

Public Power, LLC

Exhibit C-3

***“Financial Statements,”** provide copies of the applicant’s two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.*

In late 2012, Public Power, LLC (“Public Power”) underwent several changes to its corporate structure. First, Public Power became affiliated with several additional licensed competitive retail electricity and natural gas suppliers that supply these commodities to customers in several states. The new affiliations materialized as a result of an Exchange Transaction. On September 18, 2012, pursuant to an Exchange Agreement, each of the members holding interest in Public Power and the stockholders owning shares of Regional Energy Holdings, Inc. (“REH”) contributed a portion (approximately seventy-five percent) of their interests in Public Power and REH to Crius, each in exchange for fifty percent of the ownership interest in Crius in an Exchange Transaction to form Crius Energy, LLC (“Crius”). As a result of the exchange transaction, Crius became the owner of the majority interest in voting shares of REH and a majority interest in Public Power. 26.8% of Crius is ultimately owned by the Crius Energy Trust, a publicly-traded entity, traded on the Toronto Stock Exchange, under the ticker symbol “KWH.UN”. This initial public offering was consummated on November 13, 2012.

Prior to November 13, 2012, Public Power was not a public company, therefore its 2011 audited financial statements are confidential and proprietary information and is being submitted under seal. Public Power did not produce audited financial statements for the 2012 calendar year. Public Power’s financial data for 2009, 2010 and 2011 was published in the Crius Energy Trust Prospectus. The Crius Energy Trust produced Audited Financial Statements for September 7, 2012 – December 31, 2012. The Crius Energy Trust has also produced Interim Condensed Consolidated Financial Statements for the Period Ended September 30, 2013. Attached please find: (i) The Crius Energy Trust Prospectus containing Public Power’s financials for the period of 2009, 2010, 2011; (ii) The Crius Energy Trust Audited Financial Statements for September 7, 2012 – December 31, 2012; and (iii) The Crius Energy Trust Interim Consolidated Financial Statements for the Period Ended September 30, 2013.

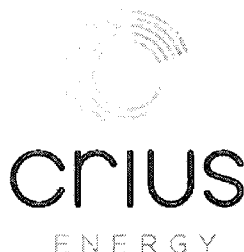
No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("U.S. Securities Act") or any of the state securities laws and, subject to certain exceptions, may not be offered or sold in the United States or to a U.S. persons (as defined in Regulation S under the U.S. Securities Act ("Regulation S")). This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

November 2, 2012



CRIOUS ENERGY TRUST

C\$100,000,000

10,000,000 Units

This prospectus qualifies the distribution of 10,000,000 trust units ("Units") of Crius Energy Trust (the "Trust"), an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario, to be issued at a price of C\$10.00 per Unit (the "Offering").

Units are being offered by Scotia Capital Inc., RBC Dominion Securities Inc. and UBS Securities Canada Inc. (collectively, the "Lead Underwriters") on their behalf and on behalf of National Bank Financial Inc., Macquarie Capital Markets Canada Ltd., Raymond James Ltd., Desjardins Securities Inc., GMP Securities L.P. and Chardan Capital Markets, LLC (collectively, with the Lead Underwriters, the "Underwriters"), pursuant to an agreement between the Trust and the Underwriters dated November 2, 2012 (the "Underwriting Agreement"). Chardan Capital Markets, LLC is not a registered dealer in Canada and will only sell Units into the United States.

The Trust indirectly owns all of the issued and outstanding shares of Crius Energy Corporation ("US Holdco"), a Delaware corporation formed for the purpose of acquiring an ownership interest in Crius Energy, LLC (the "Company"), a Delaware limited liability company. Prior to the closing of the Offering, US Holdco will enter into a purchase agreement (the "Purchase Agreement") to acquire approximately 26.8% of the Membership Units (as defined herein) (the "Company Interest") of the Company from the Company. The Company Interest will entitle US Holdco to appoint a majority of the members of the board of directors of the Company, and thereby to control the day-to-day operations of the Company, including the amount of distributions the Company makes from available funds, if any. The Company is an independent retail energy provider ("Energy Retailer") that markets and sells electricity and natural gas to residential and small to medium-size commercial customers in the United States. The purchase price for the Company Interest is C\$89.5 million (payable in US\$ based on the exchange rate on the date of closing of the Offering). The purchase price will be funded from the net proceeds of the Offering. The purchase of the Company Interest is conditional on the concurrent closing of the Offering. See "Use of Proceeds".

The Trust intends to make monthly distributions of a portion of its available cash to holders of Units ("Unitholders"). The Trust expects that the initial monthly cash distribution rate will be C\$0.0833 per Unit. The initial cash distribution, which will be for the period from and including the date of closing of the Offering to December 31, 2012, is expected to be paid on January 15, 2013, to Unitholders of record on December 31, 2012 and is estimated to be C\$0.1326 per Unit (assuming that the closing of the Offering occurs on November 13, 2012). The distribution of cash to Unitholders is not assured. See "Description of the Trust — Distributions" and "Risk Factors".

The Trust intends to qualify as a "mutual fund trust" under the *Income Tax Act* (Canada) (the "Tax Act"). The Trust will not be a "SIFT trust" (as defined in the Tax Act), provided that the Trust complies at all times with its investment restrictions which preclude the Trust from holding any "non-portfolio property" (as defined in the Tax Act).

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. The TSX has conditionally approved the listing of the Units under the symbol "KWH.UN". Listing is subject to the Trust fulfilling all the requirements of the TSX on or before January 24, 2013, including distribution of the Units to a minimum number of public securityholders.

An investment in the Units is speculative and is subject to a number of risks that should be considered by a prospective purchaser. See "Risk Factors".

Price C\$10.00 per Unit

| | Price to Public⁽¹⁾ | Underwriters' Fee⁽²⁾ | Net Proceeds to the Trust⁽³⁾ |
|-------------------------------------|--|--|--|
| Per Unit | C\$10.00 | C\$0.60 | C\$9.40 |
| Total Offering ⁽⁴⁾ | C\$100,000,000 | C\$6,000,000 | C\$94,000,000 |

Notes:

- (1) The offering price of the Units to be issued pursuant to the Offering has been determined by negotiation between Crius Energy Administrator Inc. (the "Administrator") (on behalf of the Trust) and the Underwriters. No third-party valuation of the Units was obtained in determining the offering price.

(continued on next page)

AUDITED FINANCIAL STATEMENTS OF PUBLIC POWER, LLC
DECEMBER 31, 2011, 2010 AND 2009

INDEPENDENT AUDITORS' REPORT

The Members of Public Power, LLC

We have audited the accompanying consolidated financial statements of Public Power, LLC, which comprise the consolidated statements of financial position as at December 31, 2011, 2010, 2009 and January 1, 2009, and the consolidated statements of comprehensive income, changes in members' equity and cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statement

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Public Power, LLC as at December 31, 2011, 2010, 2009 and January 1, 2009, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) Ernst & Young LLP
Hartford, Connecticut
November 2, 2012

PUBLIC POWER, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

| | Notes | December 31, 2011 | December 31, 2010 | December 31, 2009 | January 1, 2009 |
|---|-------|----------------------|----------------------|----------------------|--------------------|
| Assets | | | | | |
| Current | | | | | |
| Cash and cash equivalents | | \$ 701 | \$ 278 | \$ 699 | \$ 6 |
| Collateral deposits, current | 12 | — | 4,874 | 633 | 22 |
| Accounts receivable | 9 | 18,068 | 11,471 | 8,379 | 998 |
| Other current financial assets | 14 | — | 72 | — | — |
| Other current assets | | 297 | 597 | 338 | 4 |
| | | <u>19,066</u> | <u>17,292</u> | <u>10,049</u> | <u>1,030</u> |
| Collateral deposits, long-term | 12 | 5,266 | 1,897 | 4,243 | 1,520 |
| Property and equipment | 10 | 102 | 98 | 46 | 10 |
| Intangible assets | 11 | 16,757 | — | — | — |
| Deferred tax assets | 18 | — | — | 312 | 1,809 |
| Other assets | | 12 | 9 | 5 | 2 |
| Total Assets | | <u>\$41,203</u> | <u>\$19,296</u> | <u>\$14,655</u> | <u>\$ 4,371</u> |
| Liabilities and members' equity (deficit) | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Line of credit, bank | 15 | \$ 6,631 | \$ 6,056 | \$ — | \$ — |
| Trade and other payables | | 9,800 | 5,263 | 6,486 | 6,062 |
| Other current financial liabilities | 14 | 1,581 | — | — | — |
| Current maturities of notes payable | 15 | 4,599 | — | — | — |
| Notes payable, related parties | 19 | — | 2,784 | 7,892 | 702 |
| | | <u>22,611</u> | <u>14,103</u> | <u>14,378</u> | <u>6,764</u> |
| Long-term liabilities | | | | | |
| Notes payable, less current maturities | 15 | 3,401 | — | — | — |
| Notes payable, related parties, less current maturities | 19 | 6,800 | 2,785 | — | — |
| Other long-term liabilities | | 2,031 | — | — | — |
| | | <u>34,843</u> | <u>16,888</u> | <u>14,378</u> | <u>6,764</u> |
| Members' equity (deficit) | | | | | |
| Members' equity (deficit) | | 6,360 | 2,408 | 277 | (2,393) |
| Total liabilities and members' equity | | <u>\$41,203</u> | <u>\$19,296</u> | <u>\$14,655</u> | <u>\$ 4,371</u> |
| Commitments | 22 | | | | |

See accompanying notes to the consolidated financial statements.

PUBLIC POWER, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of U.S. dollars)

| | Notes | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|--|-------|-------------------------|------------------------|------------------------|
| Revenue | | \$107,891 | \$76,239 | \$45,434 |
| Cost of sales | | <u>82,186</u> | <u>60,293</u> | <u>30,847</u> |
| Gross margin | | <u>25,705</u> | <u>15,946</u> | <u>14,587</u> |
| Expenses | | | | |
| Selling expenses | | 3,191 | 3,383 | 1,282 |
| General and administrative expenses | | 7,918 | 6,411 | 8,949 |
| Depreciation and amortization | | <u>850</u> | <u>37</u> | <u>4</u> |
| | | <u>11,959</u> | <u>9,831</u> | <u>10,235</u> |
| Operating profit | | <u>13,746</u> | <u>6,115</u> | <u>4,352</u> |
| Other income (expense) | | | | |
| Finance costs | | (1,276) | (1,153) | (187) |
| Change in fair value of derivative instruments | 14 | <u>(1,653)</u> | <u>72</u> | <u>—</u> |
| Income before income taxes | | <u>10,817</u> | <u>5,034</u> | <u>4,165</u> |
| Provision for income taxes | 18 | <u>—</u> | <u>—</u> | <u>1,497</u> |
| Net income and total comprehensive income | | <u><u>\$ 10,817</u></u> | <u><u>\$ 5,034</u></u> | <u><u>\$ 2,668</u></u> |

See accompanying notes to the consolidated financial statements.

PUBLIC POWER, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(in thousands of U.S. dollars)

| | <u>Total</u> |
|---|------------------------|
| Balance, January 1, 2009 | \$(2,393) |
| Capital contribution | 19 |
| Distributions | (17) |
| Net income | <u>2,668</u> |
| Balance, December 31, 2009 | 277 |
| Capital contributions | 885 |
| Distributions | (3,788) |
| Net income | <u>5,034</u> |
| Balance, December 31, 2010 | 2,408 |
| Distributions | (6,865) |
| Net income | <u>10,817</u> |
| Balance, December 31, 2011 | <u>\$ 6,360</u> |

See accompanying notes to the consolidated financial statements.

PUBLIC POWER, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

| | Notes | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|--|-------|----------------------|----------------------|----------------------|
| Net inflow (outflow) of cash related to the following activities | | | | |
| Operating | | | | |
| Net income | | \$ 10,817 | \$ 5,034 | \$ 2,668 |
| Add (deduct) items not affecting cash | | | | |
| Depreciation of property and equipment | | 63 | 37 | 4 |
| Amortization of intangibles | | 787 | — | — |
| Change in fair value of derivative instruments | 14 | 1,653 | (72) | — |
| Finance costs | | 25 | — | — |
| Deferred income taxes | | — | — | 1,497 |
| Bad debt expense | | 1,129 | — | — |
| | | <u>14,474</u> | <u>4,999</u> | <u>4,169</u> |
| Net change in operating assets and liabilities | 16 | <u>(3,787)</u> | <u>(6,160)</u> | <u>(10,628)</u> |
| | | <u>10,687</u> | <u>(1,161)</u> | <u>(6,459)</u> |
| Investing | | | | |
| Purchase of property and equipment | | (67) | (89) | (40) |
| Purchase of intangible assets | 7 | (10,113) | — | — |
| | | <u>(10,180)</u> | <u>(89)</u> | <u>(40)</u> |
| Financing | | | | |
| Net borrowings on line of credit, bank | | 600 | 6,080 | — |
| Proceeds from notes payable | | 5,000 | — | — |
| Proceeds from notes payable, related parties | | 6,800 | 5,569 | 12,042 |
| Re-payments on notes payable, related parties | | (5,569) | (7,892) | (4,852) |
| Loan fees incurred | | (50) | (25) | — |
| Capital contributions | | — | 885 | 19 |
| Distributions to members | | (6,865) | (3,788) | (17) |
| | | <u>(84)</u> | <u>829</u> | <u>7,192</u> |
| Net cash inflow (outflow) | | 423 | (421) | 693 |
| Cash and cash equivalents, beginning of year | | 278 | 699 | 6 |
| Cash and cash equivalents, end of year | | <u>\$ 701</u> | <u>\$ 278</u> | <u>\$ 699</u> |
| Supplemental cash flow information | 16 | | | |

See accompanying notes to the consolidated financial statements.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars, unless otherwise stated)

1. NATURE AND ORGANIZATION OF BUSINESS

Public Power, LLC ("Public Power"), a Connecticut Limited Liability Company was established in December 2009. On April 1, 2010, Public Power acquired all assets and assumed all liabilities and contracts of Public Power & Utility, Inc. ("PPU"), a corporation under identical ownership and control with that of Public Power.

As both companies were under identical ownership and management control, this transaction has been accounted for as entities under common control using the pooling of interests method. The assets and liabilities and the results of operations of PPU are combined and included in the financial statements from the beginning of the earliest year presented in these financial statements.

The consolidated financial statements include the accounts of Public Power, LLC and its wholly owned subsidiaries (the "Company").

The Company purchases and resells electricity to residential and commercial businesses throughout Connecticut, the District of Columbia, Maryland, Massachusetts, New Jersey, New York, Ohio and Pennsylvania and is licensed by the Federal Energy Regulatory Commission ("FERC"), as a power marketer. The Company is domiciled in the United States of America and the address of its registered office is 39 Old Ridgebury Rd, Suite 14 Danbury, Connecticut.

2. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of the Company represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Previously, the Company prepared its annual consolidated financial statements in accordance with U.S. generally accepted accounting principles.

Since this is the Company's initial year presenting its financial position, results of operations and cash flows under IFRS, these consolidated financial statements have been prepared in accordance with IFRS 1 *First-Time Adoption of IFRS*. The Company has adopted the transition provision of IFRS 7 and thus, has not provided comparative fair value hierarchy disclosures.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing its opening IFRS statements of financial position as at January 1, 2009. The impact of the transition from U.S. GAAP to IFRS is presented in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are presented in US dollars, the functional currency of the Company, and all values are rounded to the nearest thousand, unless otherwise stated.

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for derivative financial instruments, which are stated at fair value.

Principles of consolidation

The consolidated financial statements include the accounts of Public Power and its wholly-owned subsidiaries. Subsidiaries are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. All intercompany balances, income, expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents consists of cash with financial institutions and includes highly liquid investments with original maturities of three months or less. At any time, cash in banks may exceed federally insured limits.

Collateral deposits

Collateral deposits represent cash which is posted with state regulatory entities, independent system operators ("ISO"), utilities or other counterparties as collateral for assurance bonds, required collateral in order to operate in certain markets or for other financial assurance programs. They are classified as current or long-term depending on the duration and nature of the deposit requirements.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts receivable

The Company delivers electricity to its customers through local distribution companies ("LDCs"), many of which guarantee amounts due from customers for consumed electricity. Accounts receivable primarily represents amounts due for electricity consumed by customers net of an allowance for estimated amounts that will not be collected from customers.

Credit risk and allowance for doubtful accounts

With the exception of Massachusetts, the Company exclusively operates in electricity utility markets which have purchase of receivables ("POR") programs in place under which the utilities assume the credit risk associated with the customer billings. Consequently, the Company's exposure to credit risk concentration is limited primarily to those local utilities that collect and remit receivables on a daily or monthly basis. The Company regularly monitors the financial condition of each such local utility and currently believes that its susceptibility to an individually significant write-off as a result of concentrations of customer accounts receivables with those LDCs is remote.

The Company operates in New Jersey, where there is a limited recourse POR program and Massachusetts, which does not have a POR program. In markets with limited recourse POR programs or no POR programs, the Company bears the credit risk on these accounts and records an appropriate allowance for doubtful accounts to reflect any losses due to non-payment by customers. The Company maintains an allowance for doubtful accounts, which represents management's estimates of probable losses inherent in the accounts receivable balance based on known troubled accounts, historical experience, account aging and other current available information.

Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset to bring the asset to a working condition for its intended use. The commencement date for capitalization of costs occurs when the Company first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use.

Depreciation commences when the assets are available for use and is recognized on a straight-line basis to depreciate the cost of these assets to their estimated residual value over their estimated useful lives. Maintenance and repairs are charged to expense as incurred. When significant parts of an item of fixed assets have different useful lives, they are accounted for as separate components of the asset and depreciated over their estimated useful life on a straight-line basis.

Estimated useful lives are as follows:

| <u>Asset category</u> | <u>Depreciation method</u> | <u>Useful life</u> |
|--|----------------------------|--------------------|
| Office furniture and equipment | Straight line | 5 years |
| Computer hardware | Straight line | 3 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in net income in the period the item is derecognized.

Intangible assets

Intangible assets acquired outside of a business combination are measured at cost at initial recognition and are carried at cost less any accumulated amortization and, any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimate and recorded on a prospective basis.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

| <u>Asset category</u> | <u>Amortization method</u> | <u>Rate</u> |
|--|----------------------------|-------------|
| Customer list | Straight line | 3 years |
| Non-compete agreements | Straight line | 3 years |
| Option to purchase New Jersey accounts | Straight line | 1 year |

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its finite life non-financial assets, including property and equipment and intangible assets, to determine whether there is any indication of impairment.

For the purposes of reviewing finite life non-financial assets for impairment, asset groups are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a cash generating unit ("CGU").

If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment. Corporate assets are tested for impairment at the minimum collection of CGUs to which the corporate asset can be allocated reasonably and consistently.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss in the period in which they occur. Where impairment, other than for goodwill, subsequently reverses, the carrying amount of the asset is increased to the extent that the carrying value of the underlying asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized. Impairment reversals are recognized in profit or loss in the period in which they occur.

Provisions

Provisions are recognized to the extent that we determine it is probable that the Company will be required to settle a present obligation (legal or constructive), and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of the reporting periods presented, the Company has no material provisions.

Contingencies

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized accordingly.

Income taxes

The Company is taxed as a partnership for federal and state income tax purposes. Accordingly, the accompanying consolidated financial statements do not include a provision for tax related to the LLC from the date of acquisition of PPU on April 1, 2010 and 2011 as the LLC's earnings or losses are included in the LLC members' income tax returns and the income tax expense or benefits resulting therefrom are borne by the members. The accompanying 2009 consolidated financial statements include a provision for income taxes

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

and represents the taxes related to the operations of PPU, a C corporation. The provision for income taxes for PPU from January 1, 2010 through the date of acquisition by the Company is not material.

Deferred tax assets and liabilities are recognized as at January 1, 2009 and December 31, 2009 for deferred tax consequences attributable to differences between the Company's financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities were measured using the enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Revenue recognition

Energy Sales

The Company recognizes revenue when significant risks and rewards of ownership are transferred to the customer. Transfer of risk and rewards occurs when electricity has been delivered and consumed by the customer. The Company records revenue exclusive of sales taxes. Sales taxes are collected from the utilities and remitted to the appropriate collecting authority. Such taxes are excluded from revenue and recorded in trade and other payables as the Company is a pass-through entity with respect to these taxes.

Cost of sales

Direct energy costs are recognized concurrently with the related energy sales. Direct energy costs include the commodity cost of purchased electricity, costs associated with energy delivery fees incurred from various energy related service providers, the cost of Renewable Energy Certificates and fees and charges from the ISOs and the LDCs. The Company estimates and accrues for these fees based on invoices, activity levels, preliminary settlements and other available information. Final determination and settlements of these charges may take up to several months following the month of delivery and are adjusted as information become available.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled.

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss," "loans and receivables," "available-for-sale," "held-to-maturity" or "financial liabilities measured at amortized cost."

Financial assets and financial liabilities measured at fair value through profit or loss are either classified as held for trading or designated at fair value through profit or loss and are measured at fair value with changes in those fair values recognized in profit or loss.

Financial assets classified as loans and receivables, held-to-maturity and financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method of amortization.

Financial assets classified as available-for-sale are measured at fair value, with changes in fair value recognized in accumulated other comprehensive income.

All derivative instruments are classified as held for trading.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's financial assets and financial liabilities are classified and measured as follows:

| <u>Asset/Liability</u> | <u>Classification</u> | <u>Measurement</u> |
|---------------------------------------|-----------------------------|--------------------|
| Derivative contracts | Held for trading | Fair value |
| Accounts receivable | Loans and receivable | Amortized cost |
| Collateral deposits | Held for trading | Fair value |
| Trade and other payables | Other financial liabilities | Amortized cost |
| Notes payable and bank debt | Other financial liabilities | Amortized cost |
| Other liabilities | Other financial liabilities | Amortized cost |

The Company has not classified any financial assets as available-for-sale or held to maturity.

Fair values are determined based on the quoted market values where available from active markets. If the financial asset is not traded in an active market, the Company establishes the fair value through valuation techniques that are recognized by market participants. Such techniques may include using recent arms-length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models. An analysis of the fair values of financial instruments is provided in note 14.

Gains and losses on fair value of derivative instruments are recognized in net income in the period in which they are incurred.

Transaction costs are capitalized to the carrying amount of the instrument and amortized using the effective interest method, other than those related to financial instruments measured at fair value through net income, which are expensed as incurred.

Impairment of financial instruments

Financial assets, other than those measured at fair value through net income, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net income.

With the exception of available-for-sale instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through net income. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Comprehensive income

The Company is required to report total comprehensive income and its components in the accompanying financial statements. The Company has no other comprehensive income components and, accordingly, the Company's net income equals total comprehensive income.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires the use of 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 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 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 electricity consumed by customers as at the end of the period but not yet billed. Unbilled receivables are estimated by the Company based on the number of units of electricity consumed but not yet billed, based on estimates using usage data available, multiplied by the current customer average sales price per unit.

Accounts receivable

The Company reviews its accounts receivables at each reporting date to assess whether an allowance needs to be provided to reflect estimated amounts that will not be collected from customers. In particular, judgment by management is required in the estimation of the amount and timing of collectability of accounts receivable, based on financial conditions, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Fair value of financial instruments

Determining the value of derivative 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 discounted cash flow models. 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. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair value of derivative instruments is significantly influenced by the variability of forward spot energy.

Impairment

In assessing the value of intangible assets for potential impairment, assumptions are made regarding future cash flows. These calculations require the use of estimates. If these estimates change in the future, the Company may be required to record impairment charges related to intangible assets.

Deferred taxes

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

Useful life of property and equipment and intangible assets

The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Company.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Acquisition accounting

Management uses judgment to determine whether an acquisition qualifies as an asset acquisition or a business combination by reviewing inputs, processes, outputs within a transaction. All identifiable assets, liabilities and contingent liabilities acquired in a asset purchase 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.

5. FUTURE ACCOUNTING PRONOUNCEMENTS

The IASB amended IFRS 7 “Financial Instruments: Disclosure” and IAS 32 “Financial Instruments: Presentation” to enhance disclosure requirements and clarify the requirements for the offsetting of financial assets and liabilities. The amendments are effective for years beginning on or after January 1, 2013 and January 1, 2014, respectively. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB issued IFRS 9 “Financial Instruments: Classification and Measurement”. This is the first part of a new standard on the classification and measurement of financial assets that will replace IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is at fair value through profit or loss. IFRS 9 was also updated to include guidance on financial liabilities and derecognition of financial instruments. This guidance is similar to the guidance included in IAS 39 relating to financial liabilities and derecognition of financial instruments. IFRS 9 is effective for years beginning on or after January 1, 2015. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB issued IFRS 10 “Consolidated Financial Statements” which replace portions of IAS 27, Consolidated and Separate Financial Statements and interpretation SIC-12, Consolidation — Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. As required by this standard, control is reassessed as facts and circumstances change. All facts and circumstances must be considered to make a judgment about whether the Company controls another entity; there are no clear lines. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights, and principal-agency relationships (including removal rights), all of which may differ from current practice. IFRS 10 is effective for years beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB issued IFRS 11 “Joint Arrangements”, which applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting. IFRS 11 is effective for years beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB issued IFRS 12 “Disclosure of Interests in Other Entities”, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities, and replaces existing disclosure requirements. Due to this new standard, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and nature of the risks associated with interests in other entities. IFRS 12 is effective for years beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB issued IFRS 13 “Fair Value Measurement”, which provided guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the standard will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the ‘exit price’ and concepts of ‘highest and best use’ and ‘valuation premise’ would be relevant only for non-financial assets and liabilities. IFRS 13 is effective for years beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB reissued IAS 27 “Separate Financial Statements”, to reflect the change as the consolidation guidance has recently been included in IFRS 10.

In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. IFRS 27 is effective for years beginning on or after April 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

5. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

The IASB amended IAS 28 "Investments in Associates and Joint Ventures". As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 have been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When it has been determined that the Company has an interest in a joint venture, the Company will recognize an investment and will account for it using the equity method in accordance with IAS 28. IAS 28 is effective for years beginning on or after April 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB amended IAS 1 "Presentation of Financial Statements" to expand on the disclosures required of items within other comprehensive income (loss). The revised standard requires that an entity distinguishes between those items that are recycled to profit and loss versus those items that are not recycled. Retrospective application is required and the standard is effective for annual periods beginning on or after July 1, 2012. The adoption of this amendment will have no impact on the company.

The IASB amended IAS 12 "Income Taxes" in December 2010 in certain areas applicable to the measurement of deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. The amendment states that an entity may presume, for purposes of calculating deferred income taxes associated with temporary differences relating to investment properties, that the carrying amount of an investment property is recovered entirely through its sale, as opposed to presuming that the properties are held with the objective to consume substantially all of the economic benefits of the investment property over time. This amendment replaces SIC-21 and is effective for annual periods beginning on or after January 1, 2012. The Company does not expect the amendment to IAS 12 to have an impact on the consolidated financial statements.

IAS 19 Employee Benefits was issued by the IASB in June 2011. IAS 19 amends the existing standard to eliminate options to defer the recognition of gains and losses in defined benefit plans, requires re-measurement of a defined benefit plan's assets and liabilities to be presented in other comprehensive income (loss) and increases the disclosure. This amended standard is effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment will have no impact on the company.

6. IFRS FIRST-TIME ADOPTION

The accounting policies described in note 3 have been applied in preparing the consolidated financial statements as at and for the years ended December 31, 2011, 2010 and 2009, and the opening IFRS statement of financial position as at January 1, 2009, the Company's date of transition to IFRS.

The adoption of IFRS effective January 1, 2009 does not impact the underlying economics of the Company's operations or its cash flows. The most significant impacts of adoption of IFRS and the application of IFRS 1 has been statement of financial position reclassifications to comply with the IFRS presentations; as such, there is no change to members' equity at the time of adoption of IFRS.

IFRS 1 exemptions

The general principle to be applied on first-time adoption of IFRS is that standards in force should be applied as at the date of transition to IFRS (i.e. January 1, 2009) and throughout all periods presented in the first IFRS financial statements. However, IFRS 1 contains a number of exemptions that companies are permitted to apply. There were no elective exemptions applied. In preparing these consolidated financial statements in accordance with IFRS 1, the Company applied certain mandatory exemptions from full retrospective application of IFRS, as it relates to estimates. Hindsight was not used to create or revise estimates and, accordingly, the estimates made by the Company under U.S. GAAP are consistent with their application under IFRS.

Reconciliation from U.S. GAAP to IFRS

In preparing the consolidated financial statements, the Company adjusted amounts reported previously in its consolidated financial statements prepared under U.S. GAAP. An explanation of how the transition from U.S. GAAP to IFRS affected the Company's financial position is presented in the following reconciliations (as required by IFRS 1) and explanatory notes.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

6. IFRS FIRST-TIME ADOPTION (Continued)

Reconciliation of financial position and equity at January 1, 2009

| | Notes | U.S. GAAP balance | Reclassification Note | IFRS reclassifications | IFRS balance |
|---|-------|----------------------|--------------------------|---------------------------|-----------------|
| Assets | | | | | |
| Current | | | | | |
| Cash and cash equivalents | | \$ 6 | | \$ — | \$ 6 |
| Collateral deposits, current | | 22 | | — | 22 |
| Accounts receivable | 9 | 998 | | — | 998 |
| Other current assets | | 4 | | — | 4 |
| Deferred tax asset | | 180 | 1 | (180) | — |
| | | <u>1,210</u> | | <u>(180)</u> | <u>1,030</u> |
| Collateral deposits, long-term | | 1,520 | | — | 1,520 |
| Property and equipment | 10 | 10 | | — | 10 |
| Deferred tax asset | | 1,629 | 1 | 180 | 1,809 |
| Other assets | | 2 | | — | 2 |
| Total assets | | <u>\$ 4,371</u> | | <u>\$ —</u> | <u>\$ 4,371</u> |
| Liabilities and members' (deficit) | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Accrued liabilities | | \$ 6,061 | 2 | \$(6,061) | — |
| Trade and other payables | | 1 | 2 | 6,061 | \$ 6,062 |
| Notes payable, related parties | 19 | 702 | | — | 702 |
| | | <u>6,764</u> | | <u>—</u> | <u>6,764</u> |
| Members' deficit | | | | | |
| Members' deficit | | (2,393) | | — | (2,393) |
| Total liabilities and members' deficit | | <u>\$ 4,371</u> | | <u>\$ —</u> | <u>\$ 4,371</u> |

Notes for Reconciliation from U.S. GAAP to IFRS

- Reclassification 1 — Under U.S. GAAP, deferred tax assets and liabilities are recorded as current or non-current based on the classification of the underlying asset or liability. Under IFRS, all deferred tax assets and liabilities are classified as non-current.
- Reclassification 2 — Under U.S. GAAP, accounts payable and accrued liabilities are disclosed separately. Under IFRS, accounts payable and accrued liabilities are combined.

The adoption of IFRS had no impact on the Company's operations, members' equity, or its cashflows as at December 31, 2011. The statement of financial position had one reclassification of accrued liabilities which are combined with trade and other payables under IFRS.

7. ASSET ACQUISITION

On November 18, 2011, the Company completed the purchase of a customer list and other assets from ResCom Energy, LLC ("ResCom"). The transaction was recorded as an asset acquisition. The customer list consisted of ResCom's Connecticut and Maryland customers. Total consideration paid for the assets was \$17,544 of which \$10,000 was paid in cash, \$3,000 was provided in the form of a note payable to ResCom, \$700 is contingent consideration to be paid upon a change of control of the Company, \$344 in transaction costs and the assumption of \$3,500 of liabilities. As part of the purchase agreement, the Company is required to pay ResCom 5% of the selling price of the Company, up to a maximum of \$1,000 of contingent consideration, in the event the Company is sold. The Company has estimated the fair value of the contingent consideration and recorded \$700 as contingent consideration to be paid in the future. The liability assumed relates to estimated residual commissions owed on the customer contracts acquired.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

7. ASSET ACQUISITION (Continued)

The consideration paid was allocated on a relative fair value basis as follows:

| | |
|--|-----------------|
| Assets acquired | |
| Customer list | \$15,120 |
| Non-compete agreements | 1,751 |
| Option to purchase New Jersey accounts | 673 |
| Relative fair value of assets acquired | <u>\$17,544</u> |

8. INVESTMENTS

The Company has a 14.32% investment in a related party, American Approved Energy Services Direct, LLC ("AAESD"), a marketing company that obtains new customers for power generation companies in deregulated energy markets. AAESD is one of the marketing firms the Company uses in markets in which the Company operates. The Company also has a note receivable from AAESD of \$474 that bears interest at 10%, included in other current assets as at December 31, 2010. The Company obtained the 14.32% equity interest as additional consideration for making the loan. The Company determined that the equity interest had only nominal value as at the date of the loan or at December 31, 2010 and, as such, the equity interest is not recorded in the consolidated financial statements. The equity share of AAESD's net losses for the year ended December 31, 2010 was not material and not recorded given that no investment was recorded at December 31, 2010.

In June 2011, the note receivable was determined to be uncollectable and written off to bad debt expense.

9. ACCOUNTS RECEIVABLE

| | <u>December 31, 2011</u> | <u>December 31, 2010</u> | <u>December 31, 2009</u> | <u>January 1, 2009</u> |
|---|------------------------------|------------------------------|------------------------------|----------------------------|
| Accounts receivable | \$18,666 | \$11,471 | \$8,379 | \$998 |
| Less: allowance for doubtful accounts | (598) | — | — | — |
| | <u>\$18,068</u> | <u>\$11,471</u> | <u>\$8,379</u> | <u>\$998</u> |

10. PROPERTY AND EQUIPMENT

| <u>December 31, 2011</u> | <u>Computer hardware</u> | <u>Office furniture and equipment</u> | <u>Total</u> |
|---|------------------------------|---|----------------------|
| Cost | | | |
| Balance as at January 1, 2011 | \$ 139 | \$ 3 | \$ 142 |
| Additions | 67 | — | 67 |
| Balance as at December 31, 2011 | 206 | 3 | 209 |
| Accumulated depreciation and impairment | | | |
| Balance as at January 1, 2011 | (42) | (2) | (44) |
| Depreciation | (63) | — | (63) |
| Balance as at December 31, 2011 | (105) | (2) | (107) |
| Net book value — December 31, 2011 | <u>\$ 101</u> | <u>\$ 1</u> | <u>\$ 102</u> |

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

10. PROPERTY AND EQUIPMENT (Continued)

| <u>December 31, 2010</u> | <u>Computer hardware</u> | <u>Office furniture and equipment</u> | <u>Total</u> |
|---|--------------------------|---------------------------------------|---------------------|
| Cost | | | |
| Balance as at January 1, 2010 | \$ 50 | \$ 3 | \$ 53 |
| Additions | 89 | — | 89 |
| Balance as at December 31, 2010 | 139 | 3 | 142 |
| Accumulated depreciation and impairment | | | |
| Balance as at January 1, 2010 | (6) | (1) | (7) |
| Depreciation | (36) | (1) | (37) |
| Balance as at December 31, 2010 | (42) | (2) | (44) |
| Net book value — December 31, 2010 | <u>\$ 97</u> | <u>\$ 1</u> | <u>\$ 98</u> |

| <u>December 31, 2009</u> | <u>Computer hardware</u> | <u>Office furniture and equipment</u> | <u>Total</u> |
|---|--------------------------|---------------------------------------|--------------------|
| Cost | | | |
| Balance as at January 1, 2009 | \$10 | \$ 3 | \$13 |
| Additions | 40 | — | 40 |
| Balance as at December 31, 2009 | 50 | 3 | 53 |
| Accumulated depreciation and impairment | | | |
| Balance as at January 1, 2009 | (3) | — | (3) |
| Depreciation | (3) | (1) | (4) |
| Balance as at December 31, 2009 | (6) | (1) | (7) |
| Net book value — December 31, 2009 | <u>\$44</u> | <u>\$ 2</u> | <u>\$46</u> |
| Net book value — January 1, 2009 | <u>\$ 7</u> | <u>\$ 3</u> | <u>\$10</u> |

11. INTANGIBLE ASSETS

| <u>December 31, 2011</u> | <u>Customer lists</u> | <u>Non-compete agreements</u> | <u>Option to purchase New Jersey Accounts</u> | <u>Total</u> |
|---|------------------------|-------------------------------|---|------------------------|
| Cost | | | | |
| Balance, January 1, 2011 | \$ — | \$ — | \$— | \$ — |
| Additions | 15,120 | 1,751 | 673 | 17,544 |
| Balance, December 31, 2011 | 15,120 | 1,751 | 673 | 17,544 |
| Accumulated depreciation and impairment | | | | |
| Balance, January 1, 2011 | — | — | — | — |
| Amortization | (630) | (73) | (84) | (787) |
| Balance, December 31, 2011 | (630) | (73) | (84) | (787) |
| Net book value — December 31, 2011 | <u>\$14,490</u> | <u>\$1,678</u> | <u>\$589</u> | <u>\$16,757</u> |

At December 31, 2011, the remaining amortization period was 2.88 years for the customer lists and non-compete agreements and 10.5 months for the option to purchase New Jersey accounts. There were no intangible assets as at December 31, 2010, 2009 or January 1, 2009.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

12. COLLATERAL DEPOSITS

The Company is required to maintain cash deposits with each ISO regulating the state or region in which the Company transacts business.

The ISOs are quasi-governmental organizations that oversee the wholesale markets for electricity. The cash balances in these accounts serve as collateral for the accrued but unpaid power costs, ancillary costs and other charges due to the Company's vendors at any given date. The accounts are held by an investment company and are insured by the Securities Investor Protection Corporation ("SIPC") up to \$250 and are to be maintained as long as the Company transacts business in that state or region.

At December 31, 2011, the Company had deposits with three ISOs and several other intermediaries aggregating \$4,516 (2010 — \$6,421, 2009 — \$4,243, January 1, 2009 — \$1,520). One ISO regulates the States of Connecticut, Massachusetts, Maine and Rhode Island ("New England States"), one ISO regulates the State of Pennsylvania and several other states, and the last ISO regulates the State of New York.

Restricted cash and cash equivalents are classified as current and long-term depending on the duration and the nature of the deposit required.

13. FACTORING AGREEMENT

During the year ended December 31, 2009, the Company sold nearly all of its accounts receivable with partial recourse to a factor. The factor retained a portion of the proceeds from the accounts receivable sale as reserves, which were released to the Company as the accounts receivable were collected by the factor. Proceeds received from sales of such accounts receivable during the year ended December 31, 2009 totaled \$44,826. The factoring agreement expired on December 29, 2009 and was not renewed, requiring a contract termination fee of \$600. This amount is included in trade and other payables in the statement of financial position as at December 31, 2009.

14. FINANCIAL INSTRUMENTS

Fair value

Fair value is the estimated amount that the Company would pay or receive to dispose of the financial instruments in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the value of electricity swaps using market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. These curves can be volatile thus leading to volatility in the mark to market with no impact to cash flows. The Company's retail marketing activities expose it to a variety of market risks, principally from fluctuating commodity prices. The Company has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results. The Company's risk management activities include the use of derivative instruments such as swaps. The Company maintains commodity price risk management strategies that use these derivative instruments, within approved risk tolerances to minimize significant, unanticipated earnings fluctuations caused by commodity price volatility.

Supplying electricity to retail customers requires the Company to match customers' projected demand and commodity purchases. These retail marketing activities expose the Company to a variety of market risks, principally from fluctuating electricity prices. In order to mitigate these risks, management engages in hedging activities designed to reduce the potentially adverse effects that the price volatility of these markets may have on its operating activities.

The following table includes the unrealized gains/(losses) related to the Company's derivative financial instruments as recorded in the statements of comprehensive income for the years ended December 31, 2011, 2010 and 2009:

| | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|--|----------------------|----------------------|----------------------|
| Fixed-for-floating electricity swaps | \$(1,653) | \$72 | \$— |
| | <u>\$(1,653)</u> | <u>\$72</u> | <u>\$—</u> |

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (Continued)

Financial assets and liabilities recorded in the consolidated statements of financial position as at December 31, 2011, 2010, 2009 and January 1, 2009 were \$(1,581), \$72, \$0 and \$0, respectively.

The following table summarizes financial instruments classified as held-for-trading as at December 31, 2011 to which the Company has committed:

| <u>Description</u> | <u>Begin Date</u> | <u>End Date</u> | <u>Notional volume (MWh)</u> | <u>Fixed Price / (MWh)</u> | <u>Fair Value favorable (unfavorable)</u> | <u>Notional Value</u> |
|---|-------------------|-----------------|----------------------------------|--------------------------------|---|---------------------------|
| Fixed for floating electricity swap . . . | 1-Jan-12 | 29-Feb-12 | 97,920 | \$52.45-\$56.50 | \$(1,083) | \$ 5,451 |
| Fixed for floating electricity swap . . . | 1-Jun-12 | 30-Jun-12 | 72,480 | \$41.70-\$48.40 | (260) | 3,145 |
| Fixed for floating electricity swap . . . | 1-Jul-12 | 31-Jul-12 | 54,720 | \$47.15-\$56.75 | (238) | 2,677 |
| | | | | | <u>\$(1,581)</u> | <u>\$11,273</u> |

The following table summarizes financial instruments classified as held-for-trading as at December 31, 2010 to which the Company has committed:

| <u>Description</u> | <u>Begin Date</u> | <u>End Date</u> | <u>Notional volume (MWh)</u> | <u>Fixed Price / (MWh)</u> | <u>Fair value favorable (unfavorable)</u> | <u>Notional Value</u> |
|---|-------------------|-----------------|----------------------------------|--------------------------------|---|---------------------------|
| Fixed for floating electricity swap . . . | 1-Jan-11 | 31-Jan-11 | (37,200) | \$57.25-\$65.35 | \$ 116 | \$(2,384) |
| Fixed for floating electricity swap . . . | 1-Feb-11 | 28-Feb-11 | (28,800) | \$57.25 | (244) | (1,649) |
| Fixed for floating electricity swap . . . | 1-Feb-11 | 28-Feb-11 | 28,800 | \$58.80 | 200 | 1,693 |
| | | | | | <u>\$ 72</u> | <u>\$(2,340)</u> |

There were no financial instruments classified as held-for-trading as at December 31, 2009 or January 1, 2009.

Fair value ("FV") hierarchy

Level 1

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices. The Company values its cash and cash equivalents, accounts receivable collateral deposits and trade and other payables under level 1.

Level 2

Fair value measurements that require inputs other than quoted prices in Level 1, either directly or indirectly are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, inputs must be substantially observable in the market. Derivatives assets and derivative liabilities included in Level 2 are valued using multiple prices quoted by market participants other than exchanges, industry pooling, and other inputs that are derived principally from, or collaboratively by, observable market data.

Level 3

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy. The Company's policy is to recognize transfers in and out as at the end of the reporting period. During the years ended December 31, 2011 and 2010, there were no significant transfers between levels.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (Continued)

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at December 31, 2011:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------------|----------------|----------------|----------------|--------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ 701 | \$ — | — | \$ 701 |
| Accounts receivable | 18,068 | — | — | 18,068 |
| Collateral deposits | 5,266 | — | — | 5,266 |
| Financial liabilities | | | | |
| Derivative financial liabilities | — | (1,581) | — | (1,581) |
| Trade and other payables | (9,800) | — | — | (9,800) |
| Line of credit, bank | (6,631) | — | — | (6,631) |
| Notes payable | (8,000) | — | — | (8,000) |
| Notes payable, related parties | — | (6,800) | — | (6,800) |
| Other liabilities | (2,031) | — | — | (2,031) |

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at December 31, 2010:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------------|----------------|----------------|----------------|--------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ 278 | \$ — | — | \$ 278 |
| Accounts receivable | 11,471 | — | — | 11,471 |
| Collateral deposits | 6,771 | — | — | 6,771 |
| Derivative financial assets | — | 72 | — | 72 |
| Financial liabilities | | | | |
| Trade and other payables | (5,263) | — | — | (5,263) |
| Line of credit, bank | (6,056) | — | — | (6,056) |
| Notes payable, related parties | — | (5,569) | — | (5,569) |

Classification of financial assets and liabilities

As at December 31, 2011 the carrying amounts of cash and cash equivalents, receivables, collateral deposits, line of credit, bank and notes payable were equal to their fair value due to their short-term liquidity. The carrying value of long term notes payable approximates fair value.

Management of risks arising from financial instruments

The risks associated with the Company's financial instruments are as follows:

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 Company is exposed are discussed below.

Interest rate risk

The Company is exposed to interest rate fluctuations associated with its credit facility. The Company's current exposure to interest rate risk does not economically warrant the use of derivative instruments and the Company does not currently believe that it is exposed to material financial risks. A 1% increase (decrease) in the interest rates would have resulted in a decrease (increase) in net income of \$4 for the year ended December 31, 2011.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (Continued)

Commodity price risk

The Company is 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 its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the electricity portfolios which also feed risk management models; should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained. The Company's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The Company enters into derivative instruments in order to manage exposures to changes in commodity prices. The inability or failure of the Company to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of the Company.

If energy prices had risen (fallen) by 10%, assuming that all other variables had remained constant, net income for the year ended December 31, 2011 would have increased (decreased) by \$969 primarily as a result of the change in fair value of the Company's derivative instruments.

| Percentage change in the forward spot price at June 30, 2012 | Electricity | |
|--|------------------------------------|---|
| | Percent change in MTM Valuation | Dollar change in MTM Valuation (in thousands) |
| +/- 1% | +/- 6.1% | +/- \$97 |
| +/- 5% | +/- 30.6% | +/- \$485 |
| +/- 10% | +/- 61.3% | +/- \$969 |

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 Company is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

Customer credit risk

In New Jersey and Massachusetts, the Company has customer credit risk and, therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of the Company. Our maximum credit risk in the New Jersey and Massachusetts markets is \$598 at December 31, 2011.

The change in allowance for doubtful accounts is as follows:

| | |
|---|------------------------|
| Balance, January 1, 2011 | \$— |
| Additional amounts provided during the year | (598) |
| Balance, December 31, 2011 | <u><u>\$ (598)</u></u> |

As at December 31, 2011, there are no amounts past due that are not impaired.

For the remaining markets, the LDCs provide collection services and assume the risk of any bad debts owing from the Company's customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to the Company is minimal. There is no assurance that the LDCs that provide these services will continue to do so in the future.

There were no receivables from non-POR markets at December 31, 2009 or January 1, 2009.

Counterparty credit risk

Counterparty credit risk represents the loss that the Company would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in the Company replacing contracted supply at prevailing market rates, thus impacting the related customer margin. However, the failure of a counterparty to meet its contractual obligation could have a material adverse effect on the operations and cash flows of the Company.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the potential inability to meet financial obligations as they fall due. The Company manages this risk by monitoring detailed weekly cash flow for the next 12 months to ensure adequate and efficient use of cash resources and credit facilities.

The following are the contractual maturities, excluding interest payments, reflecting undiscounted disbursements of the Company's financial liabilities as at December 31, 2011:

| | Carrying amount | Contractual cash flow | Less than 1 year | 1 to 3 years | 4 to 5 years | More than 5 years |
|--|--------------------|--------------------------|---------------------|-----------------|-----------------|----------------------|
| Trade and other payables | \$ 9,800 | \$ 9,995 | \$ 9,995 | \$ — | \$— | \$— |
| Line of credit, bank | 6,631 | 6,680 | 6,680 | — | — | — |
| Notes payable | 8,000 | 8,000 | 4,599 | 3,401 | — | — |
| Notes payable, related parties | 6,800 | 6,800 | — | 6,800 | — | — |
| Other liabilities | 2,031 | 2,696 | — | 2,586 | 110 | — |
| Derivative financial liabilities | 1,581 | 1,581 | 1,581 | — | — | — |
| | <u>\$34,843</u> | <u>\$35,752</u> | <u>\$22,855</u> | <u>\$12,787</u> | <u>\$110</u> | <u>\$—</u> |

The following are the contractual maturities of interest payments relating to the disbursements of the Company's financial liabilities as at December 31, 2011:

| | Less than 1 year | 1 to 3 years | 4 to 5 years | More than 5 years |
|--|---------------------|-----------------|-----------------|----------------------|
| Notes payable* | 172 | 102 | — | — |
| Notes payable, related parties** | 1,020 | 1,020 | — | — |
| | <u>\$1,192</u> | <u>\$1,122</u> | <u>\$—</u> | <u>\$—</u> |

* This note was paid in full in August 2012. As such, the contractual interest noted in the table above was not paid in accordance with this schedule.

** This note was assumed by GF Power I on June 30, 2012 at which time the Company was relieved of this liability. As such, the contractual interest noted in the table above was not paid in accordance with this schedule.

Supplier risk

The Company purchases its electricity delivered to its customers through contracts entered into with Emera Energy Services, Inc. ("Emera"). The Company has an exposure to supplier risk as the ability to continue to deliver electricity to the customer is reliant upon the ongoing operations of their suppliers and its ability to fulfill its contractual obligations.

15. FINANCING FACILITIES

| | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|--|----------------------|----------------------|----------------------|
| Note payable, interest bearing (a) | \$ 5,000 | \$— | \$— |
| Note payable, non-interest bearing (b) | 3,000 | — | — |
| | 8,000 | — | — |
| Less: current portion | (4,599) | — | — |
| | <u>\$ 3,401</u> | <u>\$—</u> | <u>\$—</u> |

(a) Note payable, bearing interest at 4.02% per year. The note is collateralized, together with the line of credit, by substantially all the assets of the Company and requires monthly principal and interest payments of \$148, plus principal prepayments of 25% of the

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

15. FINANCING FACILITIES (Continued)

Company's monthly net excess cash flow, as defined, through the maturity date of December 9, 2013, with the remaining principal and interest due at that date.

- (b) Note payable, non interest bearing, secured by all the Company's assets but subordinate to the notes payable and lines of credit with other financial institutions maturing December 31, 2012. In January 2012, this note payable was amended to provide for the right of offset against amounts due to the Company associated with the customer list purchased (see note 7), which are included in accounts receivable in the accompanying consolidated statement of financial position.

Line of credit

The Company has a \$25,000 line of credit arrangement with First Niagara Bank. Borrowings under the agreement bear interest at the prime rate plus the Prime margin, as defined in the agreement (5.25% at December 31, 2011). The interest rate is subject to change to LIBOR, plus the LIBOR margin, as defined in the agreement (3.87% at December 31, 2011) for certain portions of advances under the line of credit at the option of the Company. Interest is payable monthly, and borrowings under the line of credit are secured by all assets of the Company and a pledge of the owners' interests in the Company. Borrowings are limited to a formula based upon the Company's customer receivables as at the end of the prior calendar month, as defined in the agreement. The line contains a sublimit of \$3,000 for the issuance of letters of credit which leaves \$22,000 available for borrowings for working capital. At December 31, 2011, \$16,261 of the \$22,000 was the maximum amount available to the Company based on the outstanding receivables; of which \$6,680 was borrowed leaving an available balance of \$9,581. On the \$3,000 letter of credit sublimit, a \$750 letter of credit was issued at December 31, 2011, leaving an available balance of \$2,250. The line of credit expires on January 11, 2013.

The agreement contains certain financial covenants and restrictions, including:

- (1) a maximum debt to earnings before interest, taxes, depreciation and amortization ratio;
- (2) a minimum fixed charge ratio and
- (3) limitations on new borrowings, investments, dividends and disposal of assets.

At December 31, 2011 and 2010, amounts outstanding under this line of credit were \$6,680 and \$6,080, respectively.

In March 2012, the line of credit was amended to increase the maximum borrowing capacity to \$28,000. All other terms and conditions remain the same.

Finance costs were as follows for the years ended December 31:

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|----------------|----------------|--------------|
| Line of credit, bank | \$ 422 | \$ 395 | \$183 |
| Notes payable | 13 | — | — |
| Notes payable, related parties | 402 | 779 | 19 |
| Energy purchasing | 388 | — | — |
| Other | 51 | (21) | (15) |
| | <u>\$1,276</u> | <u>\$1,153</u> | <u>\$187</u> |

16. CONSOLIDATED STATEMENTS OF CASH FLOWS

The inflows (outflows) of the net change in operating assets and liabilities is as follows:

| | <u>December 31, 2011</u> | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|------------------------------------|------------------------------|------------------------------|------------------------------|
| Accounts receivable | \$(7,195) | \$(3,092) | \$ (7,382) |
| Other current assets | (229) | (262) | (334) |
| Other assets | (4) | (3) | (3) |
| Collateral deposits | 1,505 | (1,895) | (3,334) |
| Trade and other payables | 2,136 | (908) | 425 |
| | <u>\$(3,787)</u> | <u>\$(6,160)</u> | <u>\$(10,628)</u> |

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

16. CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Cash interest

| | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|-------------------------|----------------------|----------------------|----------------------|
| Interest paid | \$1,564 | \$1,102 | \$233 |

17. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Company's key management personnel are comprised of members of the executive team of the Company including the Chief Executive Officer and the Chief Financial Officer.

Compensation of key management personnel that is directly attributable to the Company is as follows:

| | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|---|----------------------|----------------------|----------------------|
| Wages, salaries and other short-term benefits | \$475 | \$488 | \$280 |

18. INCOME TAX

The provision for income taxes is as follows:

| | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|---------------------------------------|----------------------|----------------------|----------------------|
| Current income tax expense | | | |
| Federal | \$— | \$— | \$ — |
| State | — | — | — |
| Deferred income tax expense | — | — | \$1,497 |
| | <u>\$—</u> | <u>\$—</u> | <u>\$1,497</u> |

Recognized deferred tax assets and liabilities are attributed to the following:

| | December 31, 2011 | December 31, 2010 | December 31, 2009 | January 1, 2009 |
|---|----------------------|----------------------|----------------------|--------------------|
| Deferred tax assets | | | | |
| Net operating loss carryforward | \$— | \$— | \$ 15 | \$1,631 |
| Renewable energy credits | — | — | 287 | 162 |
| Other | — | — | 17 | 18 |
| Deferred tax liabilities | | | | |
| Property and equipment | — | — | (7) | (2) |
| | <u>\$—</u> | <u>\$—</u> | <u>\$312</u> | <u>\$1,809</u> |

Reconciliation of effective tax rate

The provision for income taxes represents an effective rate different than the combined federal and state statutory rate for the year ended December 31, 2009 as follows:

| | |
|---|---------------|
| Federal and State statutory rate | 38.95% |
| Permanent items | <u>(3.01)</u> |
| Effective federal and state income tax rate | 35.94% |

There are no income taxes for 2010 and 2011 as the Company is taxed as a partnership for tax purposes.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

18. INCOME TAX (Continued)

The table below details the movement in deferred tax balances for the years ending December 31, 2010 and 2009:

| | <u>Balances</u> <u>January 1, 2010</u> | <u>Recognized in</u> <u>equity as</u> <u>distribution</u> | <u>Balances</u> <u>December 31, 2010</u> |
|--|---|---|---|
| Net operating loss carryforwards | \$ 15 | \$ (15) | \$— |
| Renewable energy credits | 287 | (287) | — |
| Other | 17 | (17) | — |
| Depreciation and amortization | (7) | 7 | — |
| Total net deferred tax assets | <u>\$312</u> | <u>\$(312)</u> | <u>\$—</u> |

| | <u>Balances</u> <u>January 1, 2009</u> | <u>Recognized in</u> <u>statement of</u> <u>comprehensive</u> <u>income</u> | <u>Balances</u> <u>December 31, 2009</u> |
|--|---|--|---|
| Net operating loss carryforwards | \$1,631 | \$(1,616) | \$ 15 |
| Renewable energy credits | 162 | 125 | 287 |
| Other | 18 | (1) | 17 |
| Depreciation and amortization | (2) | (5) | (7) |
| Total net deferred tax assets | <u>\$1,809</u> | <u>\$(1,497)</u> | <u>\$312</u> |

At December 31, 2011 and 2010, there were no deferred tax assets or liabilities, as the Company was a Limited Liability Company ("LLC") effective April 1, 2010, which allows for pass-through taxation for the members of the LLC.

19. RELATED PARTY TRANSACTIONS

Note payable

At January 1, 2009, the Company had a note payable to its primary shareholder of \$702. The note bore interest at 12% and was re-paid in 2009.

As at December 31, 2009, the Company had a \$4,341 note payable to an entity related to the Company's shareholder. The note bore interest at 12% and was scheduled to mature in June 2010. The Company also had a \$247 note payable to a related entity that bore interest at 12% and was scheduled to mature in December 2010. Additionally, the Company had unsecured, non-interest bearing advances due to related entities of \$3,305. All amounts were repaid in 2010.

During the year ended December 31, 2009, the Company incurred consulting fees of \$998 to the principal stockholder of the Company.

In January 2010, the Company entered into a \$20,000 unsecured revolving line of credit with GF Alternative Finance, LLC, a company related to the Company's majority member. Borrowings under the line of credit agreement bore interest at 15% per annum. Interest was payable monthly and principal was payable commencing in March 2011 in four quarterly payments equal to one-eighth of the total principal balance at December 31, 2010. The balance outstanding at December 31, 2010 was \$5,569. Any remaining principal balance was due in March 2012. Payments on borrowings under this line of credit were subordinate to the First Niagara Bank credit agreement. This line of credit was repaid and canceled during the year ended December 31, 2011.

In November 2011, the Company entered into a \$7,500 unsecured note payable with GF Alternative Finance 2, LLC, a Company related to the Company's majority member. Borrowings under the note payable bear interest at 15% per annum. Interest is payable monthly and principal is payable in a balloon payment at maturity on December 31, 2013. As at December 31, 2011 the Company had borrowed \$6,800 on the available facility. Repayment of this note payable is subordinate to the First Niagara Bank credit agreement. In June 2012, the remaining balance of \$5,800 on this note was assumed by the majority member of the Company and treated as a capital contribution.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

20. CAPITAL DISCLOSURES

For capital management purposes, the Company defines capital as the aggregate of its members' equity, lines-of-credit and notes payable. The Company's principal objectives in managing capital are:

- ensure sufficient liquidity to adequately fund the ongoing operations of the business;
- provide flexibility to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;
- maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
- provide returns and generating predictable cash flow for distributions to shareholders; and
- comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to externally imposed capital requirements other than financial covenants in its credit facility. At December 31, 2011 and 2010, all these covenants have been met.

21. REPORTABLE BUSINESS SEGMENT

The Company operates as a single reportable segment.

Geographic information

All of the Company's sales from external customers and assets are located in the United States of America. The company does not have any key customers. The company operates in two states which together comprise 82.6% of revenues (2010 — one state comprised 93.9%, 2009 — one state comprising 100%).

22. COMMITMENTS

Operating leases

The Company leases its facilities under non-cancelable operating leases. These leases require monthly payments of \$16 and contain fixed escalation clauses. Total facility rent expense was \$190, \$98 and \$27 for the years ended December 31, 2011, 2010 and 2009, respectively and is included in general and administrative expenses in the accompanying consolidated statements of comprehensive income (loss).

The future minimum lease payments required under the non-cancelable operating leases at December 31, 2011 are as follows:

| | |
|------------|--------------|
| 2012 | \$125 |
| 2013 | 101 |
| 2014 | 8 |
| | <u>\$234</u> |

Letters of credit and bonds

The Company had \$1,100 in letters of credit outstanding and \$1,650 of bonds outstanding at December 31, 2011 which secure certain future obligations for energy purchases.

Renewable energy credits

State renewable energy portfolio standards require the Company to purchase a certain proportion of electricity from renewable energy sources for every megawatt-hour of power purchased. The Company complies with such standards by purchasing renewable energy credits through power purchase contracts.

As at December 31, 2011, the Company has four contracts to purchase renewable energy credits during 2012 in the amount of \$700 which will be applied to 2011 and 2012 renewable energy credits. In addition to these contracts, the Company will be required to purchase additional 2012 renewable energy credits of \$1,253 which are valued at current market prices at December 31, 2011. These contracts allow the Company to buy output from the renewable facilities at a predetermined price.

PUBLIC POWER, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)

22. COMMITMENTS (Continued)

Indemnification agreement

In connection with the acquisition of PPU's assets and liabilities in 2010, the Company's majority member agreed to indemnify the former shareholders of PPU for certain contingent litigation obligations. The Company, in turn, has agreed to assume those indemnification obligations, which are limited to a maximum of \$250. During the year ended December 31, 2011 and 2010, there have been no charges related to this indemnification agreement.

Emera energy agreement

Effective March 1, 2011 the Company and Emera entered into an agreement which allows Emera to serve as an intermediary and to purchase power for the Company in the Connecticut market. In connection with this agreement, Emera has agreed to post all collateral obligations with the associated ISO in return for a weekly fee of the greater of \$6 or \$0.70 per megawatt hour purchased. This fee is subject to certain reductions for amounts purchased in excess of 18,000 Megawatt hours. Fees under this agreement aggregated \$388 and are included in finance costs for the year ended December 31, 2011 in the statement of comprehensive income. The agreement expires in February 2013 and can be extended for one year subject to the approval of both parties.

For the year ended December 31, 2011, total energy costs (including ancillary costs) purchased from Emera amounted to \$34,032.

Litigation and regulatory matters

The Company is involved in ongoing routine litigation and regulatory administrative matters incidental to its business. The Company believes the ultimate disposition of proceedings will not have a material adverse effect on its consolidated earnings, cash flows or financial position.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company were authorized for issue on November 2, 2012 by the managing member.

24. SUBSEQUENT EVENTS

On September 18, 2012, the Company entered into a business combination (the "Combination") with Regional Energy Holdings, Inc. ("REH") which entailed a transaction whereby 75% of its ownership interests and shares in REH were contributed by the owners to a new entity, Crius Energy, LLC ("CE"), in exchange for a 50% membership interest in CE.

On September 18, 2012 membership units were transferred by the Company's principal unitholder to financial advisor Chardan Capital Markets, LLC and various other parties for services performed related to the Combination, and the associated non-cash share based compensation expense will be recognized and included within general and administrative expenses of the Company.

On November 2, 2012, Crius Energy Trust agreed to acquire an approximate 26.8% membership interest in CE. In conjunction therewith, CE agreed to acquire the remaining 25% membership interest in the Company thereby owning 100% of the Company.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF PUBLIC POWER, LLC

PUBLIC POWER, LLC
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)
(Unaudited)

| | Notes | June 30, 2012 | December 31, 2011 |
|--|-------|------------------|----------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | \$ 334 | \$ 701 |
| Accounts receivable | | 24,906 | 18,068 |
| Other current assets | | 1,949 | 297 |
| | | <u>27,189</u> | <u>19,066</u> |
| Collateral deposits | | 6,762 | 5,266 |
| Property and equipment | | 146 | 102 |
| Intangible assets | | 13,324 | 16,757 |
| Other assets | | 12 | 12 |
| | | <u>\$47,433</u> | <u>\$41,203</u> |
| Liabilities and members' equity | | | |
| Liabilities | | | |
| Current | | | |
| Line of credit, bank | 5 | \$15,238 | \$ 6,631 |
| Trade and other payables | | 11,615 | 9,800 |
| Other current financial liabilities | 4 | 234 | 1,581 |
| Current maturities of notes payable | 5 | 1,672 | 4,599 |
| | | <u>28,759</u> | <u>22,611</u> |
| Long-term liabilities | | | |
| Notes payable, less current maturities | 5 | 1,531 | 3,401 |
| Notes payable, related parties | | — | 6,800 |
| Other liabilities | | 1,604 | 2,031 |
| | | <u>31,894</u> | <u>34,843</u> |
| Members' Equity | | | |
| Members' equity | | 15,539 | 6,360 |
| | | <u>\$47,433</u> | <u>\$41,203</u> |
| Commitments | 9 | | |

See accompanying notes to the interim condensed consolidated financial statements.

PUBLIC POWER, LLC
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of U.S. dollars)
(Unaudited)

| | Notes | Three months ended | | Six months ended | |
|--|-------|--------------------|------------------|------------------|------------------|
| | | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| Revenue | | \$45,336 | \$20,286 | \$95,390 | \$42,551 |
| Cost of sales | | 28,791 | 15,413 | 61,488 | 33,219 |
| Gross margin | | <u>16,545</u> | <u>4,873</u> | <u>33,902</u> | <u>9,332</u> |
| Expenses | | | | | |
| Selling expenses | | 2,973 | 928 | 5,253 | 1,446 |
| General and administrative expenses | | 2,497 | 1,893 | 5,258 | 3,594 |
| Depreciation and amortization | | 1,910 | 17 | 3,817 | 30 |
| | | <u>7,380</u> | <u>2,838</u> | <u>14,328</u> | <u>5,070</u> |
| Operating profit | | 9,165 | 2,035 | 19,574 | 4,262 |
| Other income (expense) | | | | | |
| Finance costs | | (601) | (236) | (1,421) | (608) |
| Change in fair value of derivative instruments | 4 | 1,249 | (1,063) | 1,347 | (770) |
| Net income and total comprehensive income | | <u>\$ 9,813</u> | <u>\$ 736</u> | <u>\$19,500</u> | <u>\$ 2,884</u> |

See accompanying notes to the interim condensed consolidated financial statements.

PUBLIC POWER, LLC
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(in thousands of U.S. dollars)
(Unaudited)

| | <u>Note</u> | |
|---|-------------|-------------------------|
| Balance, December 31, 2010 | | \$ 2,408 |
| Distributions | | (903) |
| Net income and total comprehensive income | | <u>2,884</u> |
| Balance, June 30, 2011 | | <u>\$ 4,389</u> |
| Balance, December 31, 2011 | | \$ 6,360 |
| Contribution | 6 | 5,800 |
| Distributions | | (16,121) |
| Net income and total comprehensive income | | <u>19,500</u> |
| Balance, June 30, 2012 | | <u>\$ 15,539</u> |

See accompanying notes to the interim condensed consolidated financial statements.

PUBLIC POWER, LLC
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)
(Unaudited)

| | Notes | For the six months ended | |
|--|-------|-----------------------------|------------------|
| | | June 30, 2012 | June 30, 2011 |
| Net inflow (outflow) of cash related to the following activities | | | |
| Operating | | | |
| Net income | | \$ 19,500 | \$ 2,884 |
| Add (deduct) items not affecting cash | | | |
| Depreciation of property and equipment | | 25 | 30 |
| Amortization of intangibles | | 3,792 | — |
| Change in fair value of derivative instruments | 4 | (1,347) | 770 |
| Bad debt expense | | 93 | — |
| Finance costs | | 12 | — |
| | | <u>22,075</u> | <u>3,684</u> |
| Net change in operating assets and liabilities | 6 | (12,036) | 1,247 |
| | | <u>10,039</u> | <u>4,931</u> |
| Investing | | | |
| Purchase of property and equipment | | (83) | (43) |
| | | <u>(83)</u> | <u>(43)</u> |
| Financing | | | |
| Net borrowings on line of credit, bank | | 8,595 | 1,539 |
| Re-payments on notes payable | | (1,797) | — |
| Proceeds from notes payable, related parties | | 1,000 | — |
| Re-payments on notes payable, related parties | | (2,000) | (4,800) |
| Distributions to members | | (16,121) | (903) |
| | | <u>(10,323)</u> | <u>(4,164)</u> |
| Net cash inflow (outflow) | | (367) | 724 |
| Cash and cash equivalents, beginning of period | | 701 | 278 |
| Cash and cash equivalents, end of period | | <u>\$ 334</u> | <u>\$ 1,002</u> |
| Supplemental cash flow information | 6 | | |

See accompanying notes to the interim condensed consolidated financial statements

PUBLIC POWER, LLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

1. NATURE AND ORGANIZATION OF BUSINESS

Public Power, LLC ("Public Power"), a Connecticut Limited Liability Company, was established in December 2009.

The consolidated financial statements include the accounts of Public Power, LLC and its wholly owned subsidiaries (the "Company").

The Company purchases and resells electricity and natural gas to residential and commercial businesses throughout Connecticut, the District of Columbia, Maryland, Massachusetts, New Jersey, New York, Ohio and Pennsylvania and is licensed by the Federal Energy Regulatory Commission ("FERC"), as a power marketer. The Company is domiciled in the United States of America and the address of its registered office is 39 Old Ridgebury Rd, Suite 14 Danbury, Connecticut.

2. BASIS OF PRESENTATION AND INTERIM REPORTING

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 "Interim Financial Reporting Standards." Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

Basis of presentation and interim reporting

These unaudited interim condensed consolidated financial statements should be read in conjunction with and follow the same accounting policies and methods of application as those used in the audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009.

The Company's operations are seasonal and, therefore; the interim operating results are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012. Natural gas consumption by customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September. Electricity consumption is lowest in October through December and April through June. However, the impact of seasonality on customer usage is one of the many factors impacting revenues, which are also affected by retail rates charged to customers, customer growth and customer attrition.

The interim condensed consolidated financial statements are presented in U.S. dollars, the functional currency of the Company, and all values are rounded to the nearest thousand, unless otherwise stated. The consolidated financial statements were prepared on a going concern basis, under the historical cost convention except for certain financial assets and liabilities that are presented at fair value.

Principles of consolidation

The interim condensed consolidated financial statements include the accounts of Public Power and all of its subsidiaries as at June 30, 2012. Subsidiaries are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. All intercompany balances, income, expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in consolidation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires the use of 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 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 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.

PUBLIC POWER, LLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

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 electricity consumed by customers as at the end of the period but not yet billed. Unbilled receivables are estimated by the Company based on the number of units of electricity consumed but not yet billed, based on estimates using usage data available, multiplied by the current customer average sales price per unit.

Accounts receivable

The Company reviews its accounts receivables at each reporting date to assess whether an allowance needs to be provided to reflect estimated amounts that will not be collected from customers. In particular, judgment by management is required in the estimation of the amount and timing of collectability of accounts receivable, based on financial conditions, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Fair value of financial instruments

Determining the value of derivative 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 discounted cash flow models. 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. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair value of derivative instruments is significantly influenced by the variability of forward spot energy.

Impairment

In assessing the value of intangible assets for potential impairment, assumptions are made regarding future cash flows. These calculations require the use of estimates. If these estimates change in the future, the Company may be required to record impairment charges related to intangible assets.

Useful life of property and equipment and intangible assets

The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Company. During the three and six month period ended June 30, 2012, the Company recorded an additional \$315 and \$630 of amortization expense, respectively, related to the ResCom customer list as a result of a change in useful life from 3 years to 2.5 years based on actual attrition rates incurred during the period.

Acquisition accounting

Management uses judgment to determine whether an acquisition qualifies as an asset acquisition or a business combination by reviewing inputs, processes, outputs within a transaction. All identifiable assets, liabilities and contingent liabilities acquired in a asset purchase 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.

4. FINANCIAL INSTRUMENTS

Fair value

Fair value is the estimated amount that the Company would pay or receive to dispose of derivative instruments in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the value of electricity swaps market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. These curves can be volatile thus leading to volatility in the mark to market with no impact to cash flows.

PUBLIC POWER, LLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands of U.S. dollars, unless otherwise stated)

(Unaudited)

4. FINANCIAL INSTRUMENTS (Continued)

The Company's retail marketing activities expose it to a variety of market risks, principally from fluctuating commodity prices. The Company has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results. The Company's risk management activities include the use of derivative instruments such as swaps. The Company maintains commodity price risk management strategies that use these derivative instruments, within approved risk tolerances to minimize significant, unanticipated earnings fluctuations caused by commodity price volatility.

Supplying electricity to retail customers requires the Company to match customers' projected demand and commodity purchases. These retail marketing activities expose the Company to a variety of market risks, principally from fluctuating electricity prices. In order to mitigate these risks, management engages in hedging activities designed to reduce the potentially adverse effects that the price volatility of these markets may have on its operating activities.

The following table includes the unrealized gains/(losses) related to the Company's derivative financial instruments as recorded in the statements of comprehensive income for the three and six months ended June 30, 2012 and 2011.

| | <u>3 months ended</u> | | <u>6 months ended</u> | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>June 30, 2012</u> | <u>June 30, 2011</u> | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
| Fixed-for-floating electricity swaps | \$1,249 | \$(1,063) | \$1,347 | \$(770) |
| Change in fair value of derivative instruments | <u>\$1,249</u> | <u>\$(1,063)</u> | <u>\$1,347</u> | <u>\$(770)</u> |

At June 30, 2012 and December 31, 2011, the Company had financial liabilities associated with fixed-for-floating electricity swap contracts of \$234 and \$1,581, respectively. These financial liabilities are recorded as current liabilities in the accompanying interim condensed consolidated statements of financial position.

The following table summarizes financial instruments classified as held-for-trading at June 30, 2012 to which the Company has committed:

| <u>Description</u> | <u>Beginning date</u> | <u>End date</u> | <u>Notional volume (MWh)</u> | <u>Fixed price / (MWh)</u> | <u>Fair value favorable (unfavorable)</u> | <u>Notional value</u> |
|---|-----------------------|-----------------|----------------------------------|--------------------------------|---|---------------------------|
| Fixed for floating electricity swap | 1-July-12 | 31-July-12 | 54,720 | \$47.15-\$56.75 | (234) | \$2,677 |
| | | | | | <u>(234)</u> | <u>\$2,677</u> |

The following table summarizes financial instruments classified as held-for-trading as at December 31, 2011 to which the Company has committed:

| <u>Description</u> | <u>Begin Date</u> | <u>End Date</u> | <u>Notional volume (MWh)</u> | <u>Fixed Price / (MWh)</u> | <u>Fair Value favorable (unfavorable)</u> | <u>Notional value</u> |
|---|-------------------|-----------------|----------------------------------|--------------------------------|---|---------------------------|
| Fixed for floating electricity swap | 1-Jan-12 | 29-Feb-12 | 97,920 | \$52.45-\$56.50 | (1,083) | \$ 5,451 |
| Fixed for floating electricity swap | 1-Jun-12 | 30-Jun-12 | 72,480 | \$41.70-\$48.40 | (260) | 3,145 |
| Fixed for floating electricity swap | 1-Jul-12 | 31-Jul-12 | 54,720 | \$47.15-\$56.75 | (238) | 2,677 |
| | | | | | <u>(1,581)</u> | <u>\$11,273</u> |

PUBLIC POWER, LLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands of U.S. dollars, unless otherwise stated)

(Unaudited)

4. FINANCIAL INSTRUMENTS (Continued)

Fair Value ("FV") hierarchy

Level 1

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices. The Company values its cash and cash equivalents, accounts receivable, collateral deposits, bank indebtedness, long-term debt and trade and other payables under level 1.

Level 2

Fair value measurements that require inputs other than quoted prices in Level 1, either directly or indirectly are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, inputs must be substantially observable in the market. Derivatives assets and derivative liabilities included in Level 2 are valued using multiple prices quoted by market participants other than exchanges, industry pooling, and other inputs that are derived principally from, or collaboratively by, observable market data.

Level 3

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy, where the Company is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date. The Company's policy is to recognize transfers in and out as at the end of the reporting period.

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at June 30, 2012:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ 334 | \$ — | \$ — | \$ 334 |
| Accounts receivable | 24,906 | — | — | 24,906 |
| Collateral deposits | 6,762 | — | — | 6,762 |
| Financial liabilities | | | | |
| Line of credit, bank | (15,238) | — | — | (15,238) |
| Notes payable | (3,203) | — | — | (3,203) |
| Derivative financial liabilities | — | (234) | — | (234) |
| Trade and other payables | (13,219) | — | — | (13,219) |

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at December 31, 2011:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ 701 | \$ — | \$ — | \$ 701 |
| Accounts receivable | 18,068 | — | — | 18,068 |
| Collateral deposits | 5,266 | — | — | 5,266 |
| Financial liabilities | | | | |
| Line of credit, bank | (6,631) | — | — | (6,631) |
| Notes payable | (8,000) | — | — | (8,000) |
| Notes payable, related parties | — | (6,800) | — | (6,800) |
| Derivative financial liabilities | — | (1,581) | — | (1,581) |
| Trade and other payables | (9,800) | — | — | (9,800) |
| Other liabilities | (2,031) | — | — | (2,031) |

Classification of financial assets and liabilities

As at June 30, 2012 and December 31, 2011, the carrying amounts of the above financial assets and liabilities approximated their fair value, except for derivative financial liabilities which are recorded at fair value.

PUBLIC POWER, LLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

4. FINANCIAL INSTRUMENTS (Continued)

Management of risks arising from financial instruments

The risks associated with the Company's financial instruments are as follows:

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 Company is exposed are discussed below.

Interest rate risk

The Company is exposed to interest rate fluctuations associated with its floating rate credit facility. The Company's current exposure to interest rate does not economically warrant the use of derivative instruments and the Company does not currently believe that it is exposed to material financial risks. A 1% increase (decrease) in the interest rates would have resulted in a decrease (increase) in net income of \$4 for the six months ended June 30, 2012.

Commodity price risk

The Company is 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 its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the electricity portfolios which also feed risk management models; should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained. The Company's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The Company enters into derivative instruments in order to manage exposures to changes in commodity prices. The inability or failure of the Company to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of the Company.

If energy prices had risen (fallen) by 10%, assuming that all other variables had remained constant, net income for the six months ended June 30, 2012 would have increased (decreased) by \$244 primarily as a result of the change in fair value of the Company's derivative instruments.

| Percentage change in the forward spot price at June 30, 2012 | Electricity | |
|--|------------------------------------|---|
| | Percent change in MTM Valuation | Dollar change in MTM Valuation (in thousands) |
| +/- 1% | +/- 10.4% | +/- \$24 |
| +/- 5% | +/- 52.1% | +/- \$122 |
| +/- 10% | +/- 104.2% | +/- \$244 |

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 Company is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

Customer credit risk

In New Jersey, Massachusetts and the District of Columbia, the Company has customer credit risk and, therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of the Company.

For the remaining markets, the local distribution companies ("LDCs"), provide collection services and assume the risk of any bad debts owing from the Company's customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to the Company is minimal. There is no assurance that the LDCs that provide these services will continue to do so in the future.

A reconciliation of the beginning and ending carrying amounts of the Company's allowance for doubtful accounts is as follows:

| | June 30, 2012 | December 31, 2011 |
|--|------------------|----------------------|
| Balance at the beginning of the period | \$(598) | \$ — |
| Additional amounts provided for | (93) | (598) |
| Balance at the end of the period | <u>(691)</u> | <u>\$ (598)</u> |

PUBLIC POWER, LLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands of U.S. dollars, unless otherwise stated)

(Unaudited)

4. FINANCIAL INSTRUMENTS (Continued)

Counterparty credit risk

Counterparty credit risk represents the loss that the Company would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in the Company replacing contracted supply at prevailing market rates, thus impacting the related customer margin. The failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cashflows of the company.

As at June 30, 2012, the maximum counterparty credit risk exposure amounted to \$691 representing the risk relating to the Company's accounts receivable from the Massachusetts, New Jersey and the District of Columbia markets. (2011 — \$598)

Liquidity risk

Liquidity risk is the potential inability to meet financial obligations as they fall due. The Company manages this risk by monitoring detailed weekly cash flow for the next 12 months to ensure adequate and efficient use of cash resources and credit facilities.

The following are the contractual maturities, excluding interest payments, reflecting undiscounted disbursements of the Company's financial liabilities as at June 30, 2012.

| | <u>Carrying amount</u> | <u>Contractual cash flow</u> | <u>Less than 1 year</u> | <u>1 to 3 years</u> | <u>4 to 5 years</u> | <u>More than 5 years</u> |
|--|----------------------------|----------------------------------|-----------------------------|-------------------------|-------------------------|------------------------------|
| Trade and other payables | \$11,615 | \$12,180 | \$12,180 | \$ — | \$— | \$— |
| Line of credit, bank | 15,238 | 15,275 | 15,275 | — | — | — |
| Notes payable | 3,203 | 3,203 | 1,672 | 1,531 | — | — |
| Other liabilities | \$ 1,604 | 1,435 | — | 1,414 | 21 | — |
| Derivative financial liabilities | 234 | 234 | 234 | — | — | — |
| | <u>\$31,894</u> | <u>\$32,327</u> | <u>\$29,361</u> | <u>\$2,945</u> | <u>\$21</u> | <u>\$—</u> |

The following are the contractual maturities of interest payments relating to the disbursements of the Company's financial liabilities as at June 30, 2012:

| | <u>Less than 1 year</u> | <u>1 to 3 years</u> | <u>4 to 5 years</u> | <u>More than 5 years</u> |
|-------------------------|-----------------------------|-------------------------|-------------------------|------------------------------|
| Notes payable | \$98 | \$22 | \$— | \$— |
| | <u>\$98</u> | <u>\$22</u> | <u>\$—</u> | <u>\$—</u> |

The following are the contractual maturities, excluding interest payments, reflecting undiscounted disbursements of the Company's financial liabilities as at December 31, 2011:

| | <u>Carrying amount</u> | <u>Contractual cash flow</u> | <u>Less than 1 year</u> | <u>1 to 3 years</u> | <u>4 to 5 years</u> | <u>More than 5 years</u> |
|--|----------------------------|----------------------------------|-----------------------------|-------------------------|-------------------------|------------------------------|
| Trade and other payables | \$ 9,800 | \$ 9,995 | \$ 9,995 | \$ — | \$— | \$— |
| Line of credit, bank | 6,631 | 6,680 | 6,680 | — | — | — |
| Notes payable | 8,000 | 8,000 | 4,599 | 3,401 | — | — |
| Notes payable, related parties | 6,800 | 6,800 | — | 6,800 | — | — |
| Other liabilities | 2,031 | 2,696 | — | 2,586 | 110 | — |
| Derivative financial liabilities | 1,581 | 1,581 | 1,581 | — | — | — |
| | <u>\$34,843</u> | <u>\$35,752</u> | <u>\$22,855</u> | <u>\$12,787</u> | <u>\$110</u> | <u>\$—</u> |

Supplier risk

The Company purchases its electricity delivered to its customers through contracts entered into with Emera Energy Services, Inc. ("Emera"). The Company has an exposure to supplier risk as the ability to continue to deliver electricity to the customer is reliant upon the ongoing operations of this supplier and its ability to fulfill its contractual obligations.

PUBLIC POWER, LLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

5. FINANCING FACILITIES

| | June 30, 2012 | December 31, 2011 |
|--|------------------|----------------------|
| Note payable, interest bearing (a) | \$ 3,203 | \$ 5,000 |
| Note payable, non-interest bearing (b) | — | 3,000 |
| | <u>3,203</u> | <u>8,000</u> |
| Less: current portion | <u>(1,672)</u> | <u>(4,599)</u> |
| | <u>\$ 1,531</u> | <u>\$ 3,401</u> |

- (a) Note payable, bearing interest at 4.02% per year. The note is collateralized, together with the line of credit, by substantially all the assets of the Company and requires monthly principal and interest payments of \$148, plus principal prepayments of 25% of the Company's monthly net excess cash flow, as defined, through the maturity date of December 9, 2013, with the remaining principal and interest due at that date. In August 2012, this note was re-paid in full.
- (b) Note payable, non interest bearing, secured by all the Company's assets but subordinate to the notes payable and lines of credit with other financial institutions maturing December 31, 2012. In January 2012, this note payable was amended to provide for the right of offset against amounts due to the Company associated with the customer list purchased. In January 2012, this note was offset against those receivables, which were included in accounts receivable, trade in the accompanying December 31, 2011 consolidated statement of financial position.

Line of credit

The Company has a \$28,000 line of credit arrangement with First Niagara Bank. Borrowings under the agreement bear interest at the prime rate plus the Prime margin, as defined in the agreement. The interest rate is subject to change to LIBOR, plus the LIBOR margin, as defined in the agreement, (2.47% at June 30, 2012 and 3.87% at December 31, 2011) for certain portions of advances under the line of credit at the option of the Company. Interest is payable monthly, and borrowings under the line of credit are secured by all assets of the Company and a pledge of the owners' interests in the Company. Borrowings are limited to a formula based upon the Company's customer receivables as at the end of the prior calendar month, as defined in the agreement. The line contains a sublimit of \$1,500 for the issuance of letters of credit which leaves \$26,500 available for working capital borrowings. At June 30, 2012, \$22,415 was the maximum amount available to the Company based on the outstanding receivables; of which \$15,275 was borrowed leaving an available balance of \$7,140. On the \$1,500 letter of credit sublimit, a \$1,350 letter of credit was issued at June 30, 2012 leaving an available balance on the letter of credit sublimit of \$150. The line of credit expires on January 11, 2013.

The agreement contains certain financial covenants and restrictions, including:

- (1) a maximum debt to earnings before interest, taxes, depreciation and amortization ratio;
- (2) a minimum fixed charge ratio and
- (3) limitations on new borrowings, investments, dividends and disposal of assets.

At June 30, 2012, all of these covenants have been met.

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

The inflows (outflows) of net change in operating assets and liabilities is as follows:

| | For the six-months ended | |
|-----------------------------------|-----------------------------|------------------|
| | June 30, 2012 | June 30, 2011 |
| Accounts receivable | \$ (9,931) | \$ 790 |
| Other current assets | (1,652) | (563) |
| Other assets | (125) | (3) |
| Collateral deposits | (1,496) | 3,159 |
| Trade and other payable | 1,168 | (2,136) |
| | <u>\$ (12,036)</u> | <u>\$ 1,247</u> |

PUBLIC POWER, LLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

6. CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Cash interest

| | For the six-months ended | |
|-------------------------|-----------------------------|------------------|
| | June 30, 2012 | June 30, 2011 |
| Interest paid | \$1,552 | \$653 |

Non-cash financing activities

In June 2012, the majority member of the Company assumed the liability for a \$5,800 related party note payable that the Company owed to GF Alternative Finance 2, LLC. This assumption was treated as a non-cash capital contribution.

7. RELATED PARTY TRANSACTIONS

Note payable

In January 2010, the Company entered into a \$20,000 unsecured revolving line of credit with GF Alternative Finance, LLC, a company related to the Company's majority member. Borrowings under the line of credit agreement bore interest at 15% per annum. Interest was payable monthly and principal was payable commencing in March 2011 in four quarterly payments equal to one-eighth of the total principal balance at December 31, 2010. Any remaining principal balance was due in March 2012. Repayments of borrowings under this line of credit were subordinate to the First Niagara Bank credit agreement. This line of credit was repaid and canceled during the year ended December 31, 2011.

In November 2011, the Company entered into a \$7,500 unsecured note payable with GF Alternative Finance 2, LLC, a Company related to the Company's majority member. Borrowings under the note payable bear interest at 15% per annum. Interest is payable monthly and principal is payable in a balloon payment at maturity on December 31, 2013. During the six months ended June 30, 2012, the Company made a \$1,000 principal payment and the remaining balance of \$5,800 on this note was assumed by the majority member of the Company and treated as a capital contribution.

During the three month period ended June 30, 2012 and 2011, interest expense for all related party borrowings was \$242 and \$35, respectively. During the six month period ended June 30, 2012 and 2011, interest expense for all related party borrowings was \$497 and \$216, respectively.

8. REPORTABLE BUSINESS SEGMENT

The Company operates as a single reportable segment.

Geographic information

All of the Company's sales from external customers and assets are located in the United States of America. The Company does not have any key customers. For the three and six months ended June 30, 2012, the Company operated in 3 states which together comprise 88.0% (2011 — 92.9%) and 90.6% (2011 — 95.0%) of revenue, respectively.

9. COMMITMENTS

Operating leases

The Company leases its facilities under non-cancelable operating leases. These leases require monthly payments of \$16 and contain escalation clauses. During the three months ended June 30, 2012 and 2011, total facilities rent was \$45 and \$47, respectively and during the six months ended June 30, 2012 and 2011, total facilities rent was \$87 and \$96, respectively, and is included in general and administrative expenses in the accompanying condensed consolidated statements of comprehensive income.

Letters of credit and bonds

The Company had \$1,700 in letters of credit outstanding and \$1,900 of bonds outstanding at June 30, 2012 (\$1,100 and \$1,650 at December 31, 2011) which secure certain future obligations for energy purchases.

Renewable energy credits

State renewable energy portfolio standards require the Company to purchase a certain proportion of electricity from renewable energy sources for every megawatt-hour of power purchased. The Company complies with such standards by purchasing renewable energy credits through power purchase contracts.

At June 30, 2012, the Company had contracts in place to purchase renewable energy credits for 86,590 MWh during 2012 in the aggregate amount of \$761 which will be applied to 2011 and 2012 renewable energy credits. In addition to these contracts, the Company will be required to purchase additional renewable energy credits of \$3,507 which are valued at current market prices at June 30, 2012.

PUBLIC POWER, LLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands of U.S. dollars, unless otherwise stated)

(Unaudited)

9. COMMITMENTS (Continued)

As at December 31, 2011, the Company had four contracts to purchase renewable energy credits during 2012 in the amount of \$700 which will be applied to 2011 and 2012 renewable energy credits.

Emera energy agreement

Effective March 1, 2011 the Company and Emera entered into an agreement which allows Emera to serve as an intermediary and to purchase power for the Company in the Connecticut market. In connection with this agreement, Emera has agreed to post all collateral obligations with the associated ISO in return for a weekly fee of the greater of \$6 or \$0.70 per MWh purchased. This fee is subject to certain reductions for amounts purchased in excess of 18,000 MWh hours. Fees under this agreement aggregated \$185 and \$109 for the three months ended June 30, 2012 and 2011, respectively, and \$411 and \$153 for the six months ended June 30, 2012 and 2011, respectively, and are included in finance costs in the condensed consolidated statements of comprehensive income. The agreement expires in February 2013 and can be extended for one year subject to the approval of both parties.

During the three months ended June 30, 2012 and 2011, total energy costs (including ancillary costs) incurred aggregated \$17,030 and \$10,767, respectively. During the six months ended June 30, 2012 and 2011, total energy costs (including ancillary costs) incurred aggregated \$33,714, and \$13,434, respectively.

Litigation and regulatory matters

The Company is involved in ongoing routine litigation and regulatory administrative matters incidental to its business. The Company believes the ultimate disposition of the proceeding will not have a material adverse effect on its consolidated earnings, cash flows or financial position.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Company were approved by the managing member on November 2, 2012.

11. SUBSEQUENT EVENTS

On September 18, 2012, the Company entered into a business combination (the "Combination") with Regional Energy Holdings, Inc. ("REH") which entailed a transaction whereby 75% of its ownership interests and shares in REH were contributed by the owners to a new entity, Cirus Energy, LLC ("CE"), in exchange for a 50% membership interest in CE.

On September 18, 2012 membership units were transferred by the Company's principal unitholder to financial advisor Chardan Capital Markets, LLC and various other parties for services performed related to the Combination, and the associated non-cash share based compensation expense will be recognized and included within general and administrative expenses of the Company.

On November 2, 2012, Cirus Energy Trust agreed to acquire an approximate 26.8% membership interest in CE. In conjunction therewith, CE agreed to acquire the remaining 25% membership interest in the Company thereby owning 100% of the Company.



CRIUS ENERGY TRUST

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD FROM INCEPTION
ON SEPTEMBER 7, 2012 TO DECEMBER 31, 2012

CRIUS ENERGY TRUST

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the period from inception on September 7, 2012 to December 31, 2012

INDEX TO FINANCIAL STATEMENTS

| | |
|--|---|
| INDEPENDENT AUDITOR'S REPORT | 2 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 3 |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 4 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 5 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 6 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 7 |



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Independent Auditor's Report

Directors of Crius Energy Administrator Inc., as administrator of Crius Energy Trust

We have audited the accompanying consolidated financial statements of Crius Energy Trust (the "Trust"), which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from inception on September 7, 2012 to December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crius Energy Trust as at December 31, 2012, and its financial performance and its cash flows for the period from inception on September 7, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

Hartford, Connecticut
March 28, 2013

/s/ Ernst & Young LLP

CRIUS ENERGY TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of U.S. dollars)

| | Notes | December 31, 2012 |
|--|-------|-------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | | \$30,301 |
| Restricted cash and cash equivalents | | 65 |
| Collateral deposits | | 984 |
| Accounts receivable | 8 | 56,197 |
| Income tax receivable | 13 | 4,864 |
| Other current financial assets | 12 | 241 |
| Other current assets | | 1,105 |
| | | <u>93,757</u> |
| Property and equipment | 9 | 953 |
| Intangible assets | 10 | 116,945 |
| Deferred tax assets | 13 | 2,855 |
| Other assets | | 175 |
| Goodwill | | 235,150 |
| | | <u><u>\$449,835</u></u> |
| LIABILITIES AND UNITHOLDERS' EQUITY | | |
| Current | | |
| Trade and other payable | | \$49,718 |
| Distribution payable | 14 | 1,327 |
| Other current financial liabilities | 12 | 2,610 |
| | | <u>53,655</u> |
| Long-term | | |
| Deferred tax liabilities | 13 | 44,317 |
| Other long-term liabilities | | 1,519 |
| Non-controlling interest | 7 | 258,611 |
| | | <u>304,447</u> |
| Unitholders' Equity | | |
| Trust capital | 14 | 90,300 |
| Accumulated earnings | | 2,760 |
| Accumulated cash distributions | 14 | (1,327) |
| Total Unitholder's Equity | | <u>91,733</u> |
| | | <u><u>\$449,835</u></u> |
| Commitments | 22 | |

See accompanying notes to the consolidated financial statements.

CRIUS ENERGY TRUST

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in thousands of U.S. dollars)

| | Notes | For the period from inception on September 7, 2012 to December 31, 2012 |
|--|-------|--|
| Revenue | | \$56,260 |
| Cost of sales | | 44,416 |
| Gross margin | | 11,844 |
| Expenses | | |
| Selling expenses | | 3,396 |
| General and administrative expenses | | 4,960 |
| Depreciation and amortization | 9, 10 | 5,170 |
| | | <u>13,526</u> |
| Operating loss | | (1,682) |
| Other (expenses) income | | |
| Finance costs | | (746) |
| Change in fair value of derivative instruments | 12 | (2,386) |
| Change in fair value of non-controlling interest | | 4,469 |
| | | <u>(345)</u> |
| Loss before income taxes | | (3,105) |
| Benefit from income taxes | 13 | (3,105) |
| Net income and total comprehensive income | | \$2,760 |

See accompanying notes to the consolidated financial statements.

CRIUS ENERGY TRUST

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from inception on September 7, 2012 to December 31, 2012
(in thousands of U.S. dollars, except unit amounts)

| | Notes | Number of Trust Units | Trust Capital | Accumulated Earnings | Accumulated Cash Distributions | Total |
|---|-------|-----------------------------|------------------|-------------------------|--------------------------------------|-----------------|
| Issued on initial organization – Sept 7, 2012 | 14 | 1 | \$- | \$- | \$- | \$- |
| Repurchase of initial Trust units | 14 | (1) | - | - | - | - |
| Issuance of Trust units | 14 | 10,000,000 | 99,612 | - | - | 99,612 |
| Trust unit issuance costs | 14 | - | (11,587) | - | - | (11,587) |
| Distribution to unitholders | 14 | - | - | - | (1,327) | (1,327) |
| Tax benefit related to stock options | 17 | - | 2,275 | - | - | 2,275 |
| Net income and total comprehensive income | | - | - | 2,760 | - | 2,760 |
| | | <u>10,000,000</u> | <u>\$90,300</u> | <u>\$2,760</u> | <u>\$(1,327)</u> | <u>\$91,733</u> |

See accompanying notes to the consolidated financial statements.

CRIUS ENERGY TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of U.S. dollars)

| | Notes | For the period from inception on September 7, 2012 to December 31, 2012 |
|--|-------|--|
| Net outflow of cash related to the following activities | | |
| Operating | | |
| Net income | | \$2,760 |
| Add (deduct) items not affecting cash | | |
| Depreciation of property and equipment | 9 | 42 |
| Amortization of intangible assets | 10 | 5,128 |
| Change in fair value of derivative instruments | 12 | 2,386 |
| Change in fair value of non-controlling interest | 12 | (4,469) |
| Bad debt expense | | 64 |
| Finance costs, non-cash | | 11 |
| Provision for income taxes | 13 | (3,354) |
| | | 2,568 |
| Net change in operating assets and liabilities | 16 | (12,327) |
| | | (9,759) |
| Investing | | |
| Acquisition of Crius Energy, LLC, net of cash acquired | 7 | (47,877) |
| Purchase of intangible assets | 10 | (18) |
| Purchase of property and equipment | 9 | (71) |
| | | (47,966) |
| Financing | | |
| Proceeds from issuance of Trust units | 14 | 99,612 |
| Trust units issue costs | 14 | (11,587) |
| | | 88,025 |
| Net cash inflow | | 30,301 |
| Cash and cash equivalents, beginning of period | | - |
| Cash and cash equivalents, end of period | | \$30,301 |
| Supplemental cash flow information | | |
| Interest paid | | \$735 |
| Income taxes paid | | \$1,579 |

See accompanying notes to the consolidated financial statements.

CRIUS ENERGY TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD FROM INCEPTION ON SEPTEMBER 7, 2012 TO DECEMBER 31, 2012
(in thousands of U.S. dollars, unless otherwise stated)

1. NATURE AND ORGANIZATION

Crius Energy 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 has been established to provide investors with a distribution-producing investment through its acquisition (the "Acquisition") of an approximate 26.8% ownership interest in Crius Energy, LLC (the "CE"), a Delaware limited liability company, by its indirect wholly-owned subsidiary, Crius Energy Corporation, concurrently with the sale by the Trust of 10,000,000 trust units of the Trust at a price of C\$10 per Unit pursuant to an initial public offering (the "Offering") that closed on November 13, 2012. There was no other activity in the Trust from inception on September 7, 2012 until the initial public offering was completed on November 13, 2012.

The Trust is administered by Crius Energy Administrator ("the Administrator"), pursuant to the Administration Agreement dated September 7, 2012 between Computershare Trust Company, as Trustee of the Trust and the Administrator. The Board of Directors of the Administrator therefore performs the majority of the oversight and governance role for the Trust. The Administrator is not a subsidiary of the Trust but meets the accounting definition of a special purpose entity and accordingly, the Administrator has been consolidated based on the principles set out in SIC 12 Consolidation – Special Purpose Entities.

The Trust is domiciled at: 3400, One First Canadian Place, P.O. Box 130, 100 King Street West, Toronto, Ontario, Canada M5X 1A4

The following is a summary of the entities directly or indirectly wholly owned by the Trust:

- Crius Energy Holdings Inc., was incorporated under the Business Corporations Act (Ontario) on October 23, 2012. The Trust is the sole shareholder of Crius Energy Holdings Inc. Crius Energy Holdings Inc. was incorporated for the purpose of forming, acquiring and holding all of the issued and outstanding shares in, Crius Energy Corporation.
- Crius Energy Corporation was incorporated under the Delaware General Corporation Law on October 26, 2012. Crius Energy Corporation was incorporated for the purpose of acquiring a controlling 26.8% interest in Crius Energy LLC.
- Crius Energy Commercial Trust was established as an unincorporated open-ended limited purpose trust under the laws of the Province of Ontario on November 7, 2012. Crius Energy Commercial Trust was established for the purpose of acquiring and holding debt of the Trust's other subsidiary, Crius Energy Corporation, following the closing of the Offering of trust units of the Trust.

The following are the operating subsidiaries that the Trust, through its indirect wholly owned subsidiary Crius Energy Corporation, holds a 26.8% ownership interest in: Crius Energy, LLC, Crius Energy Management, LLC, Regional Energy Holdings, Inc., Viridian Energy, LLC, Viridian Energy PA, LLC, Viridian Energy NY, LLC, Cincinnati Bell Energy LLC, FairPoint Energy LLC, Viridian Network LLC, FTR Energy Services LLC, Public Power, LLC (a CT entity), Public Power LLC (a PA entity), Public Power Energy, LLC, Public Power & Utility of NY, Inc., Public Power & Utility of New Jersey, Inc. and Public Power & Utility of Maryland, Inc.

2. OPERATIONS

The Trust's business primarily involves the sale of electricity and natural gas to residential and commercial customers under variable-priced and fixed-price contracts. The Trust, through its subsidiaries, markets electricity and natural gas, and derives its gross margin from the difference between the price at which it

sells the commodities to its customers and the price at which it purchases the associated volumes from its supplier.

Through its licensed operating subsidiaries, the Trust provides retail electricity to its customers in the Connecticut, Delaware, District of Columbia, Illinois, Massachusetts, Maine, Maryland, New Hampshire, New Jersey, New York, Ohio and Pennsylvania markets and provides retail natural gas to its customers in the New Jersey, New York, Ohio and Pennsylvania markets. In addition to the states in which it currently operates, its subsidiaries are also licensed, certified, or otherwise qualified by applicable state agencies to supply retail natural gas in District of Columbia, Indiana and Virginia.

3. BASIS OF PRESENTATION

Basis of presentation and adoption of IFRS

The Trust prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements are presented in U.S. dollars, the functional currency of the Trust and all subsidiaries, and all values are rounded to the nearest thousands. The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the accounting for the acquisition and for certain financial assets and liabilities which are stated at fair value.

These consolidated financial statements have been prepared for the period from inception on September 7, 2012 to December 31, 2012. The opening balance sheet of the Trust on September 7, 2012 consisted of cash of \$10 and one trust unit with the issue price of \$10 and there was no other activity until the initial public offering was completed on November 13, 2012.

Principles of consolidation

The consolidated financial statements include the financial statement of the Trust and entities controlled by the Trust including subsidiaries as at December 31, 2012, and include all the subsidiaries and entities over which the Trust has power to govern the financial and operating policies for and are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. All intercompany balances, income, expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consists of cash with financial institutions and includes highly liquid investments with original maturities of three months or less. At any time, cash in banks may exceed federally insured limits.

Restricted cash and cash equivalents

Restricted cash and cash equivalents are pledged as collateral for energy purchase and other obligations as required under the Trust's energy supplier agreement with Macquarie Energy LLC (note 11).

Collateral deposits

Collateral deposits represent cash which is posted with State regulatory entities, independent system operators ("ISO"), local distribution companies ("LDCs"), or other counterparties as collateral for assurance bonds, required collateral in order to operate in certain markets or for other financial assurance programs and are classified as current based on the duration and nature of the deposit requirements.

Accounts receivable

The Trust delivers electricity to its customers through LDCs, many of which guarantee amounts due from customers for consumed electricity. Accounts receivable primarily represents amounts due for electricity consumed by customers net of an allowance for estimated amounts that will not be collected from customers.

Credit risk and allowance for doubtful accounts

The Trust primarily operates in LDC markets which have purchase of receivables ("POR") programs in place under which the LDCs assume the credit risk associated with the customer billings. Consequently, in these markets, the Trust's exposure to credit risk concentration is limited primarily to those LDCs that collect and remit receivables to the Trust. The Trust's customers are individually insignificant and geographically dispersed. The Trust regularly monitors the financial condition of each such LDC and currently believes that its susceptibility to an individually significant write-off as a result of concentrations of customer accounts receivable with those LDCs is remote.

In other markets, the Trust operates under either limited recourse POR or non-POR programs. In these markets, certain receivables are billed and collected by the Trust. The Trust bears the credit risk on these accounts and records an appropriate allowance for doubtful accounts to reflect any losses due to non-payment by customers. The Trust maintains an allowance for doubtful accounts, which represents management's estimates of losses inherent in the accounts receivable balance based on known troubled accounts, historical experience, account aging and other current available information.

Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, to bring the asset to a working condition for its intended use. The commencement date for capitalization of costs occurs when the Trust first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use.

Depreciation commences when the assets are available for use and is recognized on a straight-line basis to depreciate the cost of these assets to their estimated residual value over their estimated useful lives. Maintenance and repairs are charged to expense as incurred. When significant parts of an item included in fixed assets have different useful lives, they are accounted for as separate components of the asset and depreciated over their estimated useful life on a straight-line basis.

Estimated useful lives are as follows:

| Asset category | Depreciation method | Useful life |
|--------------------------------------|---------------------|-------------|
| Office furniture and equipment | Straight line | 3-5 years |
| Computer hardware | Straight line | 3 years |
| Leasehold improvements..... | Straight line | 4 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in operating results in the period the item is derecognized.

Goodwill

Goodwill is measured as the excess of the cost of the business combination over the net fair value of the identifiable assets acquired and liabilities assumed including non-controlling interest. Any negative difference is recognized as a gain directly in the consolidated statement of comprehensive loss. If the fair values of the assets, liabilities and non-controlling interest can only be calculated on a provisional basis, the

business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition.

Goodwill is considered to have an indefinite useful life and is not amortized, but rather will be tested annually for impairment. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses.

Intangible assets

Intangible assets are initially recognized at fair value with subsequent additions measured at cost and are reflected net of any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization method and useful life of an intangible asset with a finite useful life is reviewed at least once annually. Changes in the expected life or pattern of consumption of future economic benefits are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimate and recorded on a prospective basis. The amortization expense related to intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in depreciation and amortization expense.

Intangible assets primarily consist of purchased customer relationships, a non-compete agreement, sales network, exclusive marketing relationships and computer related software.

Gains and losses arising from the de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of comprehensive income when the asset is de-recognized.

| Asset category | Amortization method | Useful life |
|--|----------------------------|--------------------|
| Customer relationships | Straight line | 3 years |
| Non-compete agreement..... | Straight line | 2 years |
| Sales network | Straight line | 7 years |
| Exclusive marketing relationships..... | Straight line | 3 years |
| Computer software | Straight line | 3 years |

Impairment of non-financial assets

At each statement of financial position date, the Trust reviews the carrying amounts of its finite life non-financial assets, including property and equipment and intangibles to determine whether there is any indication of impairment.

For the purposes of reviewing finite life non-financial assets for impairment, asset groups are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a cash generating unit ("CGU").

If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment. Corporate assets are tested for impairment at the minimum collection of CGUs to which the corporate asset can be allocated reasonably and consistently.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. Impairment losses are recognized in profit and loss in the period in which they occur. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Trust estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss will only be reversed if there will be a change in the assumptions used to determine the asset's recoverable amount since the time the impairment loss was recognized. Where impairment subsequently reverses, the carrying amount of the asset is increased to the extent that the carrying value of the underlying asset does not exceed the carrying amount that would have been determined, net of

depreciation, if no impairment had been recognized. Impairment reversals are recognized in profit and loss in the period in which they occur.

Goodwill is tested for impairment annually as at October 1 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill can not be reversed in future periods.

Trust issuance costs

The Trust has included all costs incurred related to the initial public offering of the Trust in “trust unit issuance costs”. Included in these costs are all cash costs related to the filing of the prospectus and the initial public offering of the units.

Provisions

Provisions are recognized to the extent that we determine it is probable that the Trust will be required to settle a present obligation (legal or constructive) and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Finance Costs

Finance costs are primarily incurred on the Trust’s Supplier Agreement and are expensed in the period in which they are incurred (note 11).

Contingencies

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized accordingly.

Unit-Based Compensation

The Trust has a Restricted Trust Unit Plan (“RTUP”) and Phantom Unit Rights Plan (“PURP”), both as described in note 17. No grants have been made under these plans as of December 31, 2012.

Income taxes

The Trust follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the effect of any temporary difference between the carrying amount of an asset or liability reported in the consolidated financial statements and its respective tax basis, using substantively enacted income tax rates. Deferred income tax balances are adjusted to reflect changes in substantively enacted income tax rates expected to apply when assets are realized or liabilities are settled, with adjustments being recognized in the period in which the change occurs. Deferred income tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be

recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Trust intends to settle on a net basis.

The Trust is a taxable entity under the Income Tax Act (Canada) ("Tax Act") and is currently taxable only on income that is not distributed or distributable to the unitholders. The Trust distributes all of its taxable income to its unitholders and expects to continue to distribute all of its taxable income to unitholders. The Trust will at no time be a specified investment flow-through entity ("SIFT") as defined in the Tax Act. Investment restrictions contained in the formation documents provide that the Trust and its subsidiaries will only invest in entities that qualify as a "portfolio investment entity" and will not hold any "non-portfolio property" or "taxable Canadian property", each as defined in the Tax Act. It also qualifies as a "mutual fund trust" within the meaning of the Tax Act and will not be subject to the limit on non-resident ownership in the Tax Act as it will not own any "taxable Canadian property" as defined in the Tax Act.

Energy sales

Revenue is recognized based on consumption. Sales of energy are billed based upon information received from the local utilities. The billing cycles for customers do not coincide with the accounting periods used for financial reporting purposes. Energy that has been consumed by a customer, but not yet billed to that customer, is estimated on an accrual basis and included in revenue during the period in which it was consumed. Such estimates are refined in subsequent periods upon obtaining customer billing information from the utilities. Changes in these estimates are reflected in revenue in the period they are refined.

The Trust's operations are seasonal. Electricity consumption is typically highest during the summer months (July and August) due to cooling demand and winter months (January and February) due to heating demand. Natural gas consumption is typically highest during the months of October through March due to heating demand.

Cost of sales

Direct energy costs are recognized concurrently with the related energy sales. Direct energy costs include the commodity cost of purchased electricity or natural gas, costs associated with energy delivery, fees incurred from various energy related service providers, the cost of renewable energy certificates and fees and charges from ISOs and LDCs. The Trust estimates and accrues for these fees based on invoices, activity levels, preliminary settlements and other available information. Final determination and settlements of these charges may take several months following the month of delivery and are adjusted as information becomes available.

Fee revenue

Fee revenue primarily consists of sign-up fees and other monthly fees received from the Trust's independent contractor sales associates in the network marketing sales channel. The sign-up fees component of fee revenue is recognized over the one year term of the agreement with the individual contractor and the monthly fees are recognized on a monthly basis.

Collection of sales tax

Sales tax is added to customer bills in certain markets served by the Trust. Sales tax collected from customers on behalf of governmental entities is recorded on a net basis. Such amounts are excluded from the Trust's revenue and are recorded in trade and other payables on the consolidated statement of financial position until they are remitted to the appropriate governmental entities.

Financial instruments

Financial assets and liabilities are recognized when the Trust becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire, or if the Trust transfers the control or substantially all the risks and

rewards of ownership of the financial asset to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled.

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss,” “loans and receivables,” “available-for-sale,” “held-to-maturity” or “financial liabilities measured at amortized cost.”

Financial assets and financial liabilities classified as fair value through profit or loss are either classified as held for trading or financial liabilities measured at fair value with changes in those fair values recognized in profit or loss.

Financial assets classified as loans and receivables, financial assets and financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method of amortization.

All derivative instruments are classified as held for trading.

The Trust’s financial assets and financial liabilities are classified and measured as follows:

| Asset/Liability | Classification | Measurement |
|----------------------------------|-----------------------------|--------------------|
| Derivative contracts..... | Held for trading | Fair value |
| Accounts receivable | Loans and receivables | Amortized cost |
| Collateral deposits..... | Loans and receivables | Amortized cost |
| Trade and other payables..... | Other financial liabilities | Amortized cost |
| Notes payable and bank debt..... | Other financial liabilities | Amortized cost |
| Non-controlling interest..... | Other financial liabilities | Fair value |
| Other liabilities | Other financial liabilities | Amortized cost |

The Trust has not classified any financial assets as available-for-sale or held to maturity.

Fair values are determined based on the quoted market values where available from active markets. If the financial asset is not traded in an active market, the Trust establishes the fair value through valuation techniques taking into account external market inputs where possible.

Gains and losses on fair value of derivative instruments are recognized in profit and loss in the period in which they are incurred.

Transaction costs are capitalized to the carrying amount of the instrument and amortized using the effective interest method, other than those related to financial instruments measured at fair value through profit and loss, which are expensed as incurred.

Impairment of financial instruments

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized the previously recognized impairment loss is reversed through profit and loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Comprehensive income (loss)

The Trust is required to report total comprehensive income (loss) and its components in the financial statements. The Trust has no items impacting other comprehensive income (loss) and, accordingly, the Trust's net income equals total comprehensive income.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires the use of 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 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 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 based on the number of units of energy consumed but not yet billed, based on estimates using usage data available, multiplied by the current customer average sales price per unit.

Accounts receivable

The Trust reviews its accounts receivables at each reporting date to assess whether an allowance needs to be provided to reflect estimated amounts that will not be collected from customers. In particular, judgment by management is required in the estimation of the amount and timing of collectability of accounts receivable, based on financial conditions, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Fair value of financial instruments

Determining the value of derivative 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 and discounted cash flow models. 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. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment

In assessing the value of intangible assets or non-financial assets for potential impairment, assumptions are made regarding future 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 assets.

Deferred taxes

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

Useful life of property and equipment and intangible assets

The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Trust.

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 purchase 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 Trust units as equity

Trust units issued by the Trust give the holder the right to put the units back to the issuer in exchange for cash. IAS32 "Financial Instruments: Presentation" establishes the general principle that an instrument which gives the holder the right to put the instrument back to the issuer for cash should be classified as a financial liability, unless such instrument has all of the features and meets the conditions of the IAS 32 "puttable instrument exemption". If these "puttable instrument exemption" criteria are met, the instrument is classified as equity. The Trust has examined the terms and conditions of its Trust Indenture and classifies its outstanding Trust units as equity because the Trust units meet the "puttable instrument exemption" criteria as there is no contractual obligation to distribute cash.

6. FUTURE ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that are issued but not yet effective up to the date of issuances of the Trust's financial statements are listed below.

The IASB amended IFRS 7 "Financial Instruments: Disclosure" and IAS 32 "Financial Instruments: Presentation" to enhance disclosure requirements and clarify the requirements for the offsetting of financial assets and liabilities. The amendments are effective for years beginning on or after January 1, 2013 and January 1, 2014, respectively. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013. These amendments will require minimal disclosure changes in the Trust's financial statements.

The IASB issued IFRS 9 “Financial Instruments: Classifications and Measurements” as the first step in its project to replace IAS 39 “Financial Instruments: Recognition and Measurement.” IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

The IASB amended IFRS 9 “Financial Instruments: Classifications and Measurements” and IFRS 7 “Financial Instruments: Disclosures” which includes added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Trust has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The IASB issued IFRS 10 “Consolidated Financial Statements” to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee to direct relevant activities and exposure to variable returns before control is present. The standard is required to be adopted for periods beginning January 1, 2013. IFRS 10 will have no impact on the Trust’s financial statements on adoption as the current consolidation method adheres to this standard.

The IASB issued IFRS 11 “Joint Arrangements” to replace IAS 31 Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties to the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 will be applied starting January 1, 2013. IFRS 11 will have no impact on the Trust’s financial statements on adoption as the Trust and subsidiaries are not parties to any joint arrangements.

The IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates and the reporting entity’s involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). The standard is required to be adopted for periods beginning January 1, 2013. IFRS 12 will have no impact on the Trust’s financial statements.

The IAS issued IFRS 13 “Fair Value Measurement” as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 will be applied starting January 1, 2013. IFRS 13 will require minimal disclosure changes in the Trust’s financial statements.

The IASB reissued IAS 27 “Separate Financial Statements”, to reflect the change as the consolidation guidance has recently been included in IFRS 10. In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Trust prepares separate financial statements. IFRS 27 is effective for years beginning on or after April 1, 2013. These amendments will have no impact on the Trust’s financial statements.

The IASB amended IAS 28 “Investments in Associates and Joint Ventures” as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 28 has been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Trust when there is joint control or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When it has been determined that the Trust has an interest in a joint venture, the Trust will recognize an investment and will account for it using the equity method in accordance with IAS 28. IAS 28 is effective for years beginning on or after April 1, 2013. IFRS 28 will

have no impact on the Company's financial statements on adoption as the Company has no associates or joint ventures that will be accounted for under the equity method.

7. ACQUISITION

On November 13, 2012 concurrent with the initial public offering of the Trust, the Trust, through its indirectly owned subsidiary, Crius Energy Corporation, acquired a 26.8% interest in CE. This 26.8% interest represents a controlling interest in CE due to the governance arrangements. This acquisition was accounted for using the acquisition method of accounting. The purchase price represents the cash payable by Crius Energy Corporation to the non-controlling interest for the acquisition of their ownership interests in CE's operating subsidiaries at the time of the acquisition. The purchase price was paid in full in cash on November 13, 2012 with a portion of the proceeds from the initial public offering of the Trust. The Trust allocated the purchase price of \$64,125 to the identifiable assets and liabilities based on their preliminary fair values at the date of acquisition, as follows.

| Net assets acquired: | \$ |
|--|------------------------|
| Cash and cash equivalents..... | 16,248 |
| Accounts receivable | 48,472 |
| Trade and other payables | (54,565) |
| Other net assets | 3,345 |
| Customer relationships..... | 76,000 |
| Sales network | 19,300 |
| Exclusive marketing partnerships | 24,947 |
| Non-compete agreements | 1,469 |
| Goodwill | 235,150 |
| Deferred tax liability, net | (43,161) |
| Non-controlling interest | (263,080) |
| Total purchase price | <u>\$64,125</u> |

The above listed assets and liabilities were measured at their preliminary fair value on the date of the acquisition. The purchase price allocation is considered preliminary, and as a result, it may be adjusted during the 12 month period following the acquisition, in accordance with IFRS 3.

If the acquisition had occurred at the date of inception on September 7, 2012, the estimate of revenues from operations for the current reporting period is \$124,443. The estimate of net income (loss) for the same period had the acquisition occurred at the date of inception is impracticable to calculate.

The goodwill includes benefits such as the value of assembled workforce and synergies which do not meet the criteria for recognition as intangible assets under IAS 38. Goodwill that is deductible for income tax purposes is \$24,556. The deferred tax liability comprises the tax effect of the amortization for tax purposes of the above-mentioned intangible assets acquired. Non-controlling interest represents the ownership in CE by the non-controlling unit holders and is classified as a liability (Note 14). The fair value of the non-controlling interest is measured by applying a discount to the publicly traded unit price of the Trust. The fair value of Accounts receivable acquired was \$48,472, and the gross contractual amounts receivable was \$49,703, with the difference of \$1,231 being amounts not expected to be collected.

8. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

| | December 31, 2012 |
|---|------------------------|
| Accounts receivable | \$56,261 |
| Less: allowance for doubtful accounts | (64) |
| | <u>\$56,197</u> |

9. PROPERTY AND EQUIPMENT

| 2012 | Computer hardware | Office furniture and equipment | Leasehold improvements | Total |
|--|-------------------|--------------------------------|------------------------|--------------|
| Cost | | | | |
| Balance as at September 7, 2012 | \$— | \$— | \$— | \$— |
| Additions | 232 | 252 | 511 | 995 |
| Balance as at December 31, 2012 | 232 | 252 | 511 | 995 |
| Accumulated depreciation | | | | |
| Balance as at September 7, 2012 | (—) | (—) | (—) | (—) |
| Depreciation | (18) | (6) | (18) | (42) |
| Balance as at December 31, 2012 | (18) | (6) | (18) | (42) |
| Net book value — December 31, 2012 | <u>\$214</u> | <u>\$246</u> | <u>\$493</u> | <u>\$953</u> |

Additions in the period include the effect of the CE acquisition (Note 7).

10. INTANGIBLE ASSETS

| 2012 | Computer software | Customer relationships | Non-compete agreements | Sales network | Exclusive marketing relationships | Total |
|---------------------------------------|-------------------|------------------------|------------------------|---------------|-----------------------------------|------------------|
| Cost | | | | | | |
| Balance as at September 7, 2012 | \$— | \$— | \$— | \$— | \$— | \$— |
| Additions | 357 | 76,000 | 1,469 | 19,300 | 24,947 | 122,073 |
| Balance as at December 31, 2012 | 357 | 76,000 | 1,469 | 19,300 | 24,947 | 122,073 |
| Accumulated amortization | | | | | | |
| Balance as at September 7, 2012 | (—) | (—) | (—) | (—) | (—) | (—) |
| Amortization | (43) | (3,511) | (98) | (367) | (1,109) | (5,128) |
| Balance as at December 31, 2012 | (43) | (3,511) | (98) | (367) | (1,109) | (5,128) |
| Net book value — December 31, 2012 .. | <u>\$314</u> | <u>\$72,489</u> | <u>\$1,371</u> | <u>18,933</u> | <u>23,838</u> | <u>\$116,945</u> |

Additions in the period include the effect of the CE acquisition (Note 7).

At December 31, 2012, the remaining amortization period is 2 to 7 years.

11. FINANCING

Macquarie Energy Supplier Agreement

In September 2012, CE and its operating subsidiaries entered into several agreements (the “Supplier Agreement”) with Macquarie Energy LLC (“Macquarie Energy”) for the exclusive supply of the Trust’s wholesale energy needs and hedging requirements for a term ending in October 2017. Under the Supplier Agreement, Macquarie Energy assumes the responsibility for meeting all the credit and collateral requirements with each ISO, and the LDCs serving the Trust’s customers are directed to remit all customer payments into a designated restricted bank account, (the “Lockbox”), whereby the funds in that account are used to pay Macquarie Energy for the 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 and all other assets of CE.

Macquarie Energy extends trade credit to buy wholesale energy supply, with all amounts due being payable in the month following delivery of the energy. The credit extended under the Supplier Agreement was limited to an overall exposure limit of \$200,000 subject to certain standard financial covenants, and limited to a calculated credit base based on restricted cash in the Lockbox, billed and unbilled receivables and

natural gas inventory. CE incurs a volumetric fee based on the wholesale energy delivered, which is included in finance costs in the statement of comprehensive income.

The facility includes a working capital facility with a sub-limit of \$25,000 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.

As at December 31, 2012, Macquarie Energy had extended trade credit to CE totaling \$28,115 under this Supplier Agreement. At December 31, 2012, there were letters of credit issued totaling \$4,318, and no cash advances drawn under the working capital facility. During the period from inception at September 7, 2012 to December 31, 2012, total energy purchases totaled \$42,554 and interest expense under the working capital facility totaled \$61. As at December 31, 2012, the aggregate availability under the credit facility was \$12,683.

12. FINANCIAL INSTRUMENTS

Fair value

Fair value is the estimated amount that the Trust would pay or receive to dispose of financial instruments in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the fair value of financial instruments using a method that employs market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. These curves can be volatile thus leading to volatility in the mark to market with no impact to cash flows. The fair value of the non-controlling interest is measured by applying a discount to the publicly traded unit price of the Trust.

The Trust's activities expose it to a variety of market risks, principally from fluctuating commodity and currency prices. The Trust has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. The Trust's risk management activities include the use of derivative instruments such as swaps and options. The Trust maintains commodity and currency price risk management strategies that use derivative instruments, within approved risk tolerances to minimize significant, unanticipated fluctuations in earnings or distributions caused by market price volatility.

The following table illustrates unrealized losses related to the Trust's derivative financial instruments classified as held-for-trading and recorded in the consolidated statement of comprehensive income:

| | For the period from inception on September 7, 2012 to December 31, 2012 |
|--|--|
| Fixed-for-floating electricity swaps..... | \$(2,023) |
| Fixed-for-floating gas swaps | (329) |
| Foreign exchange options..... | (34) |
| Change in fair value of derivative instruments | <u><u>\$(2,386)</u></u> |

The following table summarizes the fair value of the financial assets and liabilities recorded in the consolidated balance sheet at December 31, 2012:

| | Other current financial assets | Other current financial liabilities |
|---|-----------------------------------|--|
| Foreign exchange options..... | \$241 | \$— |
| Fixed-for-floating electricity swaps..... | — | (2,262) |
| Fixed-for-floating gas swaps..... | — | (348) |
| | \$241 | \$(2,610) |

The following table summarizes financial instruments which are classified as held-for-trading as at December 31, 2012:

| | Notional Volume | Total Remaining Volume | Maturity Date | Fixed Price | Fair Value (unfavorable) | Notional Value |
|---|-----------------------------|------------------------------|------------------|-----------------------|-----------------------------|-------------------|
| Fixed-for-floating electricity swaps | 1-139 MWh | 937,016 MWh | 1-18 months | \$31.10 to \$89.75 | \$(2,262) | 46,593 |
| Fixed-for-floating gas swaps | 10,000- 140,000 Mmbtu | 992,500 Mmbtu | 1-3 months | \$3.37 to \$3.94 | \$(348) | 3,678 |

| | Notional Value | Total Remaining Volume | Maturity Date | Fixed Price | Fair Value (unfavorable) |
|--------------------------------|-------------------------|------------------------------|------------------|--------------------------|-----------------------------|
| Foreign exchange options | US\$12,307 C\$12,294 | US\$12,307 C\$12,294 | 1-12 months | C\$0.999 per US\$1 | US\$241 |

Fair value ("FV") hierarchy

Level 1

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices. The Trust values its cash and cash equivalents, restricted cash, collateral deposits, accounts receivable, trade and other payable and distribution payable under level 1.

Level 2

Fair value measurements that require inputs other than quoted prices in Level 1, either directly or indirectly, are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, inputs must be substantially observable in the market. Derivative assets and liabilities included in Level 2 are valued using multiple prices quoted by market participants other than exchanges, industry pooling, and other inputs that are derived principally from, or collaboratively by, observable market data.

Level 3

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy. The Trust's policy is to recognize transfers in and out as at the end of the reporting period.

During the period from inception on September 7, 2012 to December 31, 2012 there were no significant transfers between levels.

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at December 31, 2012:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|-----------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents..... | \$30,301 | \$— | \$— | \$30,301 |
| Restricted cash and cash equivalents..... | 65 | — | — | 65 |
| Collateral deposits..... | 984 | — | — | 984 |
| Accounts receivable..... | 56,197 | — | — | 56,197 |
| Income tax receivable..... | 4,864 | — | — | 4,864 |
| Other current financial assets..... | — | 241 | — | 241 |
| Other current assets..... | 1,105 | — | — | 1,105 |
| Financial liabilities | | | | |
| Trade and other payables..... | (49,718) | — | — | (49,718) |
| Distribution payable..... | (1,327) | — | — | (1,327) |
| Non-controlling interest..... | — | — | (258,611) | (258,611) |
| Other current financial liabilities..... | — | (2,610) | — | (2,610) |
| Other long-term liabilities..... | (1,519) | — | — | (1,519) |

Changes in Level 3 financial liabilities during the period were as follows:

| | Non-controlling interest |
|--|--------------------------|
| Liability as at November 13, 2012..... | \$263,080 |
| Changes in fair value..... | (4,469) |
| Liability at December 31, 2012..... | \$258,611 |

Classification of financial assets and liabilities

As at December 31, 2012, the carrying amounts of the financial assets and liabilities, except for derivative assets and liabilities and non-controlling interest, approximated their fair value. The derivative assets and liabilities and non-controlling interest are recorded at fair value.

Management of risks arising from financial instruments

The risks associated with the Trust's financial instruments are as follows:

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 price risk

The Trust is 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 its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the electricity and natural gas portfolios. The Trust's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The Trust enters into derivative instruments in order to manage exposures to changes in commodity prices. The inability or failure of the Trust to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of the Trust.

The fair values of the Trust's financial instruments are significantly influenced by the variability of forward spot prices for electricity and natural gas. Period to period changes in forward spot prices could cause significant changes in the mark to market valuation ("MTM valuation") of these contracts, as shown below:

| Electricity | | |
|--|---------------------------------|--------------------------------|
| Percentage change in the forward spot price at December 31, 2012 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 19.6% | +/- \$443 |
| +/- 5% | +/- 98.0% | +/- \$2,217 |
| +/- 10% | +/- 196.0% | +/- \$4,433 |

| Gas | | |
|--|---------------------------------|--------------------------------|
| Percentage change in the forward spot price at December 31, 2012 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 7.7% | +/- \$28 |
| +/- 5% | +/- 28.4% | +/- \$101 |
| +/- 10% | +/- 54.2% | +/- \$194 |

Interest rate risk

The Trust is exposed to interest rate risk on certain advances within the Supplier Agreement with Macquarie Energy. The Trust has letters of credit and cash advances outstanding of \$4,318 under this facility, 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 period from inception on September 7, 2012 to December 31, 2012 the impact of a 1% increase (decrease) in the interest rate on these balances would have not had a material impact on Finance costs in the consolidated statement of comprehensive income.

Foreign currency risk

The Trust is exposed to currency rate risk in that its business operations are conducted in United States dollars, however, its distributions and publicly listed units are denominated in Canadian dollars. The Trust mitigates its exposure to currency rate movements by entering into currency derivative hedging products including options and swaps. Period to period changes in forward spot prices could cause significant changes in the mark to market valuation ("MTM valuation") of these contracts, as shown below:

| Percentage change in the forward spot price at December 31, 2012 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
|--|---------------------------------|--------------------------------|
| +/- 1% | + 36.2%/-29.5% | + \$87/- \$71 |
| +/- 5% | + 210.5%/-81.0% | + \$507/- \$195 |
| +/- 10% | + 453.6%/-93.9% | + \$1,093/- \$226 |

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 Maine, Massachusetts, New Hampshire, District of Columbia, certain Ohio markets and New Jersey, the Trust is exposed to customer credit risk and, therefore, credit review and other processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of the Trust.

For the remaining markets, the LDCs provide collection services and assume the risk of any bad debts owing from the Trust's customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to the Trust is minimal. There is no assurance that the LDCs that provide these services will continue to do so in the future.

As at December 31, 2012, the customer credit risk exposure amount of \$15,724 represents the risk related to the Trust's accounts receivable from Maine, Massachusetts, New Hampshire, District of Columbia, certain Ohio markets and New Jersey and the accounts receivable aging for these markets are as follows:

| | <u>Current</u> | <u>1-30 days</u> | <u>31-60 days</u> | <u>Over 60 days</u> | <u>Total</u> |
|---------------------------|-----------------|------------------|-------------------|---------------------|-----------------|
| Accounts receivable | \$11,184 | \$1,925 | \$985 | \$1,630 | \$15,724 |
| | <u>\$11,184</u> | <u>\$1,925</u> | <u>\$985</u> | <u>\$1,630</u> | <u>\$15,724</u> |

A reconciliation of the beginning and ending amounts of the Trust's allowance for doubtful accounts is as follows:

| | <u>December 31, 2012</u> |
|--|--------------------------|
| Balance at the beginning of the period | \$— |
| Additional amounts provided for during the period..... | 64 |
| Balance at December 31, 2012 | <u>\$64</u> |

Counterparty credit risk

Counterparty credit risk represents the loss that the Trust would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in the Trust replacing contracted supply at prevailing market rates, thus impacting the related customer margin. Counterparty risk is limited to Macquarie Energy for all wholesale supply positions. However, the failure of the counterparty to meet its contracted obligations could have a material adverse effect on the operations and cash flows of the Trust.

As at December 31, 2012, the maximum counterparty credit risk exposure amounted to \$241, representing the risk relating to its 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 cash flow forecasts for the next 12 months to ensure adequate and efficient use of cash resources and credit facilities.

The following are the contractual maturities of the Trust's financial liabilities as at December 31, 2012:

| | <u>Carrying amount</u> | <u>Contractual cash flow</u> | <u>Less than 1 year</u> | <u>1 to 5 years</u> | <u>More than 5 years</u> |
|----------------------------------|----------------------------|----------------------------------|-----------------------------|-------------------------|------------------------------|
| Trade and other payables..... | \$49,718 | \$49,718 | \$49,718 | \$— | \$— |
| Operating leases | — | 4,011 | 1,271 | 2,740 | — |
| Derivative instruments..... | 2,610 | 2,610 | 2,610 | — | — |
| Distribution payable | 1,327 | 1,327 | 1,327 | — | — |
| Other long term liabilities..... | 1,519 | 1,070 | — | 1,070 | — |
| | <u>\$55,174</u> | <u>\$58,736</u> | <u>\$54,926</u> | <u>\$3,810</u> | <u>\$—</u> |

Supplier risk

The Trust purchases its energy delivered to its customers through contracts entered into with Macquarie Energy. The Trust has an exposure to supplier risk as the ability to continue to deliver energy to its customers is reliant upon the ongoing operations of this supplier and its contractual obligations.

13. INCOME TAXES

The major components of the provision for income taxes, which relates to the Trust's U.S. subsidiaries, for the period from inception on September 7, 2012 to December 31, 2012 are:

| | <u>December 31, 2012</u> |
|---|--------------------------|
| Current income tax: | |
| Current income tax charge..... | \$249 |
| Deferred income tax: | |
| Origination and reversal of temporary differences | (3,354) |
| Total tax expense | <u>\$(3,105)</u> |

Reconciliation of effective tax rate

The benefit for income taxes represents an effective tax rate different than the combined federal and state statutory tax rate as follows:

| | <u>For the period from inception on September 7, 2012 to December 31, 2012</u> |
|---|--|
| Loss before income taxes | \$(345) |
| Federal income tax (at 34.0%)..... | (117) |
| State income tax | (439) |
| <i>Impact of permanent differences</i> | |
| Change in fair value of non-controlling interest..... | (1,519) |
| Other permanent items | (1,030) |
| Total benefit for income taxes | <u>\$(3,105)</u> |

Other permanent items principally represent income of CE that is attributed directly to the non-controlling unitholders of CE. Under United States partnership taxation rules CE is not a taxable entity and its taxable income/(loss) flows through to its partners who are then taxed on their allocable share of the partnership income tax/(benefit).

Recognized deferred tax assets and liabilities

Recognized deferred tax assets and liabilities are attributed to the following:

| | <u>December 31, 2012</u> |
|---|--------------------------|
| Deferred tax assets: | |
| Change in fair value of derivative instruments..... | \$672 |
| Allowance for doubtful accounts | 337 |
| Interest expense..... | 342 |
| Depreciation and amortization | 649 |
| Renewable energy certificates..... | 842 |
| Incentive compensation..... | 8 |
| Other | 5 |
| Total deferred tax assets | 2,855 |
| Deferred tax liabilities: | |
| Intangible | (44,213) |
| Goodwill | (99) |
| Other | (5) |
| Total deferred tax liabilities..... | <u>(44,317)</u> |
| Total net deferred tax liabilities..... | <u>\$(41,462)</u> |

Movement in deferred tax balances

| | Balance December 31, 2012 |
|--|------------------------------|
| Change in fair value of derivative instruments | \$625 |
| Stock based compensation | (315) |
| Allowance for doubtful accounts | 26 |
| Incentive compensation | (36) |
| Renewable energy certificates | 109 |
| Interest expense | 342 |
| Intangibles | 1,254 |
| Goodwill | (99) |
| Depreciation and amortization | 493 |
| Other | 2 |
| Total net deferred tax assets | \$2,401 |

14. TRUST CAPITAL

Initial public offering

On November 2, 2012, the Trust filed a final prospectus relating to the initial public offering of its Units. The closing date of this initial public offering was November 13, 2012 and the Trust received gross proceeds from the offering of \$99,612 and incurred issue costs of \$11,587.

On closing, through an indirectly wholly owned subsidiary, Crius Energy Corporation, the Trust purchased an approximate 26.8% ownership interest in Crius Energy, LLC (the "CE Interest") for \$88,025, with \$64,125 being paid to former non-controlling members of CE and with \$23,900 being retained for general corporate purposes and to fund future acquisitions.

Authorized

The beneficial interests in the Trust are represented and constituted by one class of units. An unlimited number of common voting trust units may be issued pursuant to the Trust Indenture. Each unit represents an equal, undivided beneficial interest in the net assets of the Trust, and all units rank equally and rateably with all other units. Each unit entitles the holder to one vote at all meetings of unitholders. Unitholders are entitled to receive non-cumulative distributions from the Trust if, as, and when declared by the Trust.

Trust units are redeemable at any time or from time to time on demand by the Unitholders thereof. Upon delivery to the Trust, the holder is entitled to receive a price per unit (the "Redemption Price") equal to the lesser of: (i) 90% of the volume-weighted average trading price of a unit during the last 10 consecutive trading days; and (ii) 100% of the volume-weighted average trading price of a unit on the redemption date. The aggregate Redemption Price payable by the Trust in respect of any units tendered for redemption during any month shall be satisfied by cheque drawn on a Canadian chartered bank or trust in lawful money of Canada payable to the Unitholders who exercised the right of redemption, on or before the end of the calendar month following the calendar month in which the units were tendered for redemption; provided that Unitholders shall not be entitled to receive cash upon the redemption of their Units if the total amount payable by the Trust in respect of such units and all other units tendered for redemption in the same month exceeds \$100,000. If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the limitations set forth in the immediately preceding paragraph, then the Redemption Price for each Unit tendered for redemption shall be equal to the fair market value of a Unit as determined by the Trustee, in its discretion, and shall, subject to all necessary regulatory approvals, be paid and satisfied by way of a distribution in specie of Trust Property, other than certain specified Trust assets as determined by the Trustee in its discretion. To the extent that the Trust does not hold Trust Property, other than the above mentioned specified Trust assets, having a sufficient amount outstanding to effect payment in full of the in specie Redemption Price, the Trust may affect such payment by issuing Redemption Notes, being unsecured subordinated promissory notes of the Trust. It is anticipated that the redemption right will not be the primary mechanism for Unitholders to dispose of their Units.

Trust Units Outstanding

| | Number of Units | \$ |
|--|-------------------|-----------------|
| Issuance on initial formation – September 7, 2012..... | 1 | \$— |
| Repurchase of initial Trust units..... | (1) | — |
| Trust units issued pursuant to public offering..... | 10,000,000 | 99,612 |
| Trust unit issuance costs..... | — | (11,587) |
| | 10,000,000 | \$88,025 |

On November 13, 2012, as part of the initial public offering, 10 million units were issued at a price of C\$10.00 per unit, and with these funds, the Trust acquired a 26.8% membership interest in CE through an indirect wholly-owned subsidiary.

Distributions

During the period from inception on September 7, 2012 to December 31, 2012, the Trust declared distributions to unitholders totaling \$1,327 representing \$0.1327 (C\$0.1326) per unit in December 2012, which were paid out on January 15, 2013.

Offer to Purchase CE Units from Excess Cash

In each fiscal year commencing with the 2019 fiscal year, the Trust is required make an offer (“Liquidity Offer”), on or before the 90th day of such fiscal year, to purchase the maximum number of membership units of the non-controlling interest that may be purchased out of Excess Cash (as defined below), at a price per unit equal to the Liquidity Offer Purchase Price (as defined below). If, in any year, a Liquidity Offer is made by the Trust for all or a portion of the membership units held by the non-controlling interest and any non-controlling interest refuses to accept such Liquidity Offer with respect to any of the member’s membership units that are subject to the Liquidity Offer (the “Non-Tendered Membership Units”), the Trust is not required to make a further Liquidity Offer for any of the member’s Non-Tendered Membership Units in any subsequent year. For these purposes, “Excess Cash” means an amount, as of the end of the immediately preceding fiscal year of the Trust, determined by the Trust’s board of directors, in its sole and absolute discretion, which is not required to be retained in order to permit the Trust to make distributions (including future distributions) at the then current level of distributions and which is in excess of any other reasonable reserves established by the Trust’s board of directors for any proper purpose. The “Liquidity Offer Purchase Price” per membership unit means, in respect of a Liquidity Offer made in any fiscal year of the Trust, an amount equal to (i) five times the Trust’s consolidated cash flow for the immediately preceding fiscal year, plus the Trust’s cash and cash equivalents on a consolidated basis as of the end of such preceding fiscal year, minus the Trust’s debt as of the end of such preceding fiscal year, divided by (ii) the number of outstanding membership units as of the date of such Liquidity Offer.

Right to Acquire Membership Units

If at any time Crius Energy Corporation and its affiliates hold more than 80% of the membership units in CE then outstanding, the Trust has the right, exercisable at its option, to purchase all, but not less than all, of the outstanding membership units held by persons other than Crius Energy Corporation and its affiliates, at a price per membership unit equal to the greater of (i) the fair market value of the membership unit, determined by the Trust’s board of directors in good faith, and (ii) the highest price paid by Crius Energy Corporation or any of its affiliates for any membership unit purchased during the 90-day period preceding the date notice of the Trust’s intention to exercise its right is mailed.

Offer to Purchase Membership Units Upon Trust Change of Control

Within 30 days following the occurrence of a Trust Change of Control (as defined below), the Trust or Crius Energy Corporation is required to make an offer to purchase all of the membership units of each non-controlling interest at a price per membership unit equal to the Change of Control Purchase Price (as defined below). For these purposes, a “Trust Change of Control” means the occurrence of any of the following: (i) the adoption by the Trust of a plan relating to the liquidation or dissolution of the Trust; (ii) the consummation of any transaction (including, without limitation, any merger, consolidation or amalgamation) the result of which is that any person becomes the beneficial owner, directly or indirectly,

of more than 50% of the Units of the Trust; (iii) the first day on which a majority of the members of the board of directors of the Administrator are not continuing directors; or (iv) the first day on which the Trust does not own, directly or indirectly through other wholly-owned subsidiaries, all of the outstanding equity interests in Crius Energy Corporation.

The "Change of Control Purchase Price" per membership unit is equal to (i) 6.5 times the Trust's consolidated cash flow for the preceding fiscal year (subject to certain adjustments in the event the Trust has made a material acquisition or disposition during that period), plus the amount of the Trust's cash and cash equivalents on a consolidated basis as of the preceding fiscal quarter, minus the amount of debt as of the end of the preceding fiscal quarter, divided by (ii) the number of outstanding membership units; provided that if the non-controlling interests, in the aggregate, own less than 20% of the outstanding membership units, the Change of Control Purchase Price per membership unit shall be the fair market value of a membership unit as determined by the Trust's board of directors in good faith.

Non-controlling interest

Due to the redeemable nature of the non-controlling interest in CE arising from the Liquidity Offer and Trust Change of Control provisions outlined above, the non-controlling interest is classified as a Long-term liability on the consolidated statement of financial position. This non-controlling interest is measured at fair value at the end of each period with the gain or loss being charged to profit or loss in the consolidated statement of comprehensive income.

15. INCOME PER UNIT

| | December 31, 2012 |
|--|--------------------------|
| Net income and total comprehensive income | 2,760 |
| Weighted average number of units outstanding | 4,210,526 |
| Basic and diluted income per unit | (\$0.66) |

Basic income per unit is calculated by dividing the net income and total comprehensive income by the weighted average number of units outstanding during the period from inception on September 7, 2012 to December 31, 2012.

16. CONSOLIDATED STATEMENT OF CASH FLOWS

The inflows (outflows) of net change in operating assets and liabilities, excluding the effects of the acquisition of CE LLC, is as follows:

| | December 31, 2012 |
|-----------------------------------|--------------------------|
| Accounts receivable | \$(7,789) |
| Restricted cash | (65) |
| Collateral deposits | 518 |
| Other current assets | 1,092 |
| Other assets | 162 |
| Trade and other payables | (6,048) |
| Other long-term liabilities | 1,390 |
| Income tax payable | (1,587) |
| | <u>\$(12,327)</u> |

17. UNIT BASED COMPENSATION

Restricted Trust Unit Plan

Under the Trust's Restricted Trust Unit Plan ("RTUP"), restricted trust units ("RTUs") may be granted by the board of the Administrator, or an appointed committee thereof (the "RTUP Administrator") to directors, officers, employees or direct or indirect service providers ("Participants") of the Trust. The number of Units reserved for issuance pursuant to the redemption of RTUs granted under the RTUP and pursuant to all other security based compensation arrangements of the Trust shall, in the aggregate, not exceed 10% of the number of Units then issued and outstanding. If any RTUs are redeemed, the number of Units to which

such redeemed RTUs relate shall be available for the purpose of granting additional RTUs under the RTUP. In addition, if any RTUs expire or terminate for any reason without having been redeemed, any unissued Units to which such RTUs relate shall be available for the purposes of granting additional RTUs under the RTUP. The vesting of RTUs is determined by the RTUP Administrator at the time of grant, provided that no vesting conditions shall extend beyond December 20th of the third calendar year following the service year in respect of which the RTUs were granted. Unless otherwise provided in the applicable award agreement, all RTUs shall vest: (i) one-third on the first anniversary of the date of grant of such RTUs (the "Grant Date"); (ii) an additional one-third on the second anniversary of the Grant Date; and (iii) the final one-third on the third anniversary of the Grant Date. For the period from inception on September 7, 2012 to December 31, 2012, no RTUs were granted under the RTUP.

Phantom Unit Plan

CE adopted a cash settled Phantom Unit Right Plan ("PURP") for the benefit of directors, officers or employees or direct or indirect service providers of the CE resident in the United States the ("U.S. Participants"). The purpose of the PURP is to provide incentive bonus compensation based on the appreciation in value of the Trust units and distributions payable in respect of these units, thereby providing additional incentive for continued efforts in promoting the growth and success of the Trust and in attracting and retaining management personnel in the United States. The PURP mirrors the material terms of the RTUP with the exception that Phantom Unit Rights ("PURs") may only be settled with cash payments by CE. The PURP allows U.S. Participants to comply with tax and securities laws in the United States applicable to the awards. For the period from inception on September 7, 2012 to December 31, 2012, no PURs were granted under the PURP.

18. EMPLOYEE BENEFITS

Employee benefit expense

| | For the period from inception on September 7, 2012 to December 31, 2012 |
|---|---|
| Salaries and other short term benefits..... | \$1,530 |
| | <u>\$1,530</u> |

Compensation of key management personnel

The Trust's key management personnel are comprised of the Board of Directors and members of the executive team of the Trust. Compensation of key management personnel that is directly attributable to the Trust is as follows:

| | For the period from inception on September 7, 2012 to December 31, 2012 |
|---|---|
| Wages, salaries and other short-term employee benefits..... | \$549 |
| Directors fees..... | 75 |
| Post-employment benefits | 5 |
| | <u>\$629</u> |

19. RELATED PARTY TRANSACTIONS

CE entered into a transition services agreement for professional services with a related party during the year for an initial period of 6 months, with the option to extend the agreement for an additional 6 months. As at December 31, 2012, included in Trade and other payables is a payable balance in the amount of \$24. For the period from inception on September 7, 2012 to December 31, 2012, included in General and

administrative expense are charges in the amount of \$78 related to this agreement. CE has given notice to the related party that it will not extend the agreement subsequent to the initial 6 month term.

CE has entered into a Supplier Agreement with Macquarie Energy, which is related to Macquarie Americas Corp which is a unitholder in CE. Both Macquarie entities are part of the same group (note 11).

20. CAPITAL DISCLOSURES

For capital management purposes, the Trust considers its capital structure to include unitholders' equity, non-controlling interest, working capital and availability under the Supplier Agreement. The Trust's principal objectives in managing capital are:

- ensure sufficient liquidity to adequately fund the ongoing operations of the business;
- provide flexibility to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to unitholders;
- maintain a strong capital base so as to maintain investor, creditor and market confidence;
- provide returns and generate predictable cash flow for distributions to unitholders;
- comply with financial covenants required under its financing arrangements.

The Trust manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management. The Trust is not subject to externally imposed capital requirements other than standard covenants in the Supplier Agreement (Note 11). At December 31, 2012 all these covenants have been met.

21. REPORTABLE BUSINESS SEGMENTS

The Trust operates in the following reportable business segments: electricity marketing, natural gas marketing and other, which represents fee revenue from network marketing. Management evaluates the performance of its business segments based on gross margin. The following table presents the Trust's results by business segment.

| | For the period from inception on September 7, 2012 to December 31, 2012 |
|--|--|
| Revenue | |
| Electricity | \$52,968 |
| Natural gas | 2,779 |
| Other..... | 513 |
| | <u>56,260</u> |
| Cost of sales | |
| Electricity | 41,505 |
| Natural gas | 2,911 |
| | <u>44,416</u> |
| Gross margin | |
| Electricity | 11,463 |
| Natural gas | (132) |
| Other..... | 513 |
| | <u>11,844</u> |
| Expenses | |
| Selling expenses | 3,396 |
| General and administrative expenses..... | 4,960 |
| Depreciation and amortization..... | 5,170 |
| Operating loss | <u>(1,682)</u> |
| Finance costs | (746) |
| Change in fair value of derivative instruments | (2,386) |
| Change in fair value of non-controlling interest..... | 4,469 |
| Loss before income taxes | <u>(345)</u> |
| Benefit for income taxes..... | (3,105) |
| Net income and total comprehensive income | <u>\$ 2,760</u> |

Capital expenditures, assets and liabilities are not allocated by segment.

Geographic information

All of the Trust's revenues from external customers and assets are located in the United States of America. The Trust does not have any key customers. For the period from inception on September 7, 2012 to December 31, 2012, the Trust operated in three states which together comprise 70.9% of revenue, two of which comprised 30.3% and 27.7%, respectively.

22. COMMITMENTS

Surety bonds

As at December 31, 2012, the Trust has surety bonds issued of \$7,109 to the various state regulatory commissions and LDCs.

Operating leases

The Trust leases its office facilities under non-cancelable operating leases which contain fixed escalation clauses and is subject to extension at the option of the Trust. The Trust takes into account escalation clauses when determining the amount of future minimum lease payments. All future minimum lease payments are recognized on a straight-line basis over the minimum lease term. For the period from inception on

September 7, 2012 to December 31, 2012, rent expense under its operating leases of \$68 was incurred and these costs are included in the consolidated statement of comprehensive income and the associated deferred rent liability is included within other long-term liabilities on the consolidated statement of financial position.

Employee defined contribution plan

The Trust has a 401(k) retirement plan in which substantially all full-time employees may participate. The Trust matches employee contributions up to a maximum of 4% of each participant's annual salary. During the period ended December 31, 2012, employer contributions totaled \$15.

Regulatory proceedings

The Trust is an independent energy marketer of retail electricity and natural gas to residential and commercial customers across numerous states. Market rules and regulations locally, regionally and state to state change periodically. These changes will likely have an impact on the Trust's business; some may be material and others may not. Some changes may lead to new or enhanced business opportunities, some changes may result in a negative impact on the Trust's business. As such, there is no way to impute an exact effect through a cost benefit analysis, because there are many variables. The regulatory process does allow for some participation, and the Trust engages in that participation, however, such participation provides no assurance as to the outcome of such proceedings. The Trust does not expect proceedings to have a material adverse effect on the Trust's financial condition or results of operations.

Litigation and other claims

The Trust is involved in various disputes and litigation. In the opinion of management, the resolution of these disputes against the Trust will not have a material effect on the consolidated results of operations, cash flows or financial position of the Trust.

23. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue on March 28, 2013 by the Board of Directors of the Administrator.

24. SUBSEQUENT EVENTS

Distributions

On January 22, 2013, the Trust declared distributions to unitholders totaling C\$833 representing C\$0.0833 per unit, which was paid on February 15, 2013. On February 15, 2013, the Trust declared distributions to unitholders totaling C\$833, representing C\$0.0833 per unit, which was paid on March 15, 2013. On March 13, 2013, the Trust declared distributions to unitholders totaling C\$833, representing C\$0.0833 per unit, payable on April 15, 2013.

Acquisition

In February 2013, the Company announced that it has entered into an agreement with PNE Energy Supply LLC to acquire a portfolio of residential and small commercial customer accounts in New Hampshire. The transaction will be accounted for as an asset acquisition.

Unit Based Compensation

In March 2013, the Trust granted 14,924 RTUs to directors of the Administrator.



CRIUS ENERGY TRUST

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE PERIOD ENDED SEPTEMBER 30, 2013

CRIUS ENERGY TRUST
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

INDEX TO FINANCIAL STATEMENTS

| | |
|---|---|
| INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2013 AND DECEMBER 31, 2012 | 2 |
| INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013..... | 3 |
| INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND FOR THE PERIOD FROM INCEPTION AT SEPTEMBER 7, 2012 TO SEPTEMBER 30, 2012 | 4 |
| INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 | 5 |
| NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS..... | 6 |

CRIUS ENERGY TRUST

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of U.S. dollars)

| | Notes | September 30, 2013 (Unaudited) | December 31, 2012 |
|--|-------|-----------------------------------|-------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | \$16,802 | \$30,301 |
| Restricted cash and cash equivalents | | 3 | 65 |
| Collateral deposits | | 1,075 | 984 |
| Accounts receivable, net | | 68,011 | 56,197 |
| Income tax receivable | 7 | 4,796 | 4,864 |
| Other current financial assets | 6 | 132 | 241 |
| Other current assets | | 1,361 | 1,105 |
| | | 92,180 | 93,757 |
| Property and equipment | | 1,268 | 953 |
| Intangible assets | 11 | 89,193 | 116,945 |
| Deferred tax assets | 7 | 3,725 | 2,855 |
| Other assets | | 178 | 175 |
| Goodwill | 4 | 237,417 | 235,150 |
| | | \$423,961 | \$449,835 |
| LIABILITIES AND UNITHOLDERS' EQUITY | | | |
| Current | | | |
| Trade and other payables | | \$55,174 | \$49,718 |
| Credit facility | 5 | 7,500 | - |
| Distribution payable | 8 | 810 | 1,327 |
| Other current financial liabilities | 6 | 4,016 | 2,610 |
| | | 67,500 | 53,655 |
| Long-term | | | |
| Deferred tax liabilities | 7 | 33,773 | 44,317 |
| Other long-term liabilities | | 971 | 1,519 |
| Unit-based compensation | 12 | 143 | - |
| Non-controlling interest | 4,6 | 181,667 | 258,611 |
| | | 284,054 | 358,102 |
| Unitholders' Equity | | | |
| Trust capital | | 90,402 | 90,300 |
| Accumulated earnings | | 58,129 | 2,760 |
| Accumulated distributions | | (8,624) | (1,327) |
| Total Unitholder's Equity | | 139,907 | 91,733 |
| | | \$423,961 | \$449,835 |
| Commitments | 15 | | |

See accompanying notes to the interim condensed consolidated financial statements.

CRIUS ENERGY TRUST

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands of U.S. dollars)

(Unaudited)

| | Notes | For the three months ended September 30, 2013 | For the nine months ended September 30, 2013 |
|--|--------------|--|---|
| Revenue | | \$145,607 | \$378,487 |
| Cost of sales | | 115,583 | 300,015 |
| Gross margin | | <u>30,024</u> | <u>78,472</u> |
| Expenses | | | |
| Selling expenses | | 8,768 | 22,893 |
| General and administrative expenses | | 10,765 | 29,451 |
| Unit-based compensation | | 120 | 246 |
| Depreciation and amortization | | 9,548 | 28,936 |
| Operating income (loss) | | <u>823</u> | <u>(3,054)</u> |
| Other (expenses) income | | | |
| Finance costs | | (1,531) | (4,396) |
| Distributions to non-controlling interest | | (6,679) | (24,529) |
| Change in fair value of derivative instruments | 6 | 3,824 | (1,917) |
| Change in fair value of non-controlling interest | 6 | (19,851) | 76,944 |
| (Loss) income before income taxes | | <u>(23,414)</u> | <u>43,048</u> |
| Benefit from income taxes | 7 | 4,398 | 12,321 |
| Net (loss) income and total comprehensive (loss) income | | <u><u>\$(19,016)</u></u> | <u><u>\$55,369</u></u> |

See accompanying notes to the interim condensed consolidated financial statements.

CRIUS ENERGY TRUST

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND FOR THE PERIOD FROM INCEPTION AT SEPTEMBER 7, 2012 TO SEPTEMBER 30, 2012

(in thousands of U.S. dollars, except unit amounts)
(Unaudited)

| | <u>Number of Trust Units</u> | <u>Trust Capital</u> | <u>Accumulated Earnings</u> | <u>Accumulated Distributions</u> | <u>Total</u> |
|---|----------------------------------|--------------------------|---------------------------------|--------------------------------------|------------------|
| Balance as of December 31, 2012 | 10,000,000 | \$90,300 | \$2,760 | \$(1,327) | \$91,733 |
| Issuance of Trust units | 14,924 | 102 | - | - | 102 |
| Distributions to unitholders | - | - | - | (7,297) | (7,297) |
| Net income and total comprehensive income | - | - | 55,369 | - | 55,369 |
| Balance as of September 30, 2013 | <u>10,014,924</u> | <u>\$90,402</u> | <u>\$58,129</u> | <u>\$(8,624)</u> | <u>\$139,907</u> |

| | <u>Number of Trust Units</u> | <u>Trust Capital</u> | <u>Accumulated Earnings</u> | <u>Accumulated Distributions</u> | <u>Total</u> |
|----------------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------------------|--------------|
| Balance as of September 7, 2012 | - | \$ - | \$ - | \$ - | \$ - |
| Issued on initial organization | <u>1</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance as of September 30, 2012 | <u>1</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to the interim condensed consolidated financial statements.

CRIUS ENERGY TRUST

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013**

(in thousands of U.S. dollars)
(Unaudited)

| | Notes | For the three months ended September 30, 2013 | For the nine months ended September 30, 2013 |
|--|-------|---|--|
| Net outflow of cash related to the following activities | | | |
| Operating Activities | | | |
| Net (loss) income and total comprehensive (loss) income | | \$(19,016) | \$55,369 |
| Add net (loss) income items related to financing activities: | | | |
| Finance costs | | 1,531 | 4,396 |
| Distributions to non-controlling interest | | 6,679 | 24,529 |
| Add (deduct) items not affecting cash: | | | |
| Depreciation of property and equipment | | 122 | 279 |
| Amortization of intangible assets | | 9,377 | 28,608 |
| Change in fair value of derivative instruments | 6 | (3,824) | 1,917 |
| Change in fair value of non-controlling interest | 6 | 19,851 | (76,944) |
| Unit-based compensation | 12 | 120 | 246 |
| Bad debt expense | 6 | 882 | 2,046 |
| Non-cash interest | | (83) | (232) |
| Loss on disposal of assets | | 49 | 49 |
| Provision for income taxes | 7 | (4,398) | (12,321) |
| | | 11,290 | 27,942 |
| Net change in operating assets and liabilities | 10 | (5,910) | (13,066) |
| | | 5,380 | 14,876 |
| Investing Activities | | | |
| Purchase of intangible assets | | (729) | (905) |
| Purchase of property and equipment | | (312) | (594) |
| | | (1,041) | (1,499) |
| Financing Activities | | | |
| Credit facility advances | | 4,500 | 13,500 |
| Credit facility repayments | 8 | - | (6,000) |
| Finance costs | | (1,553) | (4,283) |
| Distributions to non-controlling interest | | (6,633) | (22,279) |
| Distributions to unitholders | | (2,392) | (7,814) |
| | | (6,078) | (26,876) |
| Net cash outflow | | (1,739) | (13,499) |
| Cash and cash equivalents, beginning of period | | 18,541 | 30,301 |
| Cash and cash equivalents, end of period | | \$16,802 | \$16,802 |

See accompanying notes to the interim condensed consolidated financial statements.

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

1. NATURE AND ORGANIZATION

Crius Energy 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 has been established to provide investors with a distribution producing investment through its acquisition (the "Acquisition") of an approximate 26.8% ownership interest in Crius Energy, LLC, a Delaware limited liability company, by its indirect wholly-owned subsidiary, Crius Energy Corporation. As the Trust was formed on September 7, 2012 and did not begin active operations until November 13, 2012, there is no comparative financial information other than the Trust's balance sheet as of December 31, 2012 and the interim statement of changes in equity from inception at September 7, 2012 to September 30, 2012.

The Trust is administered by Crius Energy Administrator ("the Administrator"), pursuant to the Administration Agreement dated September 7, 2012 between Computershare Trust Company, as Trustee of the Trust and the Administrator. The Board of Directors of the Administrator therefore performs the majority of the oversight and governance role for the Trust. The Administrator is not a subsidiary of the Trust but meets the accounting definition of a special purpose entity and accordingly, the Administrator has been consolidated based on the principles set out in SIC 12 Consolidation – Special Purpose Entities.

The Trust is domiciled at: 3400, One First Canadian Place, P.O. Box 130, 100 King Street West, Toronto, Ontario, Canada M5X 1A4.

2. OPERATIONS

The Trust's business primarily involves the sale of electricity and natural gas to residential and commercial customers under variable priced and fixed price contracts. The Trust, through its subsidiaries, markets electricity and natural gas, and derives its gross margin from the difference between the price at which it sells the commodities to its customers and the price at which it purchases the associated volumes from its supplier. The Trust, through its subsidiaries, commenced marketing solar products in September 2013.

Through its licensed operating subsidiaries, the Trust provides retail electricity to its customers in the Connecticut, Delaware, District of Columbia, Illinois, Massachusetts, Maine, Maryland, New Hampshire, New Jersey, New York, Ohio and Pennsylvania markets and provides retail natural gas to its customers in the District of Columbia, Indiana, New Jersey, New York, Maryland, Ohio, Pennsylvania and Virginia markets.

3. BASIS OF PRESENTATION AND CHANGES TO THE ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 "Interim Financial Reporting Standards". Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

Basis of presentation and interim reporting

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Trust's annual financial statements for the period from inception September 7, 2012 to December 31, 2012.

The Trust's operations are seasonal and, therefore, the interim operating results are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. Electricity consumption is typically highest in January through February and July through September. Electricity consumption is lowest in October through December and April through June. Natural gas consumption by customers is typically highest in November through March and lowest in April through September. However, the impact of seasonality on customer usage is one of the many factors impacting revenues, which are also affected by retail rates charged to customers, customer growth and customer attrition.

The interim condensed consolidated financial statements are presented in U.S. dollars, the functional currency of the Trust and all subsidiaries, and all values are rounded to the nearest thousands. The interim condensed consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the accounting for the acquisition and for certain financial assets and liabilities which are stated at fair value.

Principles of consolidation

The interim condensed consolidated financial statements include the financial statement of the Trust and all the subsidiaries and entities over which the Trust has power to govern the financial and operating policies for and are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. All intercompany balances, income, expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

New standards and accounting policies adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Trust's consolidated financial statements for the period from inception on September 7, 2012 to December 31, 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013.

The Trust applied, for the first time, certain standards and amendments on January 1, 2013. These included IFRS 7 "Financial Instruments: Disclosure", and IFRS 13 "Fair Value Measurement". As required by IAS 34, the nature and the effect of these changes are disclosed below.

The IASB amended IFRS 7 "Financial Instruments: Disclosure" which clarifies the requirements for the offsetting of financial assets and liabilities. IFRS 7 has been applied as of January 1, 2013. IFRS 7 requires additional disclosures in the Trust's financial statements, which were incorporated in the Financial Instruments Note 6.

The IAS issued IFRS 13 "Fair Value Measurement" as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 has been applied starting January 1, 2013. The adoption of IFRS 13 has not materially impacted the fair value measurements included in the financial statements,

CRIOUS ENERGY TRUST
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

however, has required additional disclosures, which have been incorporated in the Financial Instruments Note 6.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual or interim condensed consolidated financial statements of the Trust.

Unit based compensation

The Trust has a Restricted Trust Unit Plan ("RTUP") and Phantom Unit Rights Plan ("PURP").

The Trust uses the fair value method of valuing compensation expense associated with the RTUP and PURP. The units issued pursuant to the RTUP, the Restricted Trust Units ("RTUs") and the PURP, the Phantom Unit Rights ("PURs"), are not considered equity settled unit-based compensation since the IAS 32 "puttable instrument exemption" does not extend to unit-based payments made by a Trust. Therefore, RTUs and PURs issued subject to the plans are treated similar to cash settled unit-based compensation arrangements, with the associated liability being fair-valued at the end of each reporting period and the corresponding change to fair value being recognized in the statements of comprehensive (loss) income. Compensation expense (recovery) is recognized over the vesting period of the RTU and PUR grants. The fair value of the RTUs or PURs is estimated and recorded based on the market-based value of the units issued. The change in the estimated liability each period based on the number of RTUs or PURs outstanding and the Trust unit price at the end of the period is recorded in unit based compensation in the statements of comprehensive (loss) income. If a cash payment or issuance of units is made to settle vested RTUs or PURs, the difference between the estimated liability and the actual settlement cost will be recognized in the statements of comprehensive (loss) income.

4. ACQUISITION

On November 13, 2012, concurrent with the initial public offering of the Trust, the Trust, through its indirectly owned subsidiary, Carius Energy Corporation, acquired a 26.8% interest in Carius Energy, LLC. This 26.8% interest represents a controlling interest in Carius Energy LLC due to the governance arrangements. This acquisition was accounted for using the acquisition method of accounting. The purchase price represents the cash paid by Carius Energy Corporation to the non-controlling interest for the acquisition of their ownership interests in Carius Energy, LLC's operating subsidiaries at the time of the acquisition. The purchase price was paid in full in cash on November 13, 2012 with a portion of the proceeds from the initial public offering of the Trust. The Trust allocated the preliminary purchase price of \$64,125 to the identifiable assets and liabilities based on their fair values at the date of acquisition, as follows:

| Net assets acquired: | \$ |
|----------------------------------|------------------------|
| Cash and cash equivalents | \$16,248 |
| Accounts receivable | 48,685 |
| Trade and other payables | (55,725) |
| Other net assets | 3,122 |
| Customer relationships | 76,000 |
| Sales network | 19,300 |
| Exclusive marketing partnerships | 24,947 |
| Non-compete agreements | 1,469 |
| Goodwill | 237,417 |
| Deferred tax liability, net | (44,258) |
| Non-controlling interest | (263,080) |
| Total purchase price | <u>\$64,125</u> |

CRIOUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

The initial allocation of the preliminary purchase price was subject to adjustments made in the quarter ending September 30, 2013 and the allocation will be finalized by December 30, 2013. The goodwill includes benefits such as the value of assembled workforce and synergies which do not meet the criteria for recognition as intangible assets under IAS 38. Goodwill that is deductible for income tax purposes is \$24,556. The deferred tax liability is principally comprised of the tax effect of the amortization for tax purposes of the above-mentioned intangible assets acquired. Non-controlling interest represents the ownership in Crius Energy, LLC by the non-controlling unit holders and is classified as a liability. The fair value of the non-controlling interest is measured principally based on the publicly traded unit price of the Trust, with an adjustment for the profit interest units of Crius Energy, LLC that is calculated using an option pricing model. The fair value of Accounts receivable acquired was \$48,685, and the gross contractual amounts receivable was \$49,916, with the difference of \$1,231 being amounts not expected to be collected.

During the three months ended March 31, 2013, the Trust, through a wholly-owned subsidiary, acquired approximately 1,200 residential and small commercial electric customer accounts in New Hampshire for a purchase price of \$86. This transaction was accounted for as an asset acquisition. These customer relationships will be amortized over their estimated useful life of seven years.

5. FINANCING

Macquarie Energy Supplier Agreement

In September 2012, Crius Energy, LLC and its operating subsidiaries entered into several agreements (the "Supplier Agreement") with Macquarie Energy LLC ("Macquarie Energy") for the exclusive supply of the Trust's wholesale energy needs and commodity hedging requirements for a term ending in October 2017. Under the Supplier Agreement, Macquarie Energy assumes the responsibility for meeting all the credit and collateral requirements with each ISO, and utilities serving the Trust's customers are directed to remit all customer payments into a designated restricted bank account, (the "Lockbox"), whereby the funds in that account are used to pay Macquarie Energy for the 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 and all other assets of Crius Energy, LLC.

Macquarie Energy extends trade credit to buy wholesale energy supply, with all amounts due being payable in the month following delivery of the energy. The credit extended under the Supplier Agreement is limited to an overall exposure limit of \$200,000 subject to certain standard financial covenants, and limited to a calculated credit base based on restricted cash in the Lockbox, billed and unbilled receivables and natural gas inventory. Crius Energy, LLC incurs a volumetric fee based on the wholesale energy delivered, which is included in finance costs in the statements of comprehensive (loss) income.

The facility includes a working capital facility with a sub-limit of \$25,000 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.

As at September 30, 2013, Macquarie Energy had extended trade credit to Crius Energy, LLC totaling \$28,317 (December 31, 2012 — \$28,115) under this Supplier Agreement. As at September 30, 2013, there were letters of credit issued totaling \$5,408 (December 31, 2012 — \$4,318), and cash advances drawn totaling \$7,500 (December 31, 2012 — \$ -) under the working capital facility. During the three and nine months ended September 30, 2013, energy purchases totaled \$109,451 and \$285,911 respectively, and interest expense under the Supplier Agreement totaled \$1,427 and \$4,098 respectively. As at September 30, 2013, the aggregate availability under the credit facility was \$17,071 (December 31, 2012 — \$12,683).

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

6. FINANCIAL INSTRUMENTS

Fair value

Fair value is the estimated amount that the Trust would pay or receive to dispose of financial instruments in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the fair value of financial instruments using a method that employs market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. These curves can be volatile thus leading to volatility in the mark to market with no impact to cash flows. To the extent the company has derivative instruments that are either not traded directly on an exchange or there is no published market data available, Management uses a valuation based on actual historical data on certain spreads to adjust forward published market prices to arrive at a forward curve. The fair value of the non-controlling interest is measured principally based on the publicly traded unit price of the Trust, with an adjustment for the profit interest units of Crius Energy, LLC that is calculated using an option pricing model. The fair value of the unit based compensation liability is measured by applying the publicly traded unit price of the Trust.

The Trust's activities expose it to a variety of market risks, principally from fluctuating commodity and currency prices. The Trust has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. The Trust's risk management activities include the use of derivative instruments such as options, swaps and forward contracts. The Trust maintains commodity and currency price risk management strategies that use derivative instruments, within approved risk tolerances to minimize significant, unanticipated fluctuations in earnings or distributions caused by market price volatility.

The following table illustrates changes in fair value of derivative instruments related to financial instruments classified as held-for-trading and recorded in the interim condensed consolidated statements of comprehensive (loss) income:

| | For the three months ended September 30, 2013 | For the nine months ended September 30, 2013 |
|--|---|--|
| Foreign exchange options | \$(19) | \$(512) |
| Fixed-for-floating electricity swaps | 3,875 | (1,704) |
| Fixed-for-floating natural gas swaps | (128) | 220 |
| Physical natural gas forward contracts | (7) | (24) |
| Fixed-for-floating electricity basis swaps | (36) | (36) |
| Fixed-for-floating natural gas basis swaps | 139 | 139 |
| Change in fair value of derivative instruments | <u>\$3,824</u> | <u>\$(1,917)</u> |

The following table summarizes the fair value of the financial assets and liabilities recorded in the interim condensed consolidated balance sheet at September 30, 2013:

| | Other current financial assets | Other current financial liabilities |
|--|-----------------------------------|--|
| Foreign exchange options | \$132 | \$ - |
| Fixed-for-floating electricity swaps | - | (3,966) |
| Fixed-for-floating natural gas swaps | - | (128) |
| Physical natural gas forward contracts | - | (24) |
| Fixed-for-floating electricity basis swaps | - | (36) |
| Fixed-for-floating natural gas basis swaps | - | 138 |
| Total fair value of financial assets and liabilities | <u>\$132</u> | <u>\$(4,016)</u> |

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

The following table summarizes the fair value of the financial assets and liabilities recorded as at December 31, 2012:

| | Other current financial assets | Other current financial liabilities |
|---|---|--|
| Foreign exchange options | \$241 | \$ - |
| Fixed-for-floating electricity swaps | - | (2,262) |
| Fixed-for-floating natural gas swaps | - | (348) |
| Total fair value of financial assets and liabilities | \$241 | \$(2,610) |

The following table summarizes financial instruments which are classified as held-for-trading as at September 30, 2013 and December 31, 2012:

| | Notional Volume | Total Remaining Volume | Maturity Date | Fixed Price | Fair Value | Notional Value |
|--|-----------------------------|---------------------------------------|--------------------------|--------------------------------------|-------------------|---------------------------|
| September 30, 2013 | | | | | | |
| Fixed-for-floating electricity swaps | 1-108 MWh | 901,749 MWh | 1 - 27 months | \$20.31 to \$86.97 | \$(3,966) | \$42,364 |
| Fixed-for-floating natural gas swaps | 23,000- 263,000 Mmbtu | 820,000 Mmbtu | 3 - 5 months | \$3.95 | \$(128) | \$3,241 |
| Physical natural gas forward contracts | 2-2,133 Mmbtu | 328,259 Mmbtu | 1 month | \$3.35 to \$3.82 | \$(24) | \$1,182 |
| Fixed-for-floating electricity basis swaps | (14)-14 MWh | - | 1 month | \$31.50 to \$43.08 | \$(36) | \$30 |
| Fixed-for-floating natural gas basis swaps | 8,000-153,00 Mmbtu | 1,590,500 Mmbtu | 2 - 6 months | \$(0.11) to 1.86 | \$138 | \$1,090 |
| December 31, 2012 | | | | | | |
| Fixed-for-floating electricity swaps | 1-139 MWh | 937,016 MWh | 1 - 18 months | \$31.10 to \$89.75 | \$(2,262) | \$46,593 |
| Fixed-for-floating natural gas swaps | 10,000- 140,000 Mmbtu | 992,500 Mmbtu | 1 - 3 months | \$3.37 to \$3.94 | \$(348) | \$3,678 |
| | Notional Value | Total Remaining Volume | Maturity Date | Fixed Price | Fair Value | |
| September 30, 2013 | | | | | | |
| Foreign exchange options | US\$9,756 C\$10,011 | US\$9,756 C\$10,011 | 1 - 12 months | C\$1.025 to C\$1.031 per US\$1 | | US\$132 |
| December 31, 2012 | | | | | | |
| Foreign exchange options | US\$12,307 C\$12,294 | US\$12,307 C\$12,294 | 1 - 15 months | C\$0.999 per US\$1 | | US\$241 |

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

The following tables outline the financial assets and liabilities that are subject to offsets and related arrangements and the effect of offsets and arrangements on the amounts recorded in the consolidated statements of financial position.

| | <u>Gross Assets</u> | <u>Gross Liabilities</u> | <u>Offset</u> | <u>Net Amount</u> |
|---------------------------|---------------------|--------------------------|---------------|-------------------|
| September 30, 2013 | | | | |
| Commodity contracts | \$807 | \$(4,823) | \$807 | \$(4,016) |
| December 31, 2012 | | | | |
| Commodity contracts | \$3,230 | \$(5,840) | \$3,230 | \$(2,610) |

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to set off the recognized amounts under master netting arrangements.

Fair value ("FV") hierarchy

Level 1

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices. The Trust values its cash and cash equivalents, restricted cash, collateral deposits, accounts receivable, trade and other payable and distribution payable under level 1.

Level 2

Fair value measurements that require inputs other than quoted prices in Level 1, either directly or indirectly, are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, inputs must be substantially observable in the market. Derivative assets and liabilities included in Level 2 are valued using multiple prices quoted by market participants other than exchanges, industry pooling, volatility and other inputs that are derived principally from, or collaboratively by, observable market data.

Level 3

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs, such as internally developed assumptions used in pricing an asset or a liability, for example, an estimate of cash flows used in internally developed present value of future cash flows are classified as Level 3 in the FV hierarchy. The Trust's policy is to recognize transfers in and out as at the end of the reporting period.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

During the three and nine month periods ended September 30, 2013 there was no significant transfers between levels.

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at September 30, 2013:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|----------|---------|-----------|-----------|
| Financial assets | | | | |
| Cash and cash equivalents | \$16,802 | \$ - | \$ - | \$16,802 |
| Restricted cash and cash equivalents | 3 | - | - | 3 |
| Collateral deposits | 1,075 | - | - | 1,075 |
| Accounts receivable | 68,011 | - | - | 68,011 |
| Income tax receivable | 4,796 | - | - | 4,796 |
| Other current financial assets | - | 132 | - | 132 |
| Other current assets | 1,361 | - | - | 1,361 |
| Financial liabilities | | | | |
| Trade and other payables | (55,174) | - | - | (55,174) |
| Credit facility | (7,500) | - | - | (7,500) |
| Distribution payable | (810) | - | - | (810) |
| Other current financial liabilities | - | (2,982) | (1,034) | (4,016) |
| Other long-term liabilities | (971) | - | - | (971) |
| Unit-based compensation | (143) | - | - | (143) |
| Non-controlling interest | - | - | (181,667) | (181,667) |

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at December 31, 2012:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|----------|---------|-----------|-----------|
| Financial assets | | | | |
| Cash and cash equivalents | \$30,301 | \$ - | \$ - | \$30,301 |
| Restricted cash and cash equivalents | 65 | - | - | 65 |
| Collateral deposits | 984 | - | - | 984 |
| Accounts receivable | 56,197 | - | - | 56,197 |
| Income tax receivable | 4,864 | - | - | 4,864 |
| Other current financial assets | - | 241 | - | 241 |
| Other current assets | 1,105 | - | - | 1,105 |
| Financial liabilities | | | | |
| Trade and other payables | (49,718) | - | - | (49,718) |
| Distribution payable | (1,327) | - | - | (1,327) |
| Other current financial liabilities | - | (2,610) | - | (2,610) |
| Other long-term liabilities | (1,519) | - | - | (1,519) |
| Non-controlling interest | - | - | (258,611) | (258,611) |

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

The following tables illustrate the changes in net fair value of financial liabilities classified as Level 3 in the FV hierarchy:

| | For the nine months ended September 30, 2013 | For the period ended December 31, 2012 |
|--|--|---|
| Non-controlling interest | | |
| Liability at the beginning of period | \$258,611 | \$ - |
| Changes in fair value of non-controlling interest | (76,944) | 258,611 |
| Liability at the end of period | \$181,667 | \$258,611 |
| | | |
| | For the nine months ended September 30, 2013 | For the period ended December 31, 2012 |
| Other current financial liabilities | | |
| Liability at the beginning of period | \$ - | \$ - |
| Changes in fair value of other current financial liabilities | (1,034) | - |
| Liability at the end of period | \$(1,034) | \$ - |

The above Other current financial liabilities classified as level 3 include certain structured financial electricity swaps that do not have published forward market prices.

Classification of financial assets and liabilities

As at September 30, 2013 and December 31, 2012, the carrying amounts of the financial assets and liabilities, except for derivative assets and liabilities, unit based compensation liability and non-controlling interest, approximated their fair value due to the short-term nature of these items. The derivative assets and liabilities, unit based compensation liability and non-controlling interest are recorded at fair value.

Management of risks arising from financial instruments

The risks associated with the Trust's financial instruments are as follows:

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 price risk

The Trust is 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 its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the electricity and natural gas portfolios. The Trust's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The Trust enters into derivative instruments in order to manage exposures to changes in commodity prices. The inability or failure of the Trust to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of the Trust.

The fair values of the Trust's financial instruments are significantly influenced by the variability of forward spot prices for electricity and natural gas. Period to period changes in forward spot prices could cause significant changes in the mark to market valuation ("MTM valuation") of these contracts, as shown below:

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

| Fixed-for-floating electricity swaps | | |
|--|--|---------------------------------------|
| Percentage change in the forward spot price at September 30, 2013 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 9.86% | +/- \$384 |
| +/- 5% | +/- 48.40% | +/- \$1,920 |
| +/- 10% | +/- 96.81% | +/- \$3,840 |

| Fixed-for-floating natural gas swaps | | |
|--|--|---------------------------------------|
| Percentage change in the forward spot price at September 30, 2013 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 24.33% | +/- \$31 |
| +/- 5% | +/- 121.65% | +/- \$156 |
| +/- 10% | +/- 243.30% | +/- \$311 |

| Physical natural gas forwards | | |
|--|--|---------------------------------------|
| Percentage change in the forward spot price at September 30, 2013 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 48.66% | +/- \$12 |
| +/- 5% | +/- 243.31% | +/- \$58 |
| +/- 10% | +/- 486.62% | +/- \$116 |

As at December 31, 2012, there were no physical natural gas forwards.

| Fixed-for-floating electricity basis swaps | | |
|--|--|---------------------------------------|
| Percentage change in the forward spot price at September 30, 2013 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- .18% | +/- \$0.07 |
| +/- 5% | +/- .90% | +/- \$0.33 |
| +/- 10% | +/- 1.79% | +/- \$0.65 |

| Fixed-for-floating natural gas basis swaps | | |
|--|--|---------------------------------------|
| Percentage change in the forward spot price at September 30, 2013 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 8.86% | +/- \$12 |
| +/- 5% | +/- 44.29% | +/- \$61 |
| +/- 10% | +/- 88.59% | +/- \$123 |

| Fixed-for-floating electricity swaps | | |
|---|--|---------------------------------------|
| Percentage change in the forward spot price at December 31, 2012 | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 19.6% | +/- \$443 |
| +/- 5% | +/- 98.0% | +/- \$2,217 |
| +/- 10% | +/- 196.0% | +/- \$4,433 |

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

| Percentage change in the forward spot price at December 31, 2012 | Fixed-for-floating natural gas swaps | |
|--|---------------------------------------|--------------------------------------|
| | Percent change in MTM Valuation | Dollar change in MTM Valuation |
| +/- 1% | +/- 7.7% | +/- \$28 |
| +/- 5% | +/- 28.4% | +/- \$101 |
| +/- 10% | +/- 54.2% | +/- \$194 |

As at December 31, 2012 there were no fixed-for-floating electricity basis swaps.

Interest rate risk

The Trust is exposed to interest rate risk on certain advances within the Supplier Agreement with Macquarie Energy. As at September 30, 2013, the Trust has letters of credit and cash advances outstanding of \$12,908 (December 31, 2012 — \$4,318) under this facility, and therefore is exposed to interest rate risk. The Trust's current exposure to interest rate risk does not economically warrant the use of derivative instruments and the Trust does not currently believe that it is exposed to material interest rate risk. In the three and nine month periods ended September 30, 2013, the impact of a 1% increase (decrease) in the interest rate on these balances would have not had a material impact on Finance costs in the interim condensed consolidated statements of comprehensive (loss) income.

Foreign currency risk

The Trust is exposed to currency rate risk in that its business operations are conducted in United States dollars, however, its distributions and publicly listed units are denominated in Canadian dollars. The Trust's policy to mitigate its exposure to currency rate movements is to enter into currency derivative hedging products including options and swaps. Period to period changes in forward spot prices could cause significant changes in the mark to market valuation ("MTM valuation") of these contracts, as shown below:

| Percentage change in the forward spot price at | Percent change in MTM Valuation | Dollar change in MTM Valuation |
|---|---------------------------------|--------------------------------|
| September 30, 2013 | | |
| +/- 1% | + 38.3%/-28.8% | + \$51/- \$38 |
| +/- 5% | + 259.3%/-82.8% | + \$342/- \$110 |
| +/- 10% | + 592.6%/-93.6% | + \$783/- \$124 |
| December 31, 2012 | | |
| +/- 1% | + 36.2%/-29.5% | + \$87/- \$71 |
| +/- 5% | + 210.5%/-81.0% | + \$507/- \$195 |
| +/- 10% | + 453.6%/-93.9% | + \$1,093/- \$226 |

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 Maine, Massachusetts, New Hampshire, Delaware, District of Columbia, certain Ohio markets and New Jersey, the Trust is exposed to customer credit risk and, therefore, credit review and other processes have been implemented to perform credit evaluations of customers and manage customer default. If a

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of the Trust.

For the remaining markets, the local distribution companies ("LDCs") provide collection services and assume the risk of any bad debts owing from the Trust's customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to the Trust is minimal. There is no assurance that the LDCs that provide these services will continue to do so in the future.

As at September 30, 2013, the customer credit risk exposure amount of \$8,503 (December 31, 2012 — \$6,301) represents the risk related to the Trust's accounts receivable from Delaware, District of Columbia, Massachusetts, Maine, New Hampshire, certain Ohio markets and New Jersey and the accounts receivable aging for these markets are as follows:

| <u>Accounts Receivable at</u> | <u>Total</u> | <u>Current</u> | <u>30-59 days</u> | <u>Over 60 days</u> |
|-------------------------------|--------------|----------------|-------------------|---------------------|
| September 30, 2013 | \$8,503 | \$3,603 | \$1,463 | \$3,437 |
| December 31, 2012 | \$6,301 | \$4,465 | \$206 | \$1,630 |

A reconciliation of the beginning and ending amounts of the Trust's allowance for doubtful accounts is as follows:

| | <u>September 30, 2013</u> | <u>December 31, 2012</u> |
|---|---------------------------|--------------------------|
| Balance at the beginning of the period | \$64 | \$ - |
| Additional amounts provided for during the period | 2,046 | 64 |
| Balance at the end of the period | <u>\$2,110</u> | <u>\$64</u> |

Counterparty credit risk

Counterparty credit risk represents the loss that the Trust would incur if a counterparty fails to perform under 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 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.

As at September 30, 2013, the maximum counterparty credit risk exposure amounted to \$132 (December 31, 2012 — \$241), representing the risk relating to its 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 cash flow forecasts for the next twelve months to ensure adequate and efficient use of cash resources and credit facilities.

CRUIS ENERGY TRUST
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

The following are the contractual maturities of the Trust's financial liabilities as at September 30, 2013:

| | Carrying amount | Contractual cash flow | Less than 1 year | 1 to 5 years | More than 5 years |
|-----------------------------|--------------------|--------------------------|---------------------|-----------------|----------------------|
| Trade and other payables | \$55,174 | \$55,174 | \$55,174 | \$ - | \$ - |
| Operating leases | - | 2,646 | 834 | 1,812 | - |
| Credit facility | 7,500 | 7,500 | 7,500 | - | - |
| Distribution payable | 810 | 810 | 810 | - | - |
| Derivative instruments | 4,016 | 4,016 | 4,016 | - | - |
| Other long-term liabilities | 971 | 739 | - | 739 | - |
| | \$68,471 | \$70,885 | \$68,334 | \$2,551 | \$ - |

The following are the contractual maturities of the Trust's financial liabilities as at December 31, 2012:

| | Carrying amount | Contractual cash flow | Less than 1 year | 1 to 5 years | More than 5 years |
|-----------------------------|--------------------|--------------------------|---------------------|-----------------|----------------------|
| Trade and other payables | \$49,718 | \$49,718 | \$49,718 | \$ - | \$ - |
| Operating leases | - | 4,011 | 1,271 | 2,740 | - |
| Credit facility | 1,327 | 1,327 | 1,327 | - | - |
| Distribution payable | - | - | - | - | - |
| Derivative instruments | 2,610 | 2,610 | 2,610 | - | - |
| Other long-term liabilities | 1,519 | 1,070 | - | 1,070 | - |
| | \$55,174 | \$58,736 | \$54,926 | \$3,810 | \$ - |

Supplier risk

The Trust purchases its energy delivered to its customers through contracts entered into with Macquarie Energy. The Trust has an exposure to supplier risk as the ability to continue to deliver energy to its customers is reliant upon the ongoing operations of this supplier and its contractual obligations.

7. INCOME TAXES

The company has recorded an income tax benefit for the three and nine months ended September 30, 2013 in the amount of \$4,398 and \$12,321 respectively. The income tax benefit is recognized based on management's estimate of the average annual income tax rate expected for the full financial year. The income tax benefit attributable to the Company's continuing operations differs from the amount derived by applying the U.S. statutory federal rate of 34% to pretax (loss) income principally due to the effect of state taxes and permanent items including the change in fair value of non-controlling interest, distributions to non-controlling interest as well as (loss) income of Crisus Energy, LLC that is attributed directly to the non-controlling unitholders of Crisus Energy, LLC. Under United States partnership taxation rules, Crisus Energy, LLC is not a taxable entity and its taxable income/(loss) flows through to its partners who are then taxed on their allocable share of the partnership income tax/(benefit).

8. TRUST CAPITAL

Distributions

During the nine months ended September 30, 2013 the Trust declared distributions to unitholders totaling \$7,297 of which \$7,814 was paid during the nine months ended September 30, 2013 and \$810 was paid on October 15, 2013.

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

On October 11, 2013 and November 13, 2013, the Trust declared distributions to unitholders totaling C\$834 and C\$834 respectively, representing C\$0.0833 per unit, which are payable on November 15, 2013 and December 16, 2013.

9. (LOSS) INCOME PER UNIT

| | For the three months ended September 30, 2013 | For the nine months ended September 30, 2013 |
|--|---|--|
| Net (loss) income and total comprehensive (loss) income | \$(19,016) | \$55,369 |
| Weighted average number of units outstanding | 10,014,924 | 10,009,785 |
| Basic (loss) income per unit | \$(1.90) | \$5.53 |
| Net (loss) income and total comprehensive (loss) income | \$(19,016) | \$55,369 |
| Adjust for change in fair value of unit based compensation | - | (38) |
| Adjusted net (loss) income and total comprehensive (loss) income | (19,016) | 55,331 |
| Weighted average number of units outstanding | 10,014,924 | 10,009,785 |
| Weighted average number of Restricted Trust Units outstanding | - | 42,226 |
| Diluted weighted average number of units outstanding | 10,014,924 | 10,052,011 |
| Diluted (loss) income per unit | \$(1.90) ⁽¹⁾ | \$5.51 |

⁽¹⁾Restricted Trust Units are anti-dilutive to loss per unit for the three months ended September 30, 2013.

10. CONSOLIDATED STATEMENT OF CASH FLOWS

Outflows of net change in operating assets and liabilities

| | For the three months ended September 30, 2013 | For the nine months ended September 30, 2013 |
|--------------------------------------|---|--|
| Restricted cash and cash equivalents | (2) | 62 |
| Collateral deposits | (26) | (91) |
| Accounts receivable | \$(3,090) | \$(13,860) |
| Other current assets | 160 | (256) |
| Other assets | - | (3) |
| Income tax receivable | (26) | (122) |
| Other current financial assets | - | (403) |
| Trade and other payables | (2,930) | 2,155 |
| Other long-term liabilities | 4 | (548) |
| | \$(5,910) | \$(13,066) |

11. INTANGIBLE ASSETS

| 2013 | Computer software | Customer relationships | Non- compete agreements | Sales network | Exclusive marketing relationships | Total |
|----------------------------------|----------------------|---------------------------|-------------------------------|------------------|---|-----------|
| Cost | | | | | | |
| Balance as at December 31, 2012 | \$357 | \$76,000 | \$1,469 | \$19,300 | \$24,947 | \$122,073 |
| Additions | 819 | 86 | - | - | - | 905 |
| Disposals | (126) | - | - | - | - | (126) |
| Balance as at September 30, 2013 | 1,050 | 76,086 | 1,469 | 19,300 | 24,947 | 122,852 |

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

| 2013 | Computer software | Customer relationships | Non- compete agreements | Sales network | Exclusive marketing relationships | Total |
|-------------------------------------|----------------------|---------------------------|-------------------------------|------------------|---|-----------------|
| Accumulated amortization | | | | | | |
| Balance as at December 31, 2012 | (43) | (3,511) | (98) | (367) | (1,109) | (5,128) |
| Amortization | (172) | (19,580) | (551) | (2,068) | (6,237) | (28,608) |
| Disposals | 77 | - | - | - | - | 77 |
| Balance as at September 30, 2013 | (138) | (23,091) | (649) | (2,435) | (7,346) | (33,659) |
| Net book value – September 30, 2013 | \$912 | \$52,995 | \$820 | \$16,865 | \$17,601 | \$89,193 |

12. UNIT BASED COMPENSATION

Restricted Trust Unit Plan

Under the Trust's Restricted Trust Unit Plan ("RTUP"), restricted trust units ("RTUs") may be granted by the board of the Administrator, or an appointed committee thereof (the "RTUP Administrator") to directors, officers, employees or direct or indirect service providers ("Participants") of the Trust. The number of Units reserved for issuance pursuant to the redemption of RTUs granted under the RTUP and pursuant to all other security based compensation arrangements of the Trust shall, in the aggregate, not exceed 10% of the number of Units then issued and outstanding. If any RTUs are redeemed, the number of Units to which such redeemed RTUs relate shall be available for the purpose of granting additional RTUs under the RTUP. In addition, if any RTUs expire or terminate for any reason without having been redeemed, any unissued Units to which such RTUs relate shall be available for the purposes of granting additional RTUs under the RTUP. The vesting of RTUs is determined by the RTUP Administrator at the time of grant, provided that no vesting conditions shall extend beyond December 20th of the third calendar year following the service year in respect of which the RTUs were granted. Unless otherwise provided in the applicable award agreement, all RTUs shall vest: (i) one-third on the first anniversary of the date of grant of such RTUs (the "Grant Date"); (ii) an additional one-third on the second anniversary of the Grant Date; and (iii) the final one-third on the third anniversary of the Grant Date.

At the determination of the RTUP Administrator, on a date on or before the date which is three calendar years following the end of the service year in respect of which the RTUs were granted (the "RTU Entitlement Date") the holder will receive, subject to applicable withholding taxes, for each RTU held either: (i) the cash equivalent of one Unit; or (ii) at the election of the Trust, one Unit, which may be issued from treasury or purchased by a designated broker on the TSX. The determination of the value of the cash equivalent of Units will be determined based upon the volume weighted average trading price of the Units on the TSX for the last five trading days prior to the date of calculation. Participant's RTU account will be credited with additional RTUs in respect of any distributions declared by the Trust on the Units that would have been paid to the Participant if the RTUs in the Participant's account were outstanding Units during the relevant period. A Participant shall not have the right or be entitled to exercise any voting rights, receive distributions or have or be entitled to any other rights as a unitholder of the Trust in respect of any RTUs.

During the nine months ended September 30, 2013, the Trust granted 14,924 RTUs for directors and 146,231 RTUs to certain member of Senior Management. The 14,924 RTUs vested immediately and were converted to units in April 2013. 84,637 and 61,594 RTUs vest on January 1, 2016 and August 19, 2016, respectively, and are being expensed ratably over these periods. In addition, Participants are eligible to receive additional RTUs for distributions declared by the Trust that would have been paid to the Participants if they were in fact a unit holder. These RTUs will accrue to the account of the Participant and vest in the same manner as the related Participants RTUs. As at September 30, 2013, RTUs from distributions were 6,353. For the three and nine months ended September 30, 2013, unit based compensation of \$120 and \$246 respectively, was included in the interim condensed consolidated statements of comprehensive (loss) income.

CRIUS ENERGY TRUST
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

The following schedule provides the continuity of the RTUs:

| | <u>Number of Units</u> |
|--|------------------------|
| As at December 31, 2012 | - |
| RTUs issued | 161,155 |
| RTUs from distributions | 6,353 |
| RTUs converted to Units on April 5, 2013 | (14,924) |
| As at September 30, 2013 | - |
| | <u>152,584</u> |

In October 2013, the company granted 8,370 RTUs to a member of management. These RTUs will vest on October 15, 2016.

Phantom Unit Plan

Crius Energy, LLC adopted a cash settled Phantom Unit Right Plan ("PURP") for the benefit of directors, officers or employees or direct or indirect service providers of the Crius Energy, LLC resident in the United States the ("U.S. Participants"). The purpose of the PURP is to provide incentive bonus compensation based on the appreciation in value of the Trust units and distributions payable in respect of these units, thereby providing additional incentive for continued efforts in promoting the growth and success of the Trust and in attracting and retaining management personnel in the United States. The PURP mirrors the material terms of the RTUP with the exception that Phantom Unit Rights ("PURs") may only be settled with cash payments by Crius Energy, LLC. The PURP allows U.S. Participants to comply with tax and securities laws in the United States applicable to the awards. As at September 30, 2013, no PURs have been granted under the PURP.

13. RELATED PARTY TRANSACTIONS

Crius Energy, LLC entered into a transition services agreement for professional services with a related party for an initial period of nine months commencing September 2012, with the option to extend the agreement for an additional nine months. In March 2013, Crius Energy, LLC gave notice to the related party that it would not extend the agreement subsequent to the initial six month term. As at September 30, 2013, there is \$ - (December 31, 2012 — \$24) included in Trade and other payables related to this agreement. For the three and nine month periods ended September 30, 2013, there are \$ - and \$121 included in General and administrative expense related to this agreement.

Crius Energy, LLC has entered into a Supplier Agreement with Macquarie Energy, which is related to Macquarie Americas Corp which is a unitholder in Crius Energy, LLC. Both Macquarie entities are part of the same group (Note 5).

CRIUS ENERGY TRUST

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

14. REPORTABLE BUSINESS SEGMENTS

The Trust operates in the following reportable business segments: electricity marketing, natural gas marketing and other, which principally represents fee revenue from network marketing and solar products. Management evaluates the performance of its business segments based on gross margin. The following table presents the Trust's results by business segment.

| | For the three months ended September 30, 2013 | For the nine months ended September 30, 2013 |
|--|---|--|
| Revenue | | |
| Electricity | \$142,367 | \$360,079 |
| Natural gas | 2,097 | 15,226 |
| Other | 1,143 | 3,182 |
| | <u>145,607</u> | <u>378,487</u> |
| Cost of sales | | |
| Electricity | 113,478 | 286,336 |
| Natural gas | 2,105 | 13,679 |
| | <u>115,583</u> | <u>300,015</u> |
| Gross margin | | |
| Electricity | 28,889 | 73,743 |
| Natural gas | (8) | 1,547 |
| Other | 1,143 | 3,182 |
| | <u>30,024</u> | <u>78,472</u> |
| Expenses | | |
| Selling expenses | 8,768 | 22,893 |
| General and administrative expenses | 10,765 | 29,451 |
| Unit-based compensation | 120 | 246 |
| Depreciation and amortization | 9,548 | 28,936 |
| | | |
| Operating income (loss) | 823 | (3,054) |
| Finance costs | (1,531) | (4,396) |
| Distributions to non-controlling interest | (6,679) | (24,529) |
| Change in fair value of derivative instruments | 3,824 | (1,917) |
| Change in fair value of non-controlling interest | (19,851) | 76,944 |
| | | |
| (Loss) income before income taxes | (23,414) | 43,048 |
| Benefit from income taxes | 4,398 | 12,321 |
| Net (loss) income and total comprehensive (loss) income | <u>\$(19,016)</u> | <u>\$55,369</u> |

Capital expenditures, assets and liabilities are not allocated by segment.

Geographic information

All of the Trust's revenues from external customers and assets are located in the United States of America. The Trust does not have any key customers. For the three and nine month periods ended September 30, 2013, the Trust operated in three states in which the percentage of total revenues for each state were 28.1%, 27.1% and 10.4% and 28.9%, 28.0% and 11.6%, respectively.

CRIUS ENERGY TRUST
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands of U.S. dollars, unless otherwise stated)
(Unaudited)

15. COMMITMENTS

Surety bonds

As at September 30, 2013, the Trust has surety bonds issued of \$8,439 to the various state regulatory commissions and LDCs.

Operating leases

The Trust leases its office facilities under non-cancelable operating leases which contain fixed escalation clauses and is subject to extension at the option of the Trust. The Trust takes into account escalation clauses when determining the amount of future minimum lease payments. All future minimum lease payments are recognized on a straight-line basis over the minimum lease term. For the three and nine month periods ended September 30, 2013, rent expense under its operating leases of \$158 and \$422, respectively, was incurred and included in the interim condensed consolidated statements of comprehensive (loss) income and the associated deferred rent liability is included within other long-term liabilities on the interim condensed consolidated statements of financial position.

Regulatory proceedings

The Trust is an independent energy marketer of retail electricity and natural gas to residential and commercial customers across numerous states. Market rules and regulations locally, regionally and state to state change periodically. These changes will likely have an impact on the Trust's business; some may be material and others may not. Some changes may lead to new or enhanced business opportunities, some changes may result in a negative impact on the Trust's business. As such, there is no way to impute an exact effect through a cost benefit analysis, because there are many variables. The regulatory process does allow for some participation, and the Trust engages in that participation, however, such participation provides no assurance as to the outcome of such proceedings. The Trust does not expect proceedings to have a material adverse effect on the Trust's financial condition or results of operations.

Litigation and other claims

The Trust is involved in various disputes and litigation. In the opinion of management, the resolution of these disputes against the Trust will not have a material effect on the interim condensed consolidated results of operations, cash flows or financial position of the Trust.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue on November 13, 2013 by the Board of Directors of the Administrator.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/21/2013 10:32:23 AM

in

Case No(s). 11-5815-EL-CRS

Summary: Application Renewal Application for Retail Generation Providers and Power Marketers (Exhibit C-3) PART IV electronically filed by Mr. Stephen M Howard on behalf of Public Power, LLC