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

ONEnergy Inc.

As at and for the three and six months ended June 30, 2020

March 17, 2021

ONEnergy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
of the Financial Condition and Results of Operations
(In thousands of Canadian dollars, except per share amounts)

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1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments including competition for, and the availability of, qualified employees and contractors, (iv) business integrations and internal reorganizations, (v) business process risks including the use of, and reliance on, external vendors and contractors, (vi) the outcome of litigation and legal matters, (vii) any prospective acquisitions or divestitures, (viii) other risk factors related to the Company's historic business, (ix) risk factors related to the Company's future operations, and (x) changes to and compliance with applicable laws and regulations. For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see *Section 5 Corporate Strategy* and *Section 17 Operating Risks and Uncertainties*.

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

All financial information in this MD&A is expressed in thousands of Canadian dollars, unless otherwise noted. All references to the "Company" or "ONEnergy" refer to ONEnergy Inc., including its predecessor and successor companies, and its consolidated subsidiaries, unless the context requires otherwise. All information is as at March 17, 2021, unless otherwise indicated. Certain totals, subtotals and percentages may not reconcile due to rounding.

2. INTRODUCTION

The information provided in this MD&A is intended to help the reader understand ONEnergy's operations, financial performance and present and future business environment. This MD&A is supplementary to, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020. The following MD&A, dated March 17, 2021, has been prepared with all information available up to and including March 17, 2021. ONEnergy's unaudited interim condensed consolidated financial statements and other disclosure documents are available on www.sedar.com and on ONEnergy's website at www.onenergyinc.com.

The unaudited interim condensed consolidated financial statements of ONEnergy are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). The audited consolidated financial statements for the year ended December 31, 2019 of ONEnergy have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements and audited consolidated financial statements of ONEnergy are presented in thousands of Canadian dollars.

3. <u>THE COMPANY</u>

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

ONEnergy is a Canadian publicly listed company trading on the NEX Board ("NEX") of the TSX Venture Exchange (the "Exchange"), under the symbol OEG.H. ONEnergy's head office is located in Toronto, Ontario, Canada.

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

(a) Sunwave Gas & Power Inc. ("Ontario Gas & Power");
(b) 0867893 B.C. Ltd. operating as 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.

The Gas & Power business was classified as held for sale and as discontinued operations as of March 31, 2019 and December 31, 2018 and U.S. Gas & Power was sold effective March 4, 2019. See *Section 7 Discontinued Operations* for additional information.

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

4. <u>SIGNIFICANT EVENTS</u>

(a) Transfer of listing to NEX

On February 10, 2021, the listing of the Company's common shares was transferred to the NEX as the Company did not satisfy the Continued Listing Requirements as a Tier 2 issuer on the Exchange. ONEnergy's trading symbol changed from "OEG" to "OEG.H". There was no change to ONEnergy's name, CUSIP number and no consolidation of capital. The NEX has been designed to provide a forum for the trading of publicly listed companies while they seek and undertake transactions in furtherance of their reactivation as companies that will carry on an active business.

(b) Cease Trade Order

On May 6, 2019 the Ontario Securities Commission ("OSC") 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. On December 18, 2020, the Company filed its interim financial statements, officer certifications, and related management discussion and analysis (collectively, the "Interim Filings") for the interim periods ended March 31, 2019, June 30, 2019 and September 30, 2019. On March 3, 2021, the Company filed its 2019 Annual Filings. On March 17, 2021, the Company filed its Interim Filings for the interim periods ended March 31, 2020, June 30, 2020 and September 30, 2020. As of March 17, 2021, the Company has addressed all outstanding filing deficiencies and intends to apply to the OSC for revocation of the Cease Trade Order.

(c) 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. Accordingly, 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.

(d) Non-convertible debt financing

During the remainder of 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;
- $405 of principal and $141 of interest on Promissory Notes were repaid to third parties.

During 2021, the Company entered into the following financing transactions:

- $100 of additional Promissory Notes were issued to the Chairman, bearing interest at 10% per annum.

(e) CEBA term loan

In May 2020, the Company applied for and received a $40 term loan under the Canada Emergency Business Account (the "CEBA term loan"), which is one of the Canadian government's COVID-19 economic recovery measures. The CEBA term loan is non-interest bearing for the initial term ending on December 31, 2022 (the "Initial Term"). If 75% of the CEBA term loan is repaid by the end of the Initial Term, then the remaining 25% will be forgiven. If the CEBA term loan is not fully repaid by the end of the Initial Term, then the unpaid balance will bear interest at the rate of 5% per annum, payable monthly, and will mature on December 31, 2025. A below-market interest benefit on the CEBA term loan of $13 was recognized as government assistance in May 2020. On December 4, 2020, the Canadian government increased the maximum amount available under the CEBA term loan to $60 from $40. The Company applied for and received the additional amount of $20 on December 21, 2020. A below-market interest benefit on the additional CEBA term loan of $6 was recognized as government assistance in December 2020.

(f) Canada Emergency Wage Subsidy

During 2020, the Company applied for and received $54 of government assistance under the Canada Emergency Wage Subsidy ("CEWS"), which is another of the Canadian government's COVID-19 economic recovery measures.

5. <u>CORPORATE STRATEGY</u>

(a) Corporate Strategy

The Company is exploring a number of strategic alternatives in order to maximize shareholder value.

ONEnergy divested or exited its operating businesses in 2018 and 2019. During 2020, the Company continued to wind down its Ontario Gas & Power business with the execution of final physical natural gas forward contracts in September 2020 and the termination of the Shell Energy North America ("Shell Energy") agreement in December 2020. See *Section 10 Liquidity and Capital Resources* for additional information.

As at June 30, 2020, the Company has an accumulated deficit of $47,489 (December 31, 2019 - $46,821), including a total loss of $258 and $668 for the three and six months ended June 30, 2020, respectively (total loss of $334 and $2,318 for the three and six months ended June 30, 2019, respectively, excluding a $4,208 gain on disposal of net assets). 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.

Since 2013, ONEnergy focused on continually improving and expanding the value proposition offered to customers by offering complementary services and products as part of their relationship with ONEnergy. ONEnergy via its Sunwave and ONEnergy branded businesses specialized in helping customers use energy more wisely by minimizing their energy consumption and then cost-effectively managing the balance.

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

Following several periods of operating losses, the Company divested its U.S. Gas & Power business. See *Section 7 Discontinued Operations* for additional information. Ontario Gas & Power operations were discontinued, following an unsuccessful sale process, with customer contracts expiring or terminated by September 2019 and supplier commitments ending in October 2020.

(b) Discontinued operations

Gas & Power

ONEnergy's energy retailing business involves the sale of electricity to residential and commercial customers in Connecticut, Pennsylvania, Massachusetts and Ohio and the sale of electricity and natural gas to residential and commercial customers in Ontario, Canada under long-term fixed-price or variable-priced contracts under the brand name Sunwave Gas & Power™.

In November 2017 the Company formally commenced the process to sell Gas & Power. As at December 31, 2018 and March 31, 2019, Gas & Power was classified as held for sale and as discontinued operations and U.S. Gas & Power was sold effective March 4, 2019. See *Section 21 Sale of U.S. Gas & Power Business to C Wave* 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. As at December 31, 2019, Gas & Power was no longer classified as held for sale. See *Section 7 Discontinued Operations* for additional information and the financial results of Gas & Power.

6. <u>RESULTS OF CONTINUING OPERATIONS</u>

As Gas & Power was classified as held for sale as at March 31, 2019 and presented as discontinued operations for the three and six months ended June 30, 2019, the results of Gas & Power for the three and six months ended June 30, 2019 are therefore excluded from the operating results presented below. As Gas & Power was no longer classified as held for sale as at December 31, 2019, the results of Gas & Power for the three and six months ended June 30, 2020 are included in the operating results presented below.

Selected financial information

Periods ended June 30	Three months **2020**	2019	Six months **2020**	2019
Loss and comprehensive loss				
Revenue	**$ 1**	$ (7)	**$ 1**	$ 74
Cost of sales	**-**	3	**2**	4
Gross margin	**1**	(10)	**(1)**	70
Selling	**-**	21	**-**	47
General and administrative	**194**	134	**396**	360
Finance income	**1**	-	**2**	-
Finance cost	**(113)**	(66)	**(219)**	(124)
Foreign exchange gain (loss)	**47**	22	**(54)**	15
Loss on disposal of property and equipment	**-**	(92)	**-**	(92)
Loss from continuing operations	**(258)**	(301)	**(668)**	(538)
Loss per share from continuing operations – basic and diluted	**(0.01)**	(0.01)	**(0.03)**	(0.02)

As at	**June 30, 2020**	December 31, 2019
Financial position		
Current assets	**$ 295**	$ 524
Non-current assets	**-**	21
Current liabilities	**7,087**	6,667
Non-current liabilities	**27**	29
Shareholders' deficiency	**(6,819)**	(6,151)

Revenue

Revenue for the three and six months ended June 30, 2020 was $1 and $1, respectively, compared to ($7) and $74 for the same period in 2019. The decrease is attributed to the decision to cease actively pursuing new Energy Efficiency business during the first quarter of 2019. Revenue for the three months ended June 30, 2019 was attributed to customer credits processed during the period.

Cost of sales

Cost of sales for the three and six months ended June 30, 2020 was $NIL and $2, respectively, compared to $3 and $4 for the same period in 2019, a result of the decision to cease actively pursuing new Energy Efficiency business during the first quarter of 2019.

Selling

Selling expenses for the three and six months ended June 30, 2020 were $NIL and $NIL, respectively, compared to $21 and $47 for the same period in 2019.

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

Periods ended June 30	Three months **2020**	2019	Six months **2020**	2019
Commissions	**$ -**	$ 4	**$ -**	$ 9
Customer acquisition and marketing	**-**	-	**-**	-
Management and back-office support	**-**	17	**-**	38
Total selling expenses	**$ -**	$ 21	**$ -**	$ 47
Personnel costs included in management and back-office support	**$ -**	$ 11	**$ -**	$ 24

General and administrative

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

	Three months		Six months	
Periods ended June 30	**2020**	2019	**2020**	2019
Personnel	**$ 56**	$ 187	**$ 159**	$ 274
Professional fees (recovery)	**117**	(2)	**173**	6
Recovery of litigation costs	**-**	(199)	**-**	(199)
Occupancy	**-**	36	**-**	73
Operations	**-**	35	**4**	35
Other expenses	**21**	63	**60**	129
Depreciation and amortization	**-**	14	**-**	42
Total general and administrative expenses	**$ 194**	$ 134	**$ 396**	$ 360

Personnel

Personnel costs include wages, salaries, benefits, separation payments and share-based payments. Personnel costs decreased by $131 and $115 for the three and six months ended June 30, 2020, respectively, compared to the same period in 2019 primarily due to lower employee headcount.

During 2020, personnel expenses were reduced by government assistance received under: (i) the CEWS program; and (ii) the amount of the below-market interest benefit recognized on the CEBA term loan. During the three and six months ended June 30, 2020, the Company recognized $20 and $20, respectively, of government assistance received under the CEWS program. During the three and six months ended June 30, 2020, the Company recognized $13 and $13, respectively, of government assistance related to the below-market interest benefit on the CEBA term loan. See *Section 4 Significant Events* for additional information.

Professional fees

Professional fees are comprised of legal, accounting, audit and consulting fees. Professional fees increased by $119 and $167 for the three and six months ended June 30, 2020, respectively, compared to the same period in 2019 primarily due to an increase in consulting costs related to exploring a number of strategic alternatives for the Company.

Former Officer and Director litigation costs

Litigation costs are the legal fees and other related costs to the Statement of Claim (see *Section 16 Former Officer and Director Litigation)*. Litigation costs for the three and six months ended June 30, 2019 include a $199 recovery of trustee costs reimbursed by the bankruptcy estate of the defendants.

Occupancy

Occupancy costs were $NIL and $NIL for the three and six months ended June 30, 2020, respectively, compared to $36 and $73 for the same period in 2019, as the Company exited and sublet its premises at 155 Gordon Baker Road in Toronto, Ontario, Canada during the second quarter of 2019.

Operations

Operations expenses were $NIL and $4 for the three and six months ended June 30, 2020, respectively, compared to $35 and $35 for the same period in 2019, as the Company ceased actively pursuing new Energy Efficiency business during the first quarter of 2019.

Other expenses

Other expenses include costs for investor relations, costs for the shareholders' annual and special meeting, insurance and other general & administrative costs. Other expenses decreased by $42 and $69 for the three and six months ended June 30, 2020, respectively, compared to the same period in 2019 due to reduced investor relations activity and lower insurance premiums resulting from lower levels of business activity.

Finance costs

Finance costs were $113 and $219 for the three and six months ended June 30, 2020, respectively, compared to $66 and $124 for the same period in 2019, due to an increase in promissory notes payable.

Loss from continuing operations

Loss from continuing operations amounted to $258 and $668 for the three and six months ended June 30, 2020, respectively, or $0.01 and $0.03 per basic and diluted share, respectively. Loss from continuing operations amounted to $301 and $538 for the three and six months ended June 30, 2019, respectively, or $0.01 and $0.02 per basic and diluted share, respectively.

7. DISCONTINUED OPERATIONS

(a) 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 *Section 21 Sale of U.S. Gas & Power Business to C Wave* 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 March 31, 2019, Gas & Power was 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 six months ended June 30, 2019.

Results of operations

Gas & Power's revenue for the three and six months ended June 30, 2019 was $311 and $6,986, respectively. Revenue is derived from sales of natural gas and electricity to customers in Ontario and sales of electricity in Connecticut, Pennsylvania, Massachusetts and Ohio. U.S. operations contributed $NIL and $6,104 of revenues for the three and six months ended June 30, 2019, respectively.

Gas & Power's cost of sales is comprised of the cost of natural gas or electricity, along with costs to deliver to the local distribution companies ("LDCs"). Cost of sales for the three and six months ended June 30, 2019 was $155 and $7,290, respectively. The commercial customer segment has customized pricing typically with customer favourable pricing in the initial years of a multi-year contract resulting in compressed margins during that time. This favourable commercial customer pricing impacted margins negatively in the first quarter of 2019. Increased competition in Gas & Power's primary sales channel created further margin compression and higher customer attrition as selling prices decreased at various times. The Company enters into financial swap contracts and forward contracts for electricity in order to manage exposures to changes in electricity prices. The Company experienced $NIL and $763 of realized gains for the three and six months ended June 30, 2019, respectively, under these contracts.

Loss from discontinued operations amounted to $33 or $0.00 per basic and diluted share for the three months ended June 30, 2019. Income from discontinued operations amounted to $2,428 or $0.10 per basic and diluted share for the six months ended June 30, 2019, including a gain of $4,208 on disposal of net assets related to the sale of U.S. Gas & Power.

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

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

	Three months		Six months	
Periods ended June 30	**2020**	2019	**2020**	2019
Loss from continuing operations	**$ (258)**	$ (301)	**$ (668)**	$ (538)
Add/(subtract)				
Depreciation and amortization	**-**	15	**-**	44
Finance income	**(1)**	-	**(2)**	-
Finance costs	**113**	66	**219**	124
Foreign exchange loss (gain)	**(47)**	(22)	**54**	(15)
Loss on disposal of property and equipment	**-**	92	**-**	92
Adjusted EBITDA[(1)]	**$ (193)**	$ (150)	**$ (397)**	$ (293)

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

9. QUARTERLY FINANCIAL RESULTS FROM CONTINUING OPERATIONS

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

	2020		2019				2018	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenue	**$ 1**	$ -	$ -	$ -	$ (7)	$ 81	$ 2	$ (32)
Cost of sales	**-**	2	2	-	3	1	7	2
Gross margin	**1**	(2)	(2)	-	(10)	80	(5)	(34)
Operating expenses before the undernoted	**194**	202	330	187	140	223	69	387
Adjusted EBITDA	**(193)**	(204)	(332)	(187)	(150)	(143)	(74)	(421)
Depreciation and amortization	**-**	-	-	-	(15)	(29)	(17)	(17)
Finance income	**1**	1	2	1	-	-	1	35
Finance costs	**(113)**	(106)	(194)	47	(66)	(58)	(148)	(22)
Unrealized foreign exchange gain (loss)	**47**	(101)	21	(13)	22	(7)	(12)	-
Legal settlement	**-**	-	490	-	-	-	-	-
Loss on disposal of property and equipment	**-**	-	-	-	(92)	-	-	-
Loss from continuing operations	**$ (258)**	$ (410)	$ (13)	$ (152)	$ (301)	$ (237)	$ (250)	$ (425)
Loss per share from continuing operations								
Basic and diluted	**$ (0.01)**	$ (0.02)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

10. LIQUIDITY AND CAPITAL RESOURCES

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

The Company's total cash liquidity is $166 comprised of unrestricted cash. Unrestricted cash was $351 at December 31, 2019.

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 June 30, 2020, LIBOR was 0.30% (December 31, 2019 – 1.91%). 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 Inc. See *Section 21 Sale of U.S. Gas & Power Business to C Wave* 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 June 30, 2020, Gas & Power was non-compliant with two covenants in the Shell Energy credit agreements, however no amounts were outstanding under any credit facility.

In 2019 and 2020, no advances were drawn on the Canadian credit facilities. Under the Canadian credit facilities, a total of $1,000 (December 31, 2019 - $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 *Section 21 Sale of U.S. Gas & Power Business to C Wave* for additional information. No participation payment was required under the Canadian Termination Agreement.

The change in cash is summarized as follows:

	Three months		Six months	
Periods ended June 30	**2020**	2019	**2020**	2019
Cash provided by (used in) operating activities of continuing operations	**$ (142)**	$ 286	**$ (259)**	$ (272)
Cash provided by (used in) investing activities of continuing operations	**30**	(78)	**50**	(78)
Cash provided by (used in) financing activities of continuing operations	**2**	(3)	**24**	577
Effect of foreign currency translation	**-**	-	**-**	(5)
Increase (decrease) in cash from continuing operations	**(110)**	205	**(185)**	222
Decrease in cash from discontinued operations	**-**	(256)	**-**	(331)
Decrease in cash	**$ (110)**	$ (51)	**$ (185)**	$ (109)

Cash used in operating activities of continuing operations for the three months ended June 30, 2020 was $142 compared to cash provided by operating activities of continuing operations of $286 for the same period in 2019, a decrease of $428. The decrease was primarily a result of non-cash operating assets and liabilities decreasing by

$355 and loss on disposal of property and equipment decreasing by $92 offset by loss from continuing operations decreasing by $43.

Cash used in operating activities of continuing operations for the six months ended June 30, 2020 was $259 compared to cash used in operating activities of continuing operations of $272 for the same period in 2019, an increase of $13. The increase was primarily a result of non-cash operating assets and liabilities increasing by $157 offset by loss from continuing operations increasing by $130.

Cash provided by investing activities of continuing operations for the three months ended June 30, 2020 was $30 compared to cash used in investing activities of continuing operations of $78 for the same period in 2019, an increase of $108. The increase was primarily a result of restricted cash decreasing by $70 and lease receivable decreasing by $149 offset by proceeds from disposal of property and equipment decreasing by $111.

Cash provided by investing activities of continuing operations for the six months ended June 30, 2020 was $50 compared to cash used in investing activities of continuing operations of $78 for the same period in 2019, an increase of $128. The increase was primarily a result of restricted cash decreasing by $70 and lease receivable decreasing by $169 offset by proceeds from disposal of property and equipment decreasing by $111.

Cash provided by financing activities of continuing operations for the three months ended June 30, 2020 was $2 compared to cash used in financing activities of continuing operations of $3 for the same period in 2019, an increase of $5. The provision of cash for the three months ended June 30, 2020 was comprised of proceeds from CEBA term loan of $40 offset by repayments of lease liability of $28 and interest of $10. The use of cash for the three months ended June 30, 2019 was comprised of an increase in advances from Cricket of $40 offset by repayments of lease liability of $28 and interest of $15.

Cash provided by financing activities of continuing operations for the six months ended June 30, 2020 was $24 compared to cash provided by financing activities of continuing operations of $577 for the same period in 2019, a decrease of $553. The provision of cash for the six months ended June 30, 2020 was comprised of proceeds from promissory note payable and CEBA term loan of $92 offset by repayments of lease liability of $56 and interest of $12. The provision of cash for the six months ended June 30, 2019 was comprised of proceeds from promissory note payable and due to related party of $520 and an increase in advances from Cricket of $156 offset by repayments of lease liability of $54 and interest of $45.

11. OFF-BALANCE SHEET ARRANGEMENTS

Gas & Power was required to post financial assurance in order to operate in certain states or utility service territories. Energy Efficiency was required, on certain contracts, to post financial assurance to assure satisfactory completion of its installation contracts. The Company had issued letters of credit to satisfy the financial assurance requirement. If these letters of credit were withdrawn by the Company, it would be required to post another form of financial assurance satisfactory to the regulatory agency or utility in order to continue to operate in that electricity retailing market, or to the customer in order to secure the contract. The Company has $NIL deposited with a financial institution as security for outstanding letters of credit. As at June 30, 2020, the Company has $NIL (December 31, 2019 - $NIL) in outstanding letters of credit.

12. SHARE CAPITAL

As at June 30, 2020 there were 23,975 Common Shares issued and outstanding (December 31, 2019 – 23,975).

In determining diluted loss per share for the three and six months ended June 30, 2020 and 2019, the weighted average number of shares outstanding was not increased for stock options outstanding as they are considered anti-dilutive.

13. STOCK BASED COMPENSATION

Stock option plans

For the three and six months ended June 30, 2020, stock option costs totaling $NIL and $NIL, respectively, were incurred related to employees and contractors, compared to $3 and $5 for the same period in 2019. The options were recognized as selling expenses and general and administrative expenses and have been recorded in contributed surplus.

The Company did not grant any options to purchase Common Shares of the Company during the three and six months ended June 30, 2020.

Deferred share units

For the three and six months ended June 30, 2020, deferred share units ("DSUs") totaling $NIL and $NIL, respectively, were granted to a director compared to $NIL and $10 for the same period in 2019. DSUs are recognized as general and administrative expenses and recorded as current liabilities.

14. TAX LOSSES

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

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

Year	Amount
2028	$ 5,555
2029	115,579
2030	5,748
2031	19,992
2032	3,457
2033	4,559
2034	5,265
2035	3,295
2036	87
2037	3,641
2038	1,192
2039	1,423
2040	664
	$ 170,457

15. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The Company's key management personnel are comprised of the Board of Directors and members of the executive team of the Company.

	Three months		Six months	
Periods ended June 30	**2020**	2019	**2020**	2019
Salaries, fees, separation payments and short-term employee benefits	**$ 69**	$ 207	**$ 138**	$ 385

(b) Promissory note payable

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 $2,145 of Promissory Notes, including $530 of due to related party restructured as promissory notes in October 2019. 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. The principal and corresponding interest on $150 of the Promissory Notes were repaid in October 2019. During 2020, the Company entered into agreements to issue an additional $52 of Promissory Notes. The Promissory Notes are unsecured, bear interest at 10% per annum and matured in January 2021 or March 2021 and are now due on demand. Included in the Promissory Notes is $1,790 advanced by the Chairman of the Board of Directors (the "Chairman").

16. FORMER OFFICER AND DIRECTOR LITIGATION

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.

On November 14, 2017, the McGoey Defendants made a Proposal under the Bankruptcy and Insolvency Act (the "Proposal"). In connection with the Proposal, the Company filed a Proof of Claim in respect of the amounts owing.

On December 2, 2019, the Ontario Superior Court of Justice approved a settlement agreement between the McGoey Defendants and the bankruptcy trustee (the "Trustee"). 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.

17. OPERATING RISKS AND UNCERTAINTIES

Financial instruments and risk management

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

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

Electricity and natural gas derivatives

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

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

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 other receivables.

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

All of the Company's cash is held with major financial institutions in Canada and in the U.S., and management believes the exposure to credit risk with these institutions is not significant. The Company's maximum assessed exposure to credit risk, as at June 30, 2020 and December 31, 2019, is the carrying value of its other receivables.

Liquidity risk

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

Contractual Obligations

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

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, advances from Cricket, promissory note payable, note payable to C Wave Power & Gas Inc., CEBA term loan and lease liability. The payments due by period are set out in the following table:

	Payment due by period			
	Less than one year	Between one and five years	More than five years	Total
Accounts payable and accrued liabilities	$ 1,906	$ -	$ -	**$ 1,906**
Advances from Cricket Energy Holdings Inc.	208	-	-	**208**
Promissory note payable	3,909	-	-	**3,909**
Note payable to C Wave Power & Gas Inc.	979	-	-	**979**
CEBA term loan	-	27	-	**27**
Lease liability	87	-	-	**87**
	$ 7,089	**$ 27**	**$ -**	**$ 7,116**

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. The floating rate credit facility was terminated on December 1, 2020.

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 primarily as a result of the Company's U.S. operations, which the Company sold in March 2019.

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 six months ended June 30, 2019, assuming that all the other variables had remained constant, comprehensive income would have been $92 higher/lower.

Fair Values

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

The fair values of short-term financial assets and liabilities, including cash, restricted cash, other receivables, lease receivable, accounts payable and accrued liabilities, advances from Cricket Energy Holdings Inc., lease liability, promissory note payable and note payable to C Wave Power & Gas Inc., as presented in the consolidated statements of financial position, approximate their carrying amounts due to the short period to maturity of these financial instruments. The fair value of the CEBA term loan approximates its carrying value as the interest payable on outstanding amounts approximates the Company's current cost of debt.

18. OTHER RISK FACTORS

In addition to operating risks described in *Section 17 Operating Risks and Uncertainties* are other risk and uncertainties that ONEnergy can foresee. The information presented in *Section 18 Other Risk Factors* in our MD&A for the year ended December 31, 2019 has not changed materially since December 31, 2019.

19. COMMITMENTS AND CONTINGENCIES

(a) Proceedings

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

On 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 *Section 16 Former Officer and Director Litigation*). The Company received a favourable judgement in its claim, which included an award for legal costs, as discussed in *Section 16 Former Officer and Director Litigation*.

(b) Contingencies

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

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

20. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations are made with reference to the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 which have been prepared in accordance with IAS 34. The Company's significant accounting policies are summarized in detail in Note 2 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and in Note 2 of the Company's audited consolidated financial statements for year ended December 31, 2019.

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

On October 4, 2018, the Company announced that it entered into a definitive agreement with C Wave Power & Gas Inc. ("C Wave"), under which C Wave will acquire U.S. Gas & Power (the "C Wave Transaction") for cash consideration of US$3,600 plus working capital and other customary post-closing adjustments.

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.

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 Energy Credit Facility 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.

22. ADDITIONAL INFORMATION

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

ONEnergy Inc.

SHAREHOLDER INFORMATION

Board of Directors

Chairman of the Board
Stephen J.J. Letwin
President & CEO, Mancal Corporation

Directors
David Rattee
Corporate Director

Lawrence Silber
Partner, Kelly Santini LLP

Officers
Stephen J.J. Letwin
Chairman

Ray de Ocampo
Chief Financial Officer

Auditors
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Transfer Agent and Registrar
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Stock exchange listing
ONEnergy's shares are listed on NEX Board of the TSX Venture Exchange under the symbol OEG.H