$28.6 million, total distributions of \$28.4 million and a payout ratio of 99.3% for the year ending December 31, 2014. The improved payout ratio was driven by both lower total distributions paid as well as improved Distributable Cash year-over-year. Distributions were lower primarily as a result of the strength of the U.S. dollar against the Canadian dollar, with our business operations generating earnings in U.S. dollars whereas the distributions to Unitholders are set in Canadian dollars, as well as changes implemented which improve efficiencies within the Trust's structure related to the treatment of certain U.S. State and local withholding taxes paid on behalf of the non-controlling interest. Positive impacts on Distributable Cash resulted from strong operating cash flows, offset by elevated Maintenance Capital Expenditures of \$9.0 million during the year, which were higher than typical, and due primarily to development work on numerous growth initiatives including the integration of TriEagle Energy, a new technology platform in the network marketing channel, the ongoing launch of the Comcast strategic partner channel and the transition to the Company's new solar partner, Sungevity. Capital expenditures on these strategic initiatives are non-recurring and are expected to contribute to the long-term growth of the Company. Management expect capital expenditures to return to historical levels in 2016. It is the intention of Management to maintain a conservative payout ratio to ensure funds are available to execute its growth strategy into 2016.

The following table provides a reconciliation of Cash flows provided by operating activities to Distributable Cash and shows the payout ratio of total distributions as a percentage of Distributable Cash.

**Distributable Cash and Payout Ratio (unaudited)  
(in millions)**

	<u>Quarter Ended December 31, 2015</u>	<u>Quarter Ended December 31, 2014</u>	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
Cash flows from operating activities .....	\$3.8	\$15.5	\$37.3	\$50.9
Changes in operating assets and liabilities .....	9.4	(2.2)	15.3	(11.7)
<b>Cash flows from operating activities excluding changes in operating assets and liabilities</b> .....	<b>13.2</b>	<b>13.3</b>	<b>52.6</b>	<b>39.2</b>
Finance costs - included in financing activities .....	(2.0)	(1.4)	(8.9)	(6.7)
Maintenance capital expenditures <sup>(1)</sup> .....	(2.2)	(1.0)	(9.0)	(3.9)
<b>Distributable Cash</b> .....	<b>\$9.0</b>	<b>\$10.9</b>	<b>\$34.7</b>	<b>\$28.6</b>
Distributions to non-controlling interest .....	3.7	4.6	13.3	21.6
Distributions to Unitholders .....	2.2	1.6	6.9	6.8
<b>Total distributions</b> .....	<b>\$5.9</b>	<b>\$6.2</b>	<b>\$20.2</b>	<b>\$28.4</b>
<b>Payout Ratio</b> .....	<b>65.6%</b>	<b>56.9%</b>	<b>58.2%</b>	<b>99.3%</b>

<sup>(1)</sup> Maintenance capital expenditures consisted of 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.

## ***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 December 31, 2015, the payments due by period are set out in the following table:

<b>Contractual Obligations (in millions)</b>	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
Trade and other payables .....	\$103.0	\$156.8	\$121.0	\$35.8	\$—
Operating leases .....	—	1.4	0.8	0.6	—
Financing leases .....	0.6	0.7	0.3	0.3	—
Credit facility .....	4.0	4.0	4.0	—	—
Distribution payable .....	0.7	0.7	0.7	—	—
Other non-current liabilities .....	4.7	4.7	—	4.7	—
	<b>\$113.0</b>	<b>\$168.3</b>	<b>\$126.8</b>	<b>\$41.4</b>	<b>\$—</b>

## ***Outstanding Unit Data***

At the date of this MD&A, the Trust had (i) 16,745,151 Units outstanding (including 6,785,000 Units issued on July 2, 2015 pursuant to the Offering) and (ii) 750,000 Warrants outstanding, which were issued to Macquarie Energy in February 2014 with a five-year term and a strike price of C\$6.23 per Unit.

During the period commencing April 11, 2014 and ending April 10, 2015, the Trust was authorized pursuant to a normal course issuer bid to purchase through the facilities of the TSX, in accordance with its rules or alternative Canadian trading platforms, a maximum of 500,746 Units representing approximately 5.0% of the public float (as defined by the rules and guidelines of the TSX) as of April 7, 2014. The price for any such Unit purchases was the prevailing market price at the time of such purchases. The Trust did not purchase any Units in the year ended December 31, 2015. In the year ended December 31, 2014, the Trust repurchased 94,193 Units for cancellation at an aggregate cost of \$0.4 million.

## **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 Trust's Annual Information Form for the year ended December 31, 2015, which is available on SEDAR under the issuer profile of the Trust at [www.sedar.com](http://www.sedar.com) and on the Trust's website at [www.criusenergytrust.ca](http://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 100.0% 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 consolidated statement of comprehensive (loss) income. 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 consolidated statement of comprehensive (loss) income.

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 December 31, 2015, 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 .....	1 - 50 MW	3,730,457 MWh	1 - 36	\$20.25 to \$79.50	(\$22.6)	\$173.7
Fixed-for-floating natural gas swaps .....	(2,000) – 2,500 MMBtu	5,772,900 MMBtu	1 – 30	\$2.02 to \$4.44	(\$6.7)	\$28.1
Physical electric forward contracts.....	(35) – 20 MW	1,841,907 MWh	1 – 52	\$17.75 to \$76.80	(\$13.0)	\$70.9
Physical natural gas forward contracts.....	(270) – 5,566 MMBtu	763,008 MMBtu	1 - 3	\$0.30 to \$5.67	(\$0.3)	\$2.0
Physical electric basis forward contracts.....	(20) – 20 MW	- MWh	2	\$23.50 to \$24.94	\$—	\$0.6
Fixed-for-floating electricity basis swaps .....	(25) – 25 MW	- MWh	1 – 12	\$26.80 to \$42.55	(\$0.1)	\$25.5
Fixed-for-floating natural gas basis swaps .....	(2,500) – 600 MMBtu	- MMBtu	1 – 15	\$(0.93) to \$2.75	(\$0.2)	\$0.9
Heat rate forward contracts .....	1 – 20 MW	180,828 MWh	3 – 12	\$22.20 to \$47.81	(\$0.2)	\$4.8
Financial transmission rights.....	0.1 – 31.7 MW	770,865 MWh	1 – 29	\$(4.06) to \$9.81	\$0.4	\$0.6

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 increase / (decrease) in net loss and total comprehensive loss of \$22.3 million in the profit and loss, 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 Supplier Agreement. As at December 31, 2015, the Trust had cash advances and letters of credit outstanding of \$4.0 million and \$10.4 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 year ended December 31, 2015, 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 profit and loss.

**Foreign currency risk**

The Trust is exposed to currency rate risk because the Company's business operations are conducted in United States dollars; however, the Trust's distributions and Units are denominated 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 that is extended on a quarterly basis.

As at December 31, 2015, the Trust was hedged for this currency exposure for the 24 months to December 31, 2017 with a floor exchange rate of C\$1.37 per US\$1, based on the then current distribution rate of C\$0.70 per Unit.

As at December 31, 2015, the Company had foreign currency derivatives outstanding with the following terms:

	<b>Notional Value (millions)</b>	<b>Maturity Date (months)</b>	<b>Fixed Price</b>	<b>Fair Value (millions)</b>
Foreign exchange options .....	US\$17.1 C\$23.4	1-24	C\$1.37 per US\$1	US\$0.5

Realized settlements under derivative instruments are included in the relevant section of the consolidated statement of comprehensive loss or 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 consolidated statement of comprehensive 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 of +/-10% would result in increase (decrease) in net loss and total comprehensive loss of \$1.2 million and \$(0.4) million, respectively, in the profit and loss, but would not impact Adjusted EBITDA.

**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 December 31, 2015, the customer credit risk exposure was \$5.9 million, compared to \$3.3 million for the year ended December 31, 2014 and the accounts receivable aging for these markets are as follows:

	<u>Total</u>	<u>Current</u>	<u>30-59 days</u>	<u>Over 60 days</u>
Accounts receivable .....	\$5.9	\$5.1	\$0.3	\$0.5

### ***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 is limited to Macquarie Energy for all wholesale energy supply positions and other counterparties for currency and other derivatives. 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.

The maximum counterparty credit risk exposure amounted to \$1.9 million as at December 31, 2015 compared to \$2.1 million for the year ended December 31, 2014, representing the risk relating to the Company's derivative financial assets.

### ***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 December 31, 2015.

### ***Supplier risk***

The Company purchases the energy it delivers to its customers through contracts 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 the Supplier Agreement, the Company has issued letters of credit as at December 31, 2015 totaling \$10.4 million (December 31, 2014 – \$7.6 million) 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 December 31, 2015 totaled \$20.4 million (December 31, 2014 – \$8.6 million).

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.

The Company is a party to the Supplier Agreement with Macquarie Energy, which is related to Macquarie Americas Corp, a unitholder of the Company. Both Macquarie entities are part of the same group. As at December 31, 2015, Macquarie Energy had extended trade credit to the Company totaling \$33.9 million (December 31, 2014 — \$36.0 million) under the Supplier Agreement. As at December 31, 2015, there were letters of credit issued totaling \$10.4 million (December 31, 2014 — \$7.6 million), and cash advances drawn under the working capital facility of \$4.0 million (December 31, 2014 — \$—). During the year ended December 31, 2015, energy purchases totaled \$453.4 million (December 31, 2014 — \$433.1 million) and interest expense under the Supplier Agreement totaled \$7.9 million (December 31, 2014 — \$6.0 million). As at December 31, 2015, the aggregate availability under the credit facility was \$31.7 million (December 31, 2014 — \$32.0 million).

During the year ended December 31, 2015, the Trust made certain tax payments on behalf of the non-controlling interest holders, which are treated as advances of future distributions. The balance as at December 31, 2015 was \$0.4 million (December 31, 2014 — \$2.1 million) and is included in other current assets in the consolidated statement of financial position. These amounts are being repaid through future distribution disbursement and are expected to be fully recouped within one year from the date of the advances. Due to the short-term nature for the repayment of these advances, there is no interest being charged.

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.

### ***LLC Units Acquisition***

Concurrently with the closing of the Offering, Crius Energy Corporation purchased 5,557,542 LLC Units from certain existing holders of LLC Units (the "**LLC Units Acquisition**"). Such acquisitions were completed pursuant to an offer to purchase (the "**Offer**") from Crius Energy Corporation dated June 4, 2015 to each registered holder of LLC Units, other than Crius Energy Corporation, whereby Crius Energy Corporation offered to purchase LLC Units from such registered holders of LLC Units on or prior to July 1, 2015.

The purchase price payable to each seller of LLC Units (a "**LLC Unit Seller**") per LLC Unit was C\$6.39 (US\$5.18) (the "**Purchase Price**"). Upon the terms and subject to the conditions of the Offer, Crius Energy Corporation accepted LLC Units for purchase pursuant to the Offer and paid the Purchase Price to each LLC Unit Seller.

Michael Fallquist, a director of the Administrator, Chief Executive Officer of the Trust, a director of the Company and Chief Executive Officer of the Company, held 1,756,538 LLC Units, representing approximately 5.1% of the outstanding LLC Units prior to the LLC Units Acquisition. Michael Fallquist sold 250,000 LLC Units pursuant to the Offer on the same terms and at the same Purchase Price as the other LLC Unit Sellers.

Robert Gries Jr., a director of the Company, and the Managing Member and a Director of GF Power I, LLC and GF Factoring, LP, which held, in the aggregate, 12,070,453 LLC Units, representing approximately 35.3% of the outstanding LLC Units prior to the LLC Units Acquisition. GF Power I, LLC and GF Factoring, LP sold 1,146,693 and 60,353 LLC Units, respectively, pursuant to the Offer on the same terms and at the same Purchase Price as the other LLC Unit Sellers.

Immediately following the LLC Units Acquisition, Michael Fallquist held, in the aggregate, 1,506,538 LLC Units, representing approximately 4.4% of the outstanding LLC Units (or a 0.7% decrease). Immediately following the LLC Units Acquisition, Robert Gries Jr., as the Managing Member and a Director of GF Power I, LLC and GF Factoring, LP, held, in the aggregate, 10,863,407 LLC Units, representing approximately 31.8% of the outstanding LLC Units (or a 3.5% decrease).

None of the interested parties subscribed for Units under the Offering.

## **Discussion of Fourth Quarter 2015 Operations**

### **For the three month period ended December 31, 2015 and December 31, 2014**

#### ***Revenue***

For the three month period ended December 31, 2015, revenue was \$147.5 million, representing an increase of 9.8% from \$134.3 million for the three month period ended December 31, 2014. Revenues in the quarter from both electricity and natural gas customers were adversely impacted by a seasonally milder winter causing temperatures to be approximately 27% higher than the 10 year normal across our core markets, as measured in Heating Degree Days.

#### ***Electricity***

Electricity revenue for the three month period ended December 31, 2015 was \$140.4 million, representing an increase of 17.3% from \$119.7 million for the three month period ended December 31, 2014, primarily as a result of a 37.1% increase in volume, partially offset by a 14.4% lower average retail rates per unit, reflecting lower energy prices as well as the continued normalization of variable customer rates. Electricity volumes for the three month period ended December 31, 2015 were 1,498,000 MWh, representing an increase of 37.1% from 1,093,000 MWh for the three month period ended December 31, 2014, with the increase primarily resulting from higher average customer numbers resulting from organic customer additions and the TriEagle Energy acquisition, but partially offset by seasonally milder winter temperatures experienced in our core markets.

#### ***Natural Gas***

Natural gas revenue for the three month period ended December 31, 2015 was \$8.7 million, representing a decrease of 29.2% from \$12.3 million for the three month period ended December 31, 2014, primarily as a result of a 22.1% decrease in volume combined with a 9.1% decrease in the average retail rate per unit. Natural gas volumes for the three month period ended December 31, 2015 were 1,478,000 MMBtu, representing a decrease of 22.1% from 1,896,000 MMBtu for the three month period ended December 31, 2014, with the decrease resulting from lower average customer numbers as well as lower average usage per customer in the current period as a result of seasonally milder winter temperatures experienced in our core markets.

#### ***Solar Revenue***

Solar revenue for the three month period ended December 31, 2015 was negative \$3.6 million, representing fees earned in connection with the marketing of solar systems with total generation capacity of 2.1 MW. This represents a decrease of 342.9% from revenues of \$1.5 million and 2.8 MW in the prior comparable period. The reduction in revenues was primarily attributable to a \$4.8 million impact resulting from a change in application of our revenue recognition accounting policy for solar revenues, made during the fourth quarter of 2015. Prior to the fourth quarter, solar revenues were recognized upon the execution of contracts with customers, net of expected cancellations that may occur prior to installation of the solar systems. In the fourth quarter, due to elevated cancellation rates and the transition to a new solar reseller partnership, the accounting change was made to more conservatively recognize revenue at the time of the installation of the solar system. This resulted in a one-time charge in the fourth quarter to reduce revenues by \$4.8 million for solar systems that had not yet been installed. Removing the one-time impact of this accounting policy change, solar revenue for the fourth quarter of 2015 would have been \$1.2 million.

#### ***Fee Revenue***

Fee revenue, consisting of sign-up fees and other monthly fees received from independent contractors in the network marketing channel and various fees received from customers, for the three month period ended December 31, 2015 was \$2.0 million, representing an increase of 122.8% from \$0.9 million for the three month period ended December 31, 2014, which was primarily attributable to customer fee revenues in the Texas electricity market as a result of the TriEagle Energy acquisition, which closed on April 1, 2015.

#### ***Gross Margin***

For the three month period ended December 31, 2015, gross margin was \$35.5 million, representing a decrease of 7.1% from \$38.2 million for the three month period ended December 31, 2014. Gross margin for the three month period ended December 31, 2015 was 24.0% of total revenue representing a decrease from 28.4% for the three month period ended December 31, 2014.

Gross margin in the quarter was impacted by the milder winter temperatures, being 27% higher than the 10 year normal across our core markets, as measured by Heating Degree Days, as well as by the one-time charge related to solar revenue recognition detailed above. Gross margin as a percentage of revenue was lower in the quarter primarily as a result of the increased proportion of lower margin commercial customers from the TriEagle Energy acquisition as well as the period-over-period reduction in solar revenues.

#### *Electricity*

Electricity gross margin for the three month period ended December 31, 2015 was \$34.3 million, representing an increase of 10.0% from \$31.1 million for the three month period ended December 31, 2014. For the three month period ended December 31, 2015, electricity gross margin per unit was \$22.88/MWh, and electricity gross margin accounted for 24.4% of electricity revenues, representing a decrease from \$28.51/MWh and 26.0%, respectively, for the three month period ended December 31, 2014. Electricity gross margin per unit in the quarter reflect the increased concentration of lower margin commercial customers, including those acquired as part of the TriEagle Energy acquisition in April 2015 as well as normalized variable rate customer pricing as compared to the fourth quarter of 2014, when the Company was passing through to customers the high wholesale energy costs incurred as a result of the severe weather conditions experienced in the first quarter of 2014.

#### *Natural Gas*

Natural gas gross margin for the three month period ended December 31, 2015 was \$2.8 million, representing a 39.4% decrease from \$4.6 million for the three month period ended December 31, 2014. For the three month period ended December 31, 2015, natural gas gross margin per unit was \$1.90/MMBtu, and natural gas gross margin accounted for 32.3% of natural gas revenues, representing decreases from \$2.44/MMBtu and 37.8%, respectively, for the three month period ended December 31, 2014, with the lower gross margins being driven by normalization of the variable rate customer pricing.

#### *Other*

Gross margin for the three month period ended December 31, 2015 also included solar revenues of negative \$3.6 million and revenues from independent contractors in the network marketing channel of \$2.0 million. For the three month period ended December 31, 2014, solar revenues were \$1.5 million and revenues from independent contractors in the network marketing channel were \$0.9 million. These revenues do not have associated cost of sales.

#### ***Selling Expenses***

Selling expenses consist of commissions due to (i) independent contractors in the network marketing channel, commercial broker channel, telemarketing and door-to-door channels, (ii) partners in our strategic partnerships, (iii) employees for enrolling new electricity, natural gas and solar customers, and for customer consumption, and (iv) vendors used in the Company's direct mail and other direct marketing campaigns. Selling expenses are expensed in the period that they are earned by the independent contractors, strategic partnerships, 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 above in the analysis of the Company's performance during the year ended December 31, 2015.

For the three month period ended December 31, 2015, selling expenses were \$9.8 million, representing no change from \$9.8 million for the three month period ended December 31, 2014. Selling expenses for the three month period ended December 31, 2015 amounted to 6.6% of revenue compared to 7.3% for the three month period ended December 31, 2014. These expenses consist of:

- (a) Upfront electricity and natural gas customer acquisition commissions for the three month period ended December 31, 2015 of \$3.8 million (amounting to \$38 per customer acquired), representing a decrease from \$4.8 million for the three month period ended by December 31, 2014 (amounting to \$61 per customer acquired), with the reduction being impacted by lower upfront costs per customer, primarily associated with increased commercial customer enrollments as a result of the TriEagle Energy acquisition. In addition, upfront costs per customer in the prior comparable period were elevated due to an investment of \$3.2 million in targeted direct marketing campaigns employed by the Company in several

utility markets in the Northeastern U.S. to take advantage of market opportunities, which successfully generated approximately 40,000 customer enrollments in the period.

- (b) Residual-based electricity and natural gas commissions for the three month period ended December 31, 2015 of \$5.3 million (amounting to 3.6% of revenues), representing an increase from \$4.3 million for the three month period ended December 31, 2014 (amounting to 3.2% of revenues), with the increase primarily resulting from incremental commissions incentives offered in the network marketing channel during the transition to a revamped compensation plan structure that was launched at the national convention, PowerUP! 2015, in September 2015. In addition, this impact was partially offset by two factors associated with the acquisition of TriEagle Energy on April 1, 2015. Firstly, residual-based commissions owed to brokers based on customer usage for acquired customers are treated under acquisition accounting as an assumed liability and are included in the preliminary purchase price allocation for the acquisition, based on estimated customer usage and contracted commission rates. Thus, ongoing payment of residual-based commissions associated with the customers acquired from TriEagle Energy, of approximately \$0.9 million or 0.6% of revenue, relieves the liability on the Trust's consolidated statement of financial position rather than being expensed as a selling cost. Secondly, the Texas electricity market structure is a 'marketer consolidated billing' model, in contrast to the 'utility consolidated billing' and 'dual billing' models in other Crius Energy electricity and natural gas markets. Under the Texas model, the marketer, Crius Energy, is responsible for the billing and collection of transmission and distribution charges of the local utility as well as its own energy charges, and as such residual-based commissions are lower as a percentage of revenue as they are based only on the energy charges and usage.
- (c) Solar selling expenses for the three month period ended December 31, 2015 of \$0.7 million (on negative 3.6 million of solar revenues), compared to \$0.7 million for the three month period ended December 31, 2014 (amounting to 48.8% of solar revenues). Solar selling expenses as a percentage of revenue were significantly higher than typical and were impacted by higher fixed costs during the partner transition as well as by the impact of the one-time reduction in solar revenues as a result of the aforementioned change in the application of our solar revenue recognition policy.

### **General and Administrative Expenses**

General and administrative expenses for the three month period ended December 31, 2015 were \$17.3 million. This represented an increase from \$14.0 million for the three month period ended December 31, 2014 as set out in the tables below. The increased level of general and administrative expenses period over period was impacted by the acquisition of TriEagle Energy on April 1, 2015.

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

	Quarter ended December 31, 2015		Quarter ended December 31, 2014	
	\$	%	\$	%
POR fees / bad debt.....	\$1.3	0.9%	\$1.2	0.9%
Processing costs .....	1.8	1.2%	1.7	1.3%
Human resources.....	7.4	5.0%	6.8	5.0%
Gross receipts taxes and other taxes .....	1.0	0.7%	2.0	1.5%
Professional and consultant fees .....	0.9	0.6%	0.9	0.7%
Legal and regulatory .....	0.8	0.5%	1.1	0.8%
Other .....	4.2	2.8%	0.3	0.2%
<b>Total.....</b>	<b>\$17.3</b>	<b>11.7%</b>	<b>\$14.0</b>	<b>10.4%</b>

General and administrative expenses incurred during the three month ended December 31, 2015 were made up of the following categories:

- (a) POR fees / bad debt represent fees paid to the LDCs pursuant to 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 December 31, 2015 was \$1.3 million, representing 0.9% of revenue, compared to \$1.2 million for the three month period ended December 31, 2014, representing 0.9% of revenue for that period. The slight increase was impacted by an increase in customers in the markets in which the Company is exposed to credit risk due to the TriEagle Energy acquisition.

- (b) Processing costs for the three month period ended December 31, 2015 of \$1.8 million include various data processing and information technology costs incurred to service our customers and sales force. This figure compares to \$1.7 million for the three month period ended December 31, 2014. Processing costs were slightly higher due to the increased costs of servicing the TriEagle Energy customer base and the more operationally-intensive Texas market.
- (c) Human resource costs for the three month period ended December 31, 2015 of \$7.4 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 2014 of \$6.8 million. The increase was primarily the result of overall growth in employee headcount over the period as a result of the TriEagle Energy acquisition as well as to support our growth initiatives and improve our operational and risk management capabilities and increased incentive compensation which is based on achievement of Company profitability and growth targets.
- (d) Gross receipts taxes and other taxes for the three month period ended December 31, 2015 of \$1.0 million represent operational taxes in various U.S. states and jurisdictions and are primarily driven by revenue. This was lower than the \$2.0 million incurred in the prior comparable period in 2014, which was impacted by approximately \$1.0 million in non-recurring operational taxes.
- (e) Professional and consultant fees for the three month period ended December 31, 2015 of \$0.9 million represent audit, tax, investor relations, share registry, valuation, due diligence, internal controls consulting and other fees and compares to \$0.9 million in prior comparable period in 2014.
- (f) Legal and regulatory costs for the three month period ended December 31, 2015 of \$0.8 million represent external legal fees incurred in the United States and Canada and compared to \$1.1 million in the prior comparable period in 2014, with the prior comparable period impacted by \$0.5 million relating to legal services provided in relation to various acquisitions.
- (g) Other costs for the three month period ended December 31, 2015 of \$4.2 million represent the balance of corporate, operational and marketing related expenses incurred to operate our business. These costs compare to \$0.3 million in the prior comparable period in 2014 with the increase primarily a result of the cost base associated with the TriEagle Energy acquisition.

### ***Goodwill Impairment***

The Trust recorded no goodwill impairment for the three month periods ended December 31, 2015 and December 31, 2014. The Trust records a goodwill impairment charge when the carrying value of equity is in excess of the market capitalization of the Trust, adjusted for an estimated acquisition premium.

### ***Unit-Based Compensation***

The unit-based compensation charge relates to the cumulative net issuance of PURs and RTUs to Management, the directors of the Administrator and other parties. For the three month period ended December 31, 2015, unit-based compensation expense amounted to \$0.5 million representing an increase from \$0.4 million for the three month period ended December 31, 2014. The expense reflects the fair value of the unit-based compensation based on the market price of the Units at the end of the period and the applicable vesting period. The unit-based compensation expense in the current periods was impacted by an increased Unit price, increased unit-based issuances to both Management and to the sellers of TriEagle Energy as well as additional vesting.

### ***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 month period ended December 31, 2015 was \$7.4 million, representing a decrease from \$10.3 million for the three month period ended December 31, 2014. The decrease was primarily attributable to certain intangible assets set up at the time of the IPO, being fully amortized in the fourth quarter of 2015, partially offset by incremental amortization associated with intangible asset additions made during the period including the TriEagle Energy acquisition.

## **Finance Costs**

Finance costs for the three month period ended December 31, 2015 were \$1.7 million, representing an increase from \$1.6 million for the three month period ended December 31, 2014. Finance costs are primarily incurred pursuant to the Company's credit facility with Macquarie Energy. Refer to the discussion in the section entitled "*Liquidity and Capital Resources*" in this MD&A, for a detailed description of this facility. The higher finance fees for the three months ended December 31, 2015 as compared to the prior comparable period in 2014 was attributable to increased volumetric energy fees primarily as a result of increased volumes from the TriEagle Energy acquisition that closed on April 1, 2015.

## **Distributions to Non-Controlling Interest**

Distributions to non-controlling interest for the three month period ended December 31, 2015 were \$3.8 million compared to \$1.5 million for the three month period ended December 31, 2014. This period over period increase was a result of the prior comparable period being impacted by a non-cash tax adjustment of \$2.1 million related to tax distributions by the Company to its unitholders.

Due to certain provisions in the Trust's governance documents, which in change of control circumstances provide the non-controlling interest a redemption right, the non-controlling interest is classified as a long-term liability on the consolidated statement of financial position. Accordingly, monthly distributions paid by Crius Energy to the non-controlling interest are included in the profit and loss.

## **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 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 month period ended December 31, 2015, the changes in unrealized gains or losses associated with derivative contracts were net losses of \$1.6 million compared to net losses of \$39.4 million for the three month period ended December 31, 2014.

## **Change in Fair Value of Derivative Instruments (in millions)**

	<b>Quarter Ended December 31, 2015</b>	<b>Quarter Ended December 31, 2014</b>
Forward electricity positions .....	\$(0.9)	\$(36.1)
Forward natural gas positions .....	(0.8)	(3.5)
Weather derivative positions .....	0.4	0.3
Forward currency positions .....	(0.3)	(0.1)
<b>Change in fair value of derivative instruments</b>	<b>\$(1.6)</b>	<b>\$(39.4)</b>

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 thus minimizing the impact of these unrealized mark-to-market gains and losses.

## **Change in Fair Value of Warrant Liability**

The change in fair value of warrant liability for the three month period ended December 31, 2015 was a gain of \$0.2 million compared to a loss of \$0.1 million for the three month period ended December 31, 2014. These gains and losses represent the mark-to-market valuation of the 750,000 Warrants issued to Macquarie Energy as consideration for the expansion of the Supplier Agreement in February 2014. The valuation of the Warrants is based on an option valuation model, and accordingly the non-cash loss is the result of changes in the Unit price, volatility and yield, the time to maturity and the risk-free rate over the period.

### ***Change in Fair Value of Non-controlling Interest***

The change in fair value of non-controlling interest for the three month period ended December 31, 2015 was a gain of \$9.3 million compared to a loss of \$3.1 million for the three month period ended December 31, 2014. These gains and losses represent the mark-to-market valuation of the non-controlling interest liability included on the statement of financial position. The mark-to-market valuation gain in the three month ended December 31, 2015 was primarily the result of a decrease in the trading price of Units over the period.

Due to certain provisions in the Trust's governance documents, which in change of control circumstances provide the non-controlling interest a redemption right, the non-controlling interest is classified as a long-term liability on the consolidated 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 condensed consolidated statement of comprehensive loss. The fair value of the non-controlling interest is measured principally based on the trading price of Units on the TSX, with an adjustment for certain profit interest units of the Company that is calculated using an option pricing model.

### ***Benefit from Income Taxes***

For the three month period ended December 31, 2015, the Trust recorded a benefit for income taxes of \$2.9 million and for the three month period ended December 31, 2014, the Trust recorded a benefit from income taxes of \$14.8 million. The Trust was in a pre-tax loss position for the year, and was in a net loss position for the same period after adjusting for permanent differences, including the change in fair value of non-controlling interest, distributions to non-controlling interest and removing the profit or loss of the Company that is attributed directly to the non-controlling partners of the Company. Under United States partnership taxation rules, Crius Energy, LLC is not a taxable entity and its taxable (loss) income flows through to its partners who are then taxed on their allocable share of the partnership (loss) income.

### ***Net Income (Loss) and Comprehensive Income (Loss)***

For the three month period ended December 31, 2015, net income and comprehensive income was \$5.8 million, compared to net loss and comprehensive loss of \$27.2 million for the three month period ended December 31, 2014, with the changes being attributable to the factors noted above. Net income (loss) and comprehensive income (loss) is impacted by numerous non-cash items, some being a result of the structure of the Trust and its subsidiaries as well as the industry in which it operates. Accordingly, Management believes the additional non-IFRS financial measures of Adjusted EBITDA and Distributable Cash are useful metrics to be considered together with net loss and comprehensive loss for evaluating the Trust's financial and operating performance, as they are measures that Management uses internally to assess performance.

### ***Proposed Transactions***

In December, 2015, the Trust announced that the Company entered into an asset purchase agreement with Kona Energy, a Texas-based energy retailer, to acquire customer contracts and assets associated with 75,000 RCEs located in the states of Illinois, New York, Ohio and Texas for consideration of \$7.0 million (the "**Kona Energy Acquisition**"). In connection with the completion of the Kona Energy Acquisition, Macquarie Energy also agreed to reduce its energy supply fees under the Supplier Agreement, which is expected to lower interest costs by more than \$5.0 million over the next four years.

In February, 2016, the Trust announced that the Company had completed the Kona Energy Acquisition, which was funded from cash reserves and availability under the credit facility. The RCEs acquired from Kona Energy are expected to have annual gross margin of \$70-\$90 per RCE and be accretive to Distributable Cash in 2016. The Kona Energy Acquisition is expected to strengthen the Company's geographic footprint across four states where the Company currently operates and provide cross-selling opportunities for natural gas products. The portfolio of RCEs acquired is comprised of approximately 96% commercial customers and approximately 98% fixed-rate customers, which has increased the percentage of commercial customers and fixed-rate contracts in the Company's overall portfolio to approximately 40% and 75%, respectively.

In February, 2016, the Company closed an asset purchase agreement to acquire certain broker agreements, business licenses, all intellectual property and call center equipment of a Florida-based broker of electricity and natural gas, for an aggregate purchase price of \$1.2 million. The acquisition was funded by cash and availability under our credit facility with Macquarie Energy.

## 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.

Solar revenues were historically recognized net of expected cancellations, which were estimated based on management judgment of historical cancellation rates. During 2015, Management concluded that it can no longer reliably estimate expected cancellations and therefore will recognize revenue when based on the installation of the solar system.

### *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 collectibility 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.

### *Impairment of 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, assumptions are made regarding the market capitalization of the Trust, 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 expect 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 qualifies as 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 issued by the Trust give the holder 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 the outstanding Units as equity because the Units meet the "puttable instrument exemption" criteria as there is no contractual obligation to distribute cash.

### *Consolidation of entities in which the Trust has less than majority of ownership interest*

The Trust has determined that it controls the operating subsidiaries through its indirect wholly owned subsidiary, Crius Energy Corporation, notwithstanding that its ownership interest is less than 50% of the voting interest. The factors the Trust considered in this determination include the relative size and dispersion of holdings by other shareholders, the Trust's right to a majority of board members and the sharing of key management positions between the entities.

## **New Standards and Accounting Policies Adopted**

The consolidated financial statements have been prepared following the same accounting policies as those that were followed in the preparation of the Trust's prior year consolidated financial statements, with the exception of the following new standards:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. These amendments had no impact on the Trust's consolidated financial statements, as the Trust does not have defined benefit pension plans.

Two new annual improvements including Annual Improvements to IFRS 2010 – 2012 Cycle and Annual Improvements 2011 – 2013 Cycle included amendments effective immediately and thus were effective for periods beginning January 1, 2015; however, they did not have an impact on the consolidated financial statements of the Trust.

## **Disclosure Controls and Procedures & Internal Controls over Financial Reporting**

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. Management, including the Chief Executive Officer and the Chief Financial Officer of the Trust, are responsible for establishing and maintaining adequate ICFR, as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual Interim Filings* ("NI 52-109"), to provide reasonable, but not absolute, assurance regarding the reliability of the Trust's financial reporting and designing disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Trust in its corporate filings has been recorded, processed, summarized and reported within the time periods specified by securities legislation.

A material weakness in ICFR exists if a deficiency is such that there is reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections or any evaluation of effectiveness to future periods

are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, the Trust's disclosure controls and procedures, and its ICFR are designed to provide reasonable, not absolute, assurance that the objectives of its control systems have been met.

The Trust initially designed its internal control structure under the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 1992 Framework. During the year ended December 31, 2015, the Trust aligned its ICFR controls to the principles under the new COSO 2013 Framework which was updated and issued in May 2013. The updated ICFR controls were tested to confirm the controls were operating effectively.

As of December 31, 2015, the Trust assessed the effectiveness of its ICFR using the criteria set forth in the COSO 2013 Framework and concluded that it was effective as of that date.

#### *Limitation on Scope of Design*

The Chief Executive Officer and Chief Financial Officer of the Trust have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of TriEagle Energy, which was acquired on April 1, 2015. This scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

#### ***Changes to Internal Control over Financial Reporting***

NI 52-109 requires public companies in Canada to disclose in their MD&A any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. There were no changes in ICFR during the quarter ended December 31, 2015 that materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

#### **Non-IFRS Financial Measures**

Statements throughout this MD&A make reference to EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio, 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 EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio 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 EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio, these terms as used herein are not necessarily comparable to similarly titled measures of other companies. EBITDA, Adjusted EBITDA, Distributable Cash and payout ratio have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net (loss) income or other data prepared in accordance with IFRS. EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA adjusted to exclude any change in the fair value of derivative instruments, change in fair value of non-controlling interest, change in fair value of warrant liability, unit-based compensation, goodwill impairment and distributions to non-controlling interest. The items excluded from EBITDA and Adjusted EBITDA are significant in assessing the Trust's operating results and liquidity. See the section entitled "*Reconciliation of Net (Loss) and Comprehensive (Loss) to EBITDA and Adjusted EBITDA*" in this MD&A for a reconciliation of EBITDA and Adjusted EBITDA to net loss and comprehensive loss as calculated under IFRS for the relevant periods, the most directly comparable measure in the Trust's consolidated financial statements. See the section entitled "*Distributable Cash and Payout Ratio*" 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. Other financial data has been prepared in accordance with IFRS.

## Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") that involve substantial known and unknown risks and uncertainties, most of which are beyond the control of the Trust, including, without limitation, those listed 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 year ended December 31, 2015, which is available on SEDAR under the issuer profile of the Trust on [www.sedar.com](http://www.sedar.com) and on the Trust's website at [www.criusenergytrust.ca](http://www.criusenergytrust.ca). A statement may be considered a forward-looking statement when it uses what the Trust knows or expects today to make a statement about the future. Forward-looking statements may be identified by words such as anticipate, assume, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target, will or other similar expressions. Statements that are not historical facts may be considered forward-looking statements and may involve estimates, assumptions and uncertainties, which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. Forward-looking statements in this MD&A include, without limitation, statements pertaining to EBITDA, Adjusted EBITDA, Distributable Cash, payout ratio, treatment under governmental regulatory regimes (including statements pertaining to the Trust's objectives and status as a mutual fund trust and not a specified investment flow-through ("**SIFT**") trust), hedging strategies, risk management, market risk, credit risk, off-balance sheet arrangements, transactions between related parties, liquidity and capital resources, critical accounting estimates, ICFR, derivative instruments, potential transactions, results of operations, financial position or cash flows, customer revenues and margins, customer additions and renewals, customer attrition, customer consumption levels, expenses and distributions to Unitholders. Investors are cautioned that important factors could cause the Trust's actual results to differ materially from those contained in forward-looking statements. No assurance can be given that the expectations set-forth in this MD&A will ultimately prove to be accurate and, accordingly, such forward-looking statements should not be unduly relied upon. It is not possible for Management to predict new factors that may emerge from time to time, or to assess in advance the impact of each such factor on the Trust's business, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in forward-looking statements. These forward-looking statements are given only as of the date of this MD&A and the Trust does not assume any obligation to update or revise any forward-looking statement to reflect new events or circumstances, except as may be expressly required by applicable securities laws.