

Unaudited Interim Condensed Consolidated Financial Statements of

ONEnergy Inc.

As at and for the three and nine months ended September 30, 2019

Notice of No Audit or Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of ONEnergy Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and have been approved by the Company's Board of Directors. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ONEnergy Inc.

Interim Condensed Consolidated Statements of Financial Position (Unaudited, in thousands of Canadian dollars)

As at	Note	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash		\$ -	\$ 55
Restricted cash		76	-
Accounts and other receivables		92	62
Natural gas delivered in excess of consumption		29	-
Prepaid expenses and deposits		47	33
Current portion of lease receivable		79	-
		323	150
Assets classified as held for sale	5	-	14,152
		323	14,302
Non-current assets			
Lease receivable		41	-
Property and equipment		-	131
Total assets		\$ 364	\$ 14,433
Liabilities and Shareholders' Deficiency			
Current liabilities			
Bank overdraft		\$ 33	\$ -
Accounts payable and accrued liabilities		2,353	2,505
Payments received in advance of consumption		7	-
Advances from Cricket Energy Holdings Inc.	5	234	78
Current portion of lease liability		110	-
Promissory note payable	7	2,135	1,385
Due to related party	8	570	450
Note payable to C Wave Power & Gas Inc.	9	933	-
Current portion of energy derivatives		36	-
		6,411	4,418
Liabilities relating to assets classified as held for sale	5	-	18,018
		6,411	22,436
Non-current liabilities			
Lease liability		57	-
Energy derivatives		2	-
		6,470	22,436
Shareholders' deficiency			
Share capital	10	39,236	39,236
Contributed surplus		1,433	1,426
Accumulated other comprehensive income		225	90
Deficit		(47,000)	(48,755)
		(6,106)	(8,003)
Total liabilities and shareholders' deficiency		\$ 364	\$ 14,433

Commitments and contingencies (note 14)

Going concern (note 1)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Approved by the Board of Directors:

(Signed) – Stephen J.J. Letwin

Director

(Signed) – Lawrence Silber

Director

ONEnergy Inc.

Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited, in thousands of Canadian dollars, except per share amounts)

Periods ended September 30	Note	Three months		Nine months	
		2019	2018	2019	2018
Continuing Operations					
Revenue	11	\$ -	\$ (32)	\$ 74	\$ 193
Cost of sales	11,12	-	2	4	146
Gross margin		-	(34)	70	47
Expenses					
Selling	12	16	106	63	378
General and administrative	12	171	298	531	593
		187	404	594	971
Loss before the undernoted		(187)	(438)	(524)	(924)
Other gains (expenses)					
Finance income		1	35	1	35
Finance cost		47	(22)	(77)	(175)
Foreign exchange gain (loss)		(13)	-	2	(15)
Other loss		-	-	(92)	-
		35	13	(166)	(155)
Loss from continuing operations		(152)	(425)	(690)	(1,079)
Discontinued Operations					
Income (loss) from discontinued operations	5	17	275	2,445	(2,934)
Total income (loss)		(135)	(150)	1,755	(4,013)
Other comprehensive income (loss)					
Unrealized gain (loss) on translation of foreign operations, classified as discontinued operations		-	26	135	(73)
Other comprehensive income (loss)		-	26	135	(73)
Total comprehensive income (loss)		\$ (135)	\$ (124)	\$ 1,890	\$ (4,086)
Loss per share from continuing operations					
Basic and diluted	10	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.05)
Income (loss) per share attributable to shareholders					
Basic and diluted	10	\$ (0.01)	\$ (0.01)	\$ 0.07	\$ (0.17)
Weighted average number of shares outstanding					
Basic and diluted (in thousands)	10	23,975	23,975	23,975	23,975

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

ONEnergy Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency (Unaudited, in thousands of Canadian dollars)

	Share capital (note 10)			Contributed surplus	Accumulated other comprehensive income	Shareholders' deficiency
	Shares	Amount	Deficit			
Balance as at January 1, 2018	23,975	\$ 39,236	\$ (41,408)	\$ 1,370	\$ 318	\$ (484)
Total loss for the period	-	-	(4,013)	-	-	(4,013)
Other comprehensive loss	-	-	-	-	(73)	(73)
Stock compensation (note 10)	-	-	-	54	-	54
Balance as at September 30, 2018	23,975	\$ 39,236	\$ (45,421)	\$ 1,424	\$ 245	\$ (4,516)
Balance as at January 1, 2019	23,975	\$ 39,236	\$ (48,755)	\$ 1,426	\$ 90	\$ (8,003)
Total income for the period	-	-	1,890	-	-	1,890
Other comprehensive income	-	-	-	-	135	135
Stock compensation (note 10)	-	-	-	7	-	7
Balance as at September 30, 2019	23,975	\$ 39,236	\$ (47,000)	\$ 1,433	\$ 225	\$ (6,106)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

ONEnergy Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited, in thousands of Canadian dollars)

Periods ended September 30	Note	Three months		Nine months	
		2019	2018	2019	2018
Cash flows from the following:					
Operating activities					
Loss from continuing operations		\$ (152)	\$ (425)	\$ (690)	\$ (1,079)
Items not affecting cash					
Depreciation of property and equipment		-	17	44	52
Amortization of intangible assets		-	-	-	1
Loss on disposal of property and equipment		-	-	92	-
Finance costs		(47)	22	77	175
Stock based compensation	10	2	7	7	54
Cash flows provided by (used in) operating activities of discontinued operations		21	(2,480)	(3,825)	(3,199)
Change in non-cash operating assets and liabilities	13	(88)	3,568	(87)	4,755
Cash provided by (used in) operating activities		(264)	709	(4,382)	759
Investing activities					
Increase in restricted cash		(16)	-	(76)	-
Proceeds from disposal of property and equipment		-	-	111	-
Decrease (increase) in lease receivable		9	-	(120)	-
Cash flows provided by (used in) investing activities of discontinued operations		-	(270)	(5,739)	3,586
Cash provided by (used in) investing activities		(7)	(270)	(5,824)	3,586
Financing activities					
Finance costs recovered (paid)		102	27	57	(77)
Increase (decrease) in advances from Cricket Energy Holdings Inc.		-	354	156	(1,139)
Repayment of convertible note payable		-	(200)	-	(200)
Proceeds from (repayment of) promissory note payable		215	172	615	(38)
Proceeds from (repayment of) due to related party		-	(50)	120	300
Repayment of lease liability		(26)	-	(80)	-
Cash flows provided by (used in) financing activities of discontinued operations		1	(1,073)	9,255	(3,510)
Cash provided by (used in) financing activities		292	(770)	10,123	(4,664)
Effect of foreign currency translation		-	(16)	(5)	101
Increase (decrease) in cash		21	(347)	(88)	(218)
Cash and cash equivalents, beginning of period		(54)	397	55	268
Cash and cash equivalents, end of period		\$ (33)	\$ 50	\$ (33)	\$ 50

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

1. Nature of operations

Look Communications Inc. (“Look”) was formed on October 31, 1999 under the *Canada Business Corporations Act* (“CBCA”). On July 8, 2013, pursuant to articles of amendment, Look changed its name to ONEnergy Inc. (“ONEnergy”). On July 9, 2013, ONEnergy completed a change-of-business transaction and a concurrent private placement. On May 19, 2015 the Shareholders approved a resolution continuing the Company under the *Business Corporations Act* (Ontario) (“OBCA”) and discontinuing the Company under the CBCA. On August 4, 2015, the Company continued under the OBCA.

The unaudited interim condensed consolidated financial statements are comprised of ONEnergy and its wholly owned subsidiaries which include:

- (a) Sunwave Gas & Power Inc. (“Ontario Gas & Power”);
- (b) 0867893 B.C. Ltd. dba PVL Projects (“PVL”);
- (c) ONEnergy USA Holdings Inc.;
- (d) 2594834 Ontario Inc.; and
- (e) 10927040 Canada Inc.

The following subsidiaries were part of ONEnergy until their disposition:

- (a) Sunwave USA Holdings Inc., Sunwave Gas & Power New York Inc., Sunwave Gas & Power Illinois Inc., Sunwave Gas & Power Massachusetts Inc., Sunwave Gas & Power Connecticut Inc., Sunwave Gas & Power Pennsylvania Inc. and Sunwave Gas & Power Ohio Inc. (collectively referred to as “U.S. Gas & Power” and together with Ontario Gas & Power, “Gas & Power”), until they were sold effective March 4, 2019; and
- (b) Sunwave Home Comfort Inc. (referred to as “Home Comfort”), until it was sold effective November 30, 2018.

References to the Company and/or its various subsidiaries include ONEnergy, Gas & Power, Home Comfort and PVL. The Company is domiciled in Canada and the address of its registered office is 401 Bay Street, Suite 2410, Toronto, Ontario, Canada M5H 2Y4.

ONEnergy operates in the Gas & Power, Home Comfort and Energy Efficiency (as described below) businesses. The Company’s Gas & Power business involves the sale of natural gas and electricity in Ontario, Canada and electricity in Connecticut, Pennsylvania, Massachusetts and Ohio, to residential and commercial customers under short or long-term fixed-price, price-protected or variable-priced contracts, under the brand name Sunwave Gas & Power™. Gas & Power was classified as held for sale as at December 31, 2018 and U.S. Gas & Power was sold effective March 4, 2019. During the second quarter of 2019, the Company decided to terminate all customer contracts for Ontario Gas & Power after not receiving adequate offers for the purchase of the business. See note 5(b) for additional information. The Company’s Home Comfort business was classified as held for sale as at September 30, 2018 and was sold effective November 30, 2018; see note 5(a) for additional information. Under its Energy Efficiency business, the Company provides a variety of products and services under the ONEnergy™ brand to help customers minimize their energy consumption. During the first quarter of 2019, the Company determined the Energy Efficiency business was no longer viable and ceased actively pursuing new business.

The Common Shares of the Company are listed on the TSX Venture Exchange (the “Exchange”) under the symbol OEG. On May 6, 2019 the Ontario Securities Commission issued a cease trade order (the “Cease Trade Order”) against the Company pursuant to National Policy 11-207 – *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* and its securities have been halted from trading on the Exchange. The Company did not file its audited financial statements, officer certifications, and management discussion and analysis (“Annual Filings”) for 2018 by the filing deadline of April 30, 2019. On December 1, 2020, the Company filed its 2018 Annual Filings. The Cease Trade Order affects all securities of the Company and will remain in effect until such time as the Company has filed its Annual Filings for 2019 and its interim period filings for 2020.

These unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors on December 18, 2020.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

Basis of presentation and going concern

The notes presented in these unaudited interim condensed consolidated financial statements include only significant events and transactions and do not include all required disclosures as required under IFRS as issued by the IASB. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, the functional currency of the Company, and all values are rounded to the nearest thousand, except per share amounts.

The unaudited interim condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The unaudited interim condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

As at September 30, 2019, the Company has an accumulated deficit of \$47,000 (December 31, 2018 - \$48,755), including a total loss of \$135 and \$2,453 for the three and nine months ended September 30, 2019, respectively, excluding a \$4,208 gain on disposal of net assets for the nine months ended September 30, 2019 (total loss of \$150 and \$4,013 for the three and nine months ended September 30, 2018, respectively). ONEnergy will need to raise cash and/or monetize assets, and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments. Whether and when the Company can achieve the above is uncertain. As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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

2. Summary of significant accounting policies

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. Unless otherwise disclosed, the accounting policies and methods of their application followed in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2018.

Seasonality

The customers of Gas & Power typically consume more natural gas during the winter months than the summer months and while they typically consume more electricity during the summer months, electricity consumption is subject to less seasonality than natural gas. The combined impact of natural gas and electricity consumption seasonality on the results of the Company is that revenue and cost of sales will be typically higher in the quarters ended December 31 and March 31.

Principles of consolidation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries for which it has the power to govern the financial and operating policies. All material inter-company balances and transactions are eliminated.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

3. Significant accounting judgments, estimates and assumptions

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the audited consolidated financial statements for the year ended December 31, 2018.

4. Accounting policy developments

(a) Accounting standards applied in the reporting period

IFRS 16, Leases. Effective January 1, 2019, IFRS 16 replaced IAS 17, *Leases* and IFRIC 4, *Determining whether an Arrangement Contains a Lease*. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilized

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 1, 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36, *Impairment of Assets* as at the date of initial application; and
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Company recognized a right-of-use asset and lease liability in relation to a lease of office space which had previously been classified as an operating lease.

The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The Company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The rate applied was 5%.

The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at January 1, 2019:

	January 1, 2019
Right-of-use asset	\$ 116
Accounts payable and accrued liabilities	131
Lease liability	(247)

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

Included in profit or loss for the nine months ended September 30, 2019 was \$19 of amortization of right-of-use asset and \$8 of finance expense on lease liability. Short-term leases included in profit or loss for the nine months ended September 30, 2019 were \$16. There was a nominal amount of low-value leases included in profit and loss for the nine months ended September 30, 2019.

The following table reconciles the minimum lease commitments disclosed in the Company's December 31, 2018 annual financial statements to the amount of lease liability recognized on January 1, 2019:

	January 1, 2019
Minimum operating lease commitment at December 31, 2018	\$ 365
Less: short-term leases not recognized under IFRS 16	(104)
Less: low value leases not recognized under IFRS 16	-
Undiscounted lease payments	261
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(14)
Lease liability recognized at January 1, 2019	247

Significant Accounting Policies Subsequent to Transition

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

5. Discontinued operations

(a) Home Comfort

At December 31, 2017 Home Comfort was classified as held for sale and as a discontinued operation.

The Company announced on November 26, 2018 that it had reached a definitive agreement with Cricket Energy Holdings Inc. ("Cricket") under which Cricket acquired Home Comfort for consideration of \$8,445 before customary post-closing adjustments and the assumption of the long-term debt (the "Cricket Transaction"). The Cricket Transaction closed on November 30, 2018.

One of Cricket's significant shareholders is also a shareholder of the Company.

After working capital adjustments, the amount owing to Cricket was \$78 as of December 31, 2018 and increased to \$234 as of September 30, 2019 as a result of additional post-closing adjustments.

The results of Home Comfort for the three and nine months ended September 30, 2018 are presented below:

Periods ended September 30, 2018	Three months	Nine months
Revenue	\$ 540	\$ 1,654
Cost of sales	-	-
Gross margin	540	1,654
Expenses		
Selling	1	(7)
General and administrative	66	180
	67	173
Income before the undernoted	473	1,481
Other expenses		
Finance cost	(175)	(550)
Loss on disposal of equipment	(36)	(38)
Foreign exchange loss	-	(1)
Impairment loss recognized on the remeasurement to estimated fair value less costs to sell	(315)	(1,027)
	(526)	(1,616)
Loss from discontinued operations	\$ (53)	\$ (135)
Loss per share from discontinued operations		
Basic and diluted	\$ (0.00)	\$ (0.00)

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

The major categories of expenses for the three and nine months ended September 30, 2018 are as follows:

Periods ended September 30, 2018	Three months	Nine months
Selling cost	-	(15)
Personnel	-	20
Professional fees	1	1
Office and other expenses	66	167
	\$ 67	\$ 173

Periods ended September 30, 2018	Three months	Nine months
Reported as		
Cost of sales	\$ -	\$ -
Selling	1	(7)
General and administrative	66	180
	\$ 67	\$ 173

(b) Gas & Power

In November 2017 the Company formally commenced a process to sell Gas & Power. Gas & Power has been operating in a highly competitive regulated environment requiring significant working capital commitments along with challenging weather conditions and volatility in wholesale energy prices. As a result, Gas & Power has experienced operating losses since the third quarter of 2017. The disposition of U.S. Gas & Power was completed on March 4, 2019; see note 16 for additional information. During the second quarter of 2019, the Company decided to terminate all customer contracts for Ontario Gas & Power after not receiving adequate offers for the purchase of the business. All customer accounts stopped flowing by the end of 2019 and the electricity and gas licences were not renewed when they expired at the end of 2019. At December 31, 2018, Gas & Power was classified as held for sale; at September 30, 2019, Gas & Power was no longer classified as held for sale. As Gas & Power is a separate major line of business, the results for Gas & Power were presented as discontinued operations for the three and nine months ended September 30, 2018 and 2019.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

The results of Gas & Power for the period are presented below:

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Revenue	\$ 139	\$ 11,194	\$ 7,125	\$ 32,931
Cost of sales	95	11,549	7,385	34,522
Gross margin	44	(355)	(260)	(1,591)
Expenses				
Selling	1	518	85	1,311
General and administrative	33	351	1,137	1,126
	34	869	1,222	2,437
Loss before the undernoted	10	(1,224)	(1,482)	(4,028)
Other gains (expenses)				
Change in fair value of derivative instruments (note 15)	12	1,645	(987)	1,542
Finance income	-	22	20	55
Finance cost	(5)	(116)	(78)	(356)
Foreign exchange gain (loss)	-	1	1	(12)
Gain on disposal of net assets	-	-	4,208	-
Other gain	-	-	763	-
	7	1,552	3,927	1,229
Income (loss) from discontinued operations	\$ 17	\$ 328	\$ 2,445	\$ (2,799)

Income (loss) per share from discontinued operations

Basic and diluted	\$ 0.00	\$ 0.01	\$ 0.10	\$ (0.12)
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The following table presents Gas & Power's revenue for the nine months ended September 30, 2019 disaggregated by revenue source:

	Canada	United States	Total
Product type:			
Natural gas	\$ 499	\$ -	\$ 499
Electricity	522	6,104	6,626
	\$ 1,021	\$ 6,104	\$ 7,125
Customer type:			
Residential	\$ 602	\$ 3,642	\$ 4,244
Commercial	419	2,462	2,881
	\$ 1,021	\$ 6,104	\$ 7,125

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

The following table presents Gas & Power's revenue for the nine months ended September 30, 2018 disaggregated by revenue source:

	Canada	United States	Total
Product type:			
Natural gas	\$ 1,049	\$ -	\$ 1,049
Electricity	1,167	30,715	31,882
	\$ 2,216	\$ 30,715	\$ 32,931
Customer type:			
Residential	\$ 938	\$ 14,904	\$ 15,842
Commercial	1,278	15,811	17,089
	\$ 2,216	\$ 30,715	\$ 32,931

The major categories of expenses are as follows:

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Cost of gas and electricity	\$ 95	\$ 11,549	\$ 7,385	\$ 34,522
Selling cost	-	277	132	772
Personnel	3	202	527	723
Professional fees	4	185	430	345
Occupancy	-	3	2	6
Office and other expenses	27	202	131	591
	\$ 129	\$ 12,418	\$ 8,607	\$ 36,959

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Reported as				
Cost of sales	\$ 95	\$ 11,549	\$ 7,385	\$ 34,522
Selling	1	518	85	1,311
General and administrative	33	351	1,137	1,126
	\$ 129	\$ 12,418	\$ 8,607	\$ 36,959

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

The major classes of assets and liabilities of Gas & Power classified as held for sale as at December 31, 2018 were:

Assets	
Current assets	
Cash	\$ (3)
Restricted cash	7,100
Accounts and other receivables	5,172
Natural gas delivered in excess of consumption	265
Prepaid expenses and deposits	29
Current portion of energy derivatives (note 15)	620
	13,183
Non-current assets	
Energy derivatives (note 15)	423
Goodwill	546
Assets classified as held for sale	\$ 14,152
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	\$ 13,612
Payments received in advance of consumption	200
Credit facility (note 6)	4,129
Current portion of energy derivative (note 15)	68
	18,009
Non-current liabilities	
Energy derivative (note 15)	9
Liabilities relating to assets classified as held for sale	\$ 18,018

6. Credit facility

On November 20, 2013, Gas & Power entered into agreements with Shell Energy under which Shell Energy will supply energy, credit support, and environmental commodities to Gas & Power in multiple North American natural gas and power retail markets.

The commodity supply agreements allow for Shell Energy to provide Gas & Power with wholesale electricity, natural gas, carbon offsets, and renewable energy credits in Canada and six US states, namely Connecticut, New York, Pennsylvania, Illinois, Massachusetts and Ohio. The agreements can be further expanded to cover additional states as Gas & Power moves into additional deregulated markets for natural gas and electricity.

Under the credit facility agreements Shell Energy has provided Gas & Power credit arrangements for its Canadian and U.S. operations. Under the Canadian revolving credit facility Shell Energy provides Gas & Power with advances of up to \$1,000 for commodity purchases and financial derivatives and related services. Interest is payable on outstanding advances at 4% plus the greater of: (i) 3% or (ii) LIBOR. Under the U.S. revolving credit and collateral credit facilities Shell Energy provides Gas & Power with advances of up to US\$15,000 for commodity purchases, certain working capital uses, collateral security support and financial derivatives and related services. Interest is payable on outstanding advances under the revolving credit facility at 4% plus the greater of: (i) 3% or (ii) LIBOR, and under the collateral credit facility at 4% plus the greater of: (i) 4% or (ii) LIBOR. On September 30, 2019, LIBOR was 2.09% (December 31, 2018 – 2.81%). An additional interest rate penalty of 0.50% applies to all facilities in the event that Gas & Power were to be in default of certain financial covenants. Interest is repayable in the month following the month that advances were made. Principal on the revolving credit facility is repayable in the month following the month that advances were made. Principal on the collateral credit facility is repayable by November 20, 2018. No further advances can be made after November 20, 2018. While reserving its rights under the agreements, including repayment of all amounts due, Shell Energy has agreed to continue to perform under the terms of the agreements until the completion of the sale of U.S. Gas & Power to C Wave Power & Gas

ONEnergy Inc.

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Inc. See note 16 for additional information. On March 5, 2019, Gas & Power and Shell Energy entered into an agreement (“Payoff Agreement”) which terminated the agreements underlying the U.S. revolving credit and collateral credit facilities and settled all amounts due under these agreements. The Payoff Agreement did not terminate the Canadian revolving credit facility but highlighted that the underlying agreements to the Canadian revolving facility would continue in full force until such time as they are terminated. On December 1, 2020, Gas & Power and Shell Energy entered into an agreement (“Canadian Termination Agreement”) which terminated the agreements underlying the Canadian revolving credit and collateral credit facilities and settled all amounts due under these agreements.

The agreements are secured by a general security agreement and a pledge of Gas & Power’s assets and subject to certain covenant restrictions. As at September 30, 2019, Gas & Power was non-compliant with two covenants in the Shell credit agreements, however no amounts were outstanding under any credit facility.

As at December 31, 2018, Gas & Power had \$4,129 (US\$3,026) outstanding under the U.S. collateral credit facility and \$NIL outstanding under the U.S. revolving credit facility. In 2018 and 2019, no advances were drawn on the Canadian credit facilities. Under the U.S. credit facilities, amounts are available in US\$5,000 tranches depending on monthly delivered volumes. As at December 31, 2018, a total of US\$5,000 was available to be drawn on these facilities. Under the Canadian credit facilities, a total of \$1,000 (December 31, 2018 - \$1,000) was available to be drawn. Interest is provided at 8.0% per annum on the collateral credit facility plus an interest penalty of 0.5%; and at 7.0% per annum on the revolving credit facility plus an interest penalty of 0.5%.

As partial consideration for entering into the agreements above, Gas & Power agreed to provide Shell Energy with a “participation” payment based upon the performance of Gas & Power during the term of the agreements. A participation payment is payable to Shell Energy upon Gas & Power reaching certain milestones such as customer count thresholds, an acquisition of control of Gas & Power, a disposition of Gas & Power’s assets or a material public share issuance by Gas & Power or the Company. The payment is based on a certain percentage of Gas & Power’s equity value at the time of the triggering event. The payment, if and when triggered, is a one-time event. For clarity, the calculation of the payment is based on Gas & Power’s equity value at the time of the triggering event, and not upon the equity value of the Company. A participation payment of US\$91 was recorded upon the occurrence of a triggering event in March 2019 as a transaction cost on closing the C Wave Transaction. See note 16 for additional information. The Company does not expect any participation payment related to Ontario Gas & Power as no milestones were achieved.

The credit facility was reclassified to liabilities relating to assets held for sale as at December 31, 2018.

7. Promissory note payable

As at	September 30, 2019	December 31, 2018
Principal	\$ 1,987	\$ 1,372
Accrued interest payable	148	13
	\$ 2,135	\$ 1,385

During 2018, the Company entered into agreements to issue \$1,402 of promissory notes (the “Promissory Notes”). The Promissory Notes are unsecured, bear interest at 10% or 12% per annum, matured on April 30, 2019 and are now due on demand. The principal and corresponding interest on \$30 of the Promissory Notes were repaid in August 2018. During 2019, the Company entered into agreements to issue an additional \$615 of Promissory Notes. The Promissory Notes are unsecured, bear interest at 10% or 20% per annum, matured on May 31, 2019 or October 31, 2019 and are now due on demand. Included in the Promissory Notes is \$1,260 advanced by the Chairman of the Board of Directors (the “Chairman”).

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8. Due to related party

The due to related party is comprised of amounts advanced by the Chairman to the Company. The advances are unsecured and non-interest bearing, had a repayment date of April 30, 2019 and are now due on demand.

9. Note payable to C Wave Power & Gas Inc.

As at	September 30, 2019	December 31, 2018
Principal	\$ 915	\$ -
Accrued interest payable	18	-
	\$ 933	\$ -

The Company sold U.S. Gas & Power to C Wave Power & Gas Inc. ("C Wave") as of the close of business on March 4, 2019, resulting in a note payable of US\$691 to C Wave after working capital adjustments, repayment of the Shell Credit Facility and other adjustments pursuant to the terms of the definitive agreements under the C Wave Transaction; see note 16 for additional information. The note payable to C Wave is unsecured, bears interest at a rate equal to the Applicable Federal Rate, which was 2.72% per annum, matured on January 14, 2020 and is now due on demand. The Applicable Federal Rate is the Internal Revenue Service published rate under the Internal Revenue Code of the United States.

10. Share capital

(a) Authorized

Unlimited Preference Shares – non-voting, issuable in series. The number of shares under each series, designation, privileges, restrictions and conditions attaching thereto to be determined by the Board of Directors prior to issue. No such shares are issued and outstanding.

Unlimited Common Shares - voting, entitled to one vote per share (except at separate meetings of holders of shares of any other class), subject to the rights of holders of any preference shares, entitled to dividends and to the receipt of any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company.

(b) Issued and outstanding

Shares (in thousands)	Common Shares	
Balance, as at September 30, 2019 and December 31, 2018	23,975	\$ 39,236

(c) Stock option plans

On July 9, 2013, the Board approved the 2013 Stock Option Plan ("2013 Plan"). Details of the stock options transactions are as follows:

	Weighted average remaining contractual life	Number of options (in thousands)	Weighted average exercise price
Outstanding as at January 1, 2019	4.82	650	\$ 1.25
Granted		-	-
Forfeited		(17)	0.94
Outstanding as at September 30, 2019	4.03	633	\$ 1.26
Exercisable as at December 31, 2018	4.79	631	1.27
Exercisable as at September 30, 2019	4.03	629	\$ 1.26

The Company uses the Black-Scholes option pricing model to estimate fair value of options granted. No options were granted during the three and nine months ended September 30, 2019.

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(d) Income (loss) per share

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Loss from continuing operations	\$ (152)	\$ (425)	\$ (690)	\$ (1,079)
Income (loss) attributable to shareholders	\$ (135)	\$ (150)	\$ 1,755	\$ (4,013)
Weighted average number of shares outstanding (in thousands)	23,975	23,975	23,975	23,975
Basic and diluted loss per share from continuing operations	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.05)
Basic and diluted income (loss) per share attributable to shareholders	\$ (0.01)	\$ (0.01)	\$ 0.07	\$ (0.17)

Basic income (loss) per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the period. Outstanding stock options, as at September 30, 2019, of 633 (September 30, 2018 – 651) and Deferred Share Units (“DSUs”), as at September 30, 2018, of 616 have not been factored into the calculation as they are considered anti-dilutive. DSUs of 716, as at September 30, 2019, have been factored into the calculation.

(e) Deferred share unit plan

The Company awarded NIL and 50 DSUs to a director during the three and nine months ended September 30, 2019, respectively (three and nine months ended September 30, 2018 – NIL and 110, respectively). These DSUs vest immediately and expire in February 2029.

DSUs are settled at the option of the holder in (i) cash; (ii) Common Shares in the Company or (iii) a combination of cash and Common Shares in the Company.

	Deferred share unit (in thousands)	Weighted average grant price
Outstanding as at January 1, 2019	666	\$ 0.36
Granted	50	0.20
Outstanding as at September 30, 2019	716	\$ 0.35

During the three and nine months ended September 30, 2019 the Company recorded compensation expense of \$NIL and a recovery of compensation expense of \$90, respectively (three and nine months ended September 30, 2018 – compensation expense of \$10 and \$32, respectively) related to the DSUs granted. As at September 30, 2019, a liability of \$43 (December 31, 2018 – \$133) related to the DSUs granted is included in accounts payable and accrued liabilities.

11. Segment disclosure

The Company reports operations in two reportable segments: Gas & Power and Home Comfort. The Company has chosen to organize the entity around differences in products and service. Substantially all of its revenue was derived from these two business segments. The balance of revenue was derived from the Energy Efficiency business which does not meet the quantitative thresholds to be disclosed as a separate reportable segment. The revenue for the Energy Efficiency business is disclosed under Corporate & Others.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the unaudited interim condensed consolidated financial statements. The Company is not considered to have any key customers.

ONEnergy Inc.

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For the three and nine months ended September 30, 2019

For the three months ended September 30, 2019

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Gross margin	-	-	-	-
Selling	-	-	16	16
General and administrative	-	-	171	171
Loss before the undernoted	-	-	(187)	(187)
Finance income	-	-	1	1
Finance cost	-	-	47	47
Foreign exchange loss	-	-	(13)	(13)
Loss from continuing operations	-	-	(152)	(152)
Discontinued operations (note 5)	17	-	-	17
Loss for the period	\$ 17	\$ -	\$ (152)	\$ (135)

For the three months ended September 30, 2018

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ (32)	\$ (32)
Cost of sales	-	-	2	2
Gross margin	-	-	(34)	(34)
Selling	-	-	106	106
General and administrative	-	-	298	298
Loss before the undernoted	-	-	(438)	(438)
Finance income	-	-	35	35
Finance cost	-	-	(22)	(22)
Loss from continuing operations	-	-	(425)	(425)
Discontinued operations (note 5)	328	(53)	-	275
Income (loss) for the period	\$ 328	\$ (53)	\$ (425)	\$ (150)

For the nine months ended September 30, 2019

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ 74	\$ 74
Cost of sales	-	-	4	4
Gross margin	-	-	70	70
Selling	-	-	63	63
General and administrative	-	-	531	531
Loss before the undernoted	-	-	(524)	(524)
Finance income	-	-	1	1
Finance cost	-	-	(77)	(77)
Foreign exchange gain	-	-	2	2
Other loss	-	-	(92)	(92)
Loss from continuing operations	-	-	(690)	(690)
Discontinued operations (note 5)	2,445	-	-	2,445
Income (loss) for the period	\$ 2,445	\$ -	\$ (690)	\$ 1,755

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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For the three and nine months ended September 30, 2019

For the nine months ended September 30, 2018

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ 193	\$ 193
Cost of sales	-	-	146	146
Gross margin	-	-	47	47
Selling	-	-	378	378
General and administrative	-	-	593	593
Loss before the undernoted	-	-	(924)	(924)
Finance income	-	-	35	35
Finance cost	-	-	(175)	(175)
Foreign exchange loss	-	-	(15)	(15)
Loss from continuing operations	-	-	(1,079)	(1,079)
Discontinued operations (note 5)	(2,799)	(135)	-	(2,934)
Loss for the period	\$ (2,799)	\$ (135)	\$ (1,079)	\$ (4,013)

Geographic information

Revenue from total operations from external customers:

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Canada	\$ 139	\$ 1,003	\$ 1,095	\$ 4,063
United states	-	10,699	6,104	30,715
	\$ 139	\$ 11,702	\$ 7,199	\$ 34,778

Non-current assets

Non-current assets consist of energy derivatives, property and equipment, intangible assets and goodwill. A portion of the energy derivatives and goodwill were held in the U.S. until the sale of U.S. Gas & Power; see note 16 for additional information. All other non-current assets are held in Canada.

12. Expenses

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Cost of equipment sales	\$ -	\$ 2	\$ 4	\$ 146
Selling cost	5	2	16	18
Personnel	123	214	420	678
Professional fees	9	22	16	372
Litigation costs (note 14(b))	-	24	(199)	(537)
Occupancy	6	55	88	163
Office and other expenses	44	70	209	224
Depreciation and amortization	-	17	44	53
	\$ 187	\$ 406	\$ 598	\$ 1,117

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Reported as				
Cost of sales	\$ -	\$ 2	\$ 4	\$ 146
Selling	16	106	63	378
General and administrative	171	298	531	593
	\$ 187	\$ 406	\$ 598	\$ 1,117

ONEnergy Inc.

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13. Supplemental cash flow information

Change in non-cash operating assets and liabilities consist of the following:

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Accounts receivable and other receivables	\$ 96	\$ 584	\$ (30)	\$ 86
Inventory	-	2	-	80
Natural gas delivered in excess of consumption	3	-	(29)	-
Prepaid expenses and deposits	(7)	(3)	(14)	(8)
Accounts payable and accrued liabilities	(184)	2,985	(152)	4,597
Payments received in advance of consumption	4	-	7	-
Impact of adopting IFRS 16 (note 4(a))	-	-	131	-
	\$ (88)	\$ 3,568	\$ (87)	\$ 4,755

14. Commitments and contingencies

(a) Commitments

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

September 30, 2019

	Between one			Total
	Less than one year	and five years	More than five years	
Non-cancellable lease	\$ 10	\$ -	\$ -	\$ 10
Non-cancellable sublease	(10)	-	-	(10)
	\$ -	\$ -	\$ -	\$ -

(b) Contingencies

(i) Statement of Claim by Norton Rose Fulbright LLP:

On August 30, 2018, the Company was served with a Statement of Claim ("NRF Claim") filed in the Ontario Superior Court of Justice by Norton Rose Fulbright Canada LLP ("Norton Rose") claiming damages of \$775 in connection with the provision of legal services, advice and representation ("Legal Services") to ONEnergy.

Norton Rose remitted invoices to the Company for Legal Services of which approximately \$775 remain unpaid. The Company has recorded the invoices as normal course trade payables when received and as such the entire amount of the NRF Claim is reflected in the Company's current liabilities under accounts payable and accrued liabilities.

On January 9, 2019, the parties entered into a settlement agreement whereby ONEnergy would pay \$650 in installments between January 2019 and July 2019. Norton Rose retains its rights to its claim of \$775 under a Consent to Judgement should the Company default on its settlement payments. While the Company did not make the above noted installments during the required period, Norton Rose subsequently agreed to a \$660 settlement amount. The Company has paid all of the amounts due under the settlement agreement.

Norton Rose represented ONEnergy in its claim against the McGoey Defendants (see (ii) Statement of Claim against Gerald McGoey below). The Company received a favourable judgement in its claim, which included an award for legal costs, as discussed below.

(ii) Statement of Claim against Gerald McGoey:

On June 1, 2017, the Company was granted a judgment against the Company's former CEO Gerald McGoey and his personal service company Jolian Investments Limited (collectively the "McGoey Defendants") in the amount of \$5,766 plus legal costs and interest.

ONEnergy Inc.

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On June 27, 2017, the McGoey Defendants filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act. On November 14, 2017, a proposal (the "Proposal") was filed with the court. In connection with the Proposal, the Company filed a Proof of Claim in respect of the amounts owing.

On November 5, 2018, a motion was heard in the Ontario Superior Court of Justice seeking a declaration that Mr. McGoey's interest in two properties held in joint tenancy with his wife are assets of the estate subject to realization for the benefit of creditors and not held in trust for their children.

On January 4, 2019, the Justice released his decision, concluding that both trusts are void as being sham trusts. The declarations sought by the Trustee were granted and the two properties are considered assets of the estate subject to realization for the benefit of creditors. On February 4, 2019, the Justice awarded \$97 for costs.

In May 2019, the estate realized proceeds of \$570 as its share on the sale of the first property.

On October 29, 2019, the Trustee, Kathryn McGoey ("Kathryn") and 2271822 Ontario Limited ("227") entered into a settlement agreement ("Settlement Agreement"). Kathryn and 227 had asserted claims against the McGoey Defendants and agreed to not file their claims as part of the Settlement Agreement. In the Settlement Agreement, Kathryn agreed to pay \$575 to the Trustee in consideration for: (i) the Trustee transferring its 50% interest in the second property to Kathryn; (ii) the release of accumulated surplus funds garnished from Gerald McGoey; (iii) consent to granting Gerald McGoey an absolute discharge from bankruptcy; and (iv) releases between the parties. The settlement would be paid as follows: (i) \$500 on closing; and (ii) \$75 by way of 24 consecutive monthly payments of \$3.

On December 2, 2019, the Ontario Superior Court of Justice approved the Settlement Agreement. On December 17, 2019, the Trustee distributed funds from the estate and the Company received \$490 as its share of proceeds. On July 20, 2020, the Trustee distributed additional funds from the estate and the Company received \$34 as its share of proceeds. The Company expects to receive its share of the remaining proceeds in periodic payments by the end of 2021.

- (iii) In the normal course of its operations, the Company may be subject to other litigation and claims.
- (iv) The Company indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.
- (v) Gas & Power is subject to a participation payment to Shell Energy (note 6) upon certain triggering events occurring.

15. Financial instruments and risk management

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies by the Company's management. Periodically throughout the year, the Board of Directors receive reports from the Company's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company's activities expose it to a variety of market risks, principally from fluctuating commodity prices in Gas & Power. The Company has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. The Company maintains commodity risk management strategies that use derivative instruments, within approved risk tolerances to minimize significant, unanticipated fluctuations in earnings caused by market price volatility. Further details regarding these policies are set out below.

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Risk management

The main risks arising from the Company's financial instruments are commodity pricing and mark-to-market risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposure that occur in the normal course of business and are managed on a consolidated basis.

Commodity pricing and mark-to-market risk

The Company purchases both physical energy commodities, such as natural gas, and financially settled energy instruments such as electricity swap contracts. These commodity products are subject to market fluctuations based upon market supply and demand for such products. The Company experiences fluctuations in the unrealized valuation of its contracts to purchase energy commodities. The Company is also subject to cancellations by customers that may leave the Company with an excess of commodity supply, which may have to be sold into the open market at an indeterminate price. 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 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.

The fair values of the Company'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. If forward spot prices increased by 10%, loss for the period would have been \$10 lower, whereas if forward spot prices decreased by 10%, loss for the period would have been \$10 higher, primarily as a result of the change in fair value of the Company's derivative instruments.

Credit risk

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

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

The local distribution companies ("LDCs") provide billing & collection services and assume the risk of any bad debts from customers for a fee. Therefore, the Company receives the collection of customer account balances directly from the LDCs. Management believes that the risk of the LDCs failing to deliver payment to the Company is minimal. The Company believes that its susceptibility to an individually significant write-off as a result of concentrations of customer accounts receivable with those LDCs is remote. For Energy Efficiency, the Company receives deposits in advance of performing installations thereby reducing its overall exposure on individual projects, such that the Company is not susceptible to an individually significant write-off.

Other receivables are comprised primarily of refundable taxes receivable from the Canada Revenue Agency ("CRA"). Refundable taxes are subject to review by the CRA, which may delay receipt. Management believes the risk of the CRA failing to deliver payment to the Company is minimal.

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

As at	September 30, 2019	December 31, 2018
Accounts and other receivables		
Current	\$ 87	\$ 4,888
31- 90 days	-	302
Over 90 days	5	44
	\$ 92	\$ 5,234

The Company's maximum assessed exposure to credit risk, as at September 30, 2019 and December 31, 2018, is the carrying value of its accounts and other receivables.

Liquidity risk

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

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

The Company's financial liabilities are comprised of its bank overdraft, accounts payable and accrued liabilities, payments received in advance of consumption, derivative instruments, credit facility, advances from Cricket, notes payable, due to related party, long-term debt and commitments.

Derivative financial instruments

The Company has fixed-for-floating electricity swaps and gas and electricity forward contracts that are considered financial instruments. The fair value of financial instruments is the estimated amount that the Company would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Company has estimated the value of these contracts using a discounted cash flow method which employs market forward curves. The market forward curves are sourced from third parties.

At September 30, 2019, the Company had the following financial instruments classified as fair value through profit and loss:

Natural gas forward contracts - Canada

Total remaining notional volume	43,670 GJ
Maturity dates	October 31, 2019 to October 31, 2020
Fixed price per GJ (in dollars)	\$2.54 to \$3.83
Fair value favourable/(unfavourable)	\$(38)
Notional value	\$104

Change in fair value of derivative instruments:

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Fixed-for-floating electricity swaps	\$ -	\$ 22	\$ -	\$ 91
Physical electricity forward contracts	-	1,521	(1,031)	1,200
Natural gas forward contracts	12	102	44	251
	\$ 12	\$ 1,645	\$ (987)	\$ 1,542

ONEnergy Inc.

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Fair Values

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

The following tables illustrates the classification of financial assets / (liabilities) in the FV hierarchy.

As at September 30, 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Restricted cash	\$ 76	\$ -	\$ -	\$ 76
Accounts and other receivables	-	92	-	92
Lease receivable	-	120	-	120
Financial liabilities				
Bank overdraft	(33)	-	-	(33)
Accounts payable and accrued liabilities	-	(2,353)	-	(2,353)
Payments received in advance of consumption	-	(7)	-	(7)
Advances from Cricket Energy Holdings Inc.	-	(234)	-	(234)
Lease liability	-	(167)	-	(167)
Promissory note payable	-	(2,135)	-	(2,135)
Due to related party	-	(570)	-	(570)
Note payable to C Wave Power & Gas Inc.	-	(933)	-	(933)
Energy derivatives	-	-	(38)	(38)
	\$ 43	\$ (6,187)	\$ (38)	\$ (6,182)

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	\$ 52	\$ -	\$ -	\$ 52
Restricted cash	7,100	-	-	7,100
Accounts and other receivables	-	5,234	-	5,234
Energy derivatives	-	-	1,043	1,043
Financial liabilities				
Accounts payable and accrued liabilities	-	(16,117)	-	(16,117)
Payments received in advance of consumption	-	(200)	-	(200)
Credit facility	-	(4,129)	-	(4,129)
Advances from Cricket Energy Holdings Inc.	-	(78)	-	(78)
Promissory note payable	-	(1,385)	-	(1,385)
Due to related party	-	(450)	-	(450)
Energy derivatives	-	-	(77)	(77)
	\$ 7,152	\$ (17,125)	\$ 966	\$ (9,007)

Key assumptions used when determining the significant unobservable inputs included in Level 3 of the FV hierarchy consist of:

- (i) discount for lack of marketability up to 1.5%. Discount for lack of marketability represents the amounts the Company has determined that market participants would take into account when pricing these derivative instruments;
- (ii) discount for counterparty non-performance risk in the range of 0.19% to 0.34%; and
- (iii) discount rate of 7%.

ONEnergy Inc.

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(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30, 2019

The following table illustrates the changes in net fair value of financial assets (liabilities) classified as Level 3 in the FV hierarchy for the periods ended:

Periods ended September 30	Three months		Nine months	
	2019	2018	2019	2018
Balance, beginning of period	\$ (50)	\$ 218	\$ 966	\$ 318
Gains	12	984	22	1,116
Purchases	-	-	-	429
Settlements	-	637	(1,026)	(24)
Balance, end of period	\$ (38)	\$ 1,839	\$ (38)	\$ 1,839

Classification of financial assets and liabilities

As at September 30, 2019 and December 31, 2018 the carrying value of cash, restricted cash, accounts and other receivables, bank overdraft, accounts payable and accrued liabilities, payments in advance of consumption, credit facility, advances from Cricket Energy Holdings Inc. and due to related party approximates their fair value due to their short-term nature. The carrying value of the lease liability, promissory note payable and note payable to C Wave Power & Gas Inc. approximates their fair value as the interest payable on outstanding amounts approximates the Company's current cost of debt.

Interest rate risk

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

Currency risk

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

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

ONEnergy may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect its operating results. Translation risk is not hedged. With respect to translation exposure, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the nine months ended September 30, 2019, assuming that all the other variables had remained constant, comprehensive income would have been \$92 higher/lower (nine months ended September 30, 2018 – comprehensive loss \$126 lower/higher).

16. Sale of U.S. Gas & Power Business

On October 4, 2018, the Company announced that it entered into a definitive agreement with C Wave, under which C Wave will acquire U.S. Gas & Power (the "C Wave Transaction") for cash consideration of US\$3,600 plus working capital and other customary post-closing adjustments. To satisfy any claims that may arise under the definitive agreement, US\$300 of the cash consideration was paid into escrow for an 18 month period following the close of the C Wave Transaction. The proceeds from the C Wave Transaction will be used to repay the Company's credit facility, transaction costs and other liabilities.

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

The C Wave Transaction required approval from the Exchange, shareholders and other regulatory bodies prior to close. At a Special Meeting of Shareholders held on November 26, 2018 (the "C Wave Special Meeting"), the

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shareholders approved the C Wave Transaction. The Company received final approval from the Exchange on December 6, 2018 and received approval from the U.S. Federal Energy Regulatory Commission on December 14, 2018.

On March 21, 2019, the Company announced the close of the C Wave Transaction as of the close of business on March 4, 2019. After working capital adjustments, repayment of the Shell Credit Facility, the release of the US\$300 in escrow and other adjustments pursuant to the terms of the definitive agreements under the C Wave transaction, the C Wave Transaction resulted in a note payable to C Wave of US\$691 plus accrued interest.

17. GaiaCann Transaction

On June 25, 2019, the Company announced it entered into a letter of intent ("GaiaCann LOI") with GaiaCann Inc. ("GaiaCann") that outlined the basic terms and conditions of a proposed reorganization of ONEnergy and a subsequent business combination (the "GaiaCann Transaction") with GaiaCann. Completion of the GaiaCann Transaction would potentially result in a reverse takeover and change of business of the Company under the policies of the Exchange.

Negotiations between the Company and GaiaCann did not result in a definitive agreement and the GaiaCann LOI expired on October 15, 2019.

18. Restructuring Charges

During the second quarter of 2019, the Company exited and sublet its premises at 155 Gordon Baker Road in Toronto, Ontario, Canada. A nominal gain was recorded on the disposal of the right-of-use asset related to the lease and the recognition of the net investment in the sublease. A loss of \$106 was recognized on the disposal of the leasehold improvements and office furniture and equipment.

Severances of \$301 related to the Gas & Power business, the Energy Efficiency business and the exit of the premises at 155 Gordon Baker Road were recognized during the first and second quarter of 2019.

19. Subsequent Events

(a) Non-convertible debt financing

During the remainder of 2019, the Company entered into the following financing transactions:

- \$40 of the due to related party advance was repaid to the Chairman;
- \$530 due to related party balance was restructured into Promissory Notes issued to the Chairman, bearing interest at 10% per annum;
- \$1,000 of additional Promissory Notes were issued to third parties, bearing interest at 10% per annum;
- \$150 of principal and \$11 of interest on Promissory Notes were repaid to third parties.

During 2020, the Company entered into the following financing transactions:

- \$786 of additional Promissory Notes were issued to the Chairman, bearing interest at 10% per annum;
- \$52 of additional Promissory Notes were issued to third parties, bearing interest at 10% per annum;
- \$405 of principal and \$141 of interest on Promissory Notes were repaid to third parties.

20. COVID-19

The outbreak of the novel strain of the coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. As a result, global equity markets have experienced significant volatility and weakness. As of the time of filing, it is not possible to reliably estimate the length and severity of these developments and its impact on the financial results and condition of the Company and its ability to finance its operations.