

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

ONEnergy Inc.

As at and for the year ended December 31, 2019

March 3, 2021

ONEnergy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS of the Financial Condition and Results of Operations

(In thousands, except per share amounts)

As at and for the year ended December 31, 2019

March 3, 2021

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 4 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 3, 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 audited consolidated financial statement for the year ended December 31, 2019. The following MD&A, dated March 3, 2021, has been prepared with all information available up to and including March 3, 2021. ONEnergy's audited consolidated financial statements and other disclosure documents are available on www.sedar.com and on ONEnergy's website at www.onenergyinc.com.

The audited annual consolidated financial statements of ONEnergy are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The audited annual consolidated financial statements of ONEnergy are presented in thousands of Canadian dollars.

3. THE COMPANY

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; and
- (b) Sunwave Home Comfort Inc. (referred to as "Home Comfort"), until it was sold effective November 30, 2018.

The Home Comfort business was classified as held for sale and as discontinued operations as of December 31, 2017 and was sold effective November 30, 2018. The Gas & Power business was classified as held for sale and as discontinued operations as of December 31, 2018 and December 31, 2017 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. CORPORATE STRATEGY

(a) Corporate strategy

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 Home Comfort business and 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.

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

(b) Energy Efficiency

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.

(c) Discontinued operations**Home Comfort**

In December 2015 the Company formally commenced the process to sell Home Comfort. As at December 31, 2017, December 31, 2016 and December 31, 2015, Home Comfort was classified as held for sale and as discontinued operations and was sold effective November 30, 2018. See *Section 7 Discontinued Operations* for additional information and the financial results of Home Comfort.

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 December 31, 2017, 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 22 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. See *Section 7 Discontinued Operations* for additional information and the financial results of Gas & Power.

5. SELECTED ANNUAL INFORMATION

Years ended December 31	2019	2018	2017
Revenue	\$ 74	\$ 195	\$ 2,004
Loss from continuing operations	(703)	(1,329)	(3,762)
Income (loss) from discontinued operations	2,637	(6,018)	(4,429)
Total income (loss)	1,934	(7,347)	(8,191)
Total comprehensive income (loss)	1,844	(7,575)	(8,145)
Loss per share from continuing operations, basic and diluted	(0.03)	(0.06)	(0.16)
Total assets	545	14,433	30,060
Total non-current financial liabilities	29	-	-

2019 vs 2018

Revenue decreased due to the decision to cease actively pursuing new Energy Efficiency business during the first quarter of 2019.

Loss from continuing operations was \$703 in 2019 compared to loss from continuing operations of \$1,329 in 2018.

The Company's assets are comprised primarily of its cash, restricted cash, accounts and other receivables, prepaid expenses and deposits and lease receivable. Total assets decreased in 2019 from 2018 primarily due to the sale of U.S. Gas & Power.

The Company's non-current financial liabilities are comprised of lease liability and energy derivatives. The energy derivatives were presented as held for sale in 2018.

2018 vs 2017

Revenue decreased in 2018 as a result of fewer Energy Efficiency projects completed.

Loss from continuing operations was \$1,329 in 2018 compared to loss from continuing operations of \$3,762 in 2017.

The Company's assets are comprised primarily of its cash, restricted cash, accounts and other receivables, property and equipment, and intangible assets. Total assets decreased by 52% in 2018 from 2017.

The Company's non-current financial liabilities are comprised of energy derivatives which was presented as held for sale in 2017 and 2018.

6. RESULTS OF CONTINUING OPERATIONS

Home Comfort is presented as discontinued operations as it was classified as held for sale as of December 31, 2017. Gas & Power was classified as held for sale as of December 31, 2018 and is presented as discontinued operations for the year ended December 31, 2019 and December 31, 2018. Home Comfort and Gas & Power are therefore excluded from the operating results presented below.

Selected financial information

Years ended December 31	2019	2018
Loss and comprehensive loss		
Revenue	\$ 74	\$ 195
Cost of sales	6	153
Gross margin	68	42
Selling	74	501
General and administrative	850	556
Finance income	3	36
Finance cost	(271)	(323)
Legal settlement	490	-
Loss from continuing operations	(703)	(1,329)
Loss per share from continuing operations – basic and diluted	(0.03)	(0.06)

As at December 31	2019	2018
Financial position		
Current assets	\$ 524	\$ 150
Non-current assets	21	131
Current liabilities	6,667	4,418
Shareholders' deficiency	(6,151)	(8,003)

Revenue

Revenue for the year ended December 31, 2019 was \$74 compared to \$195 for the year ended December 31, 2018. The decrease is attributed to the decision to cease actively pursuing new Energy Efficiency business during the first quarter of 2019.

Cost of sales

Cost of sales for the year ended December 31, 2019 was \$6 compared to \$153 for the year ended December 31, 2018. The decrease is a result of the decision to cease actively pursuing new Energy Efficiency business during the first quarter of 2019.

Selling

Selling expenses for the year ended December 31, 2019 were \$74 compared to \$501 for the year ended December 31, 2018.

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:

Years ended December 31	2019	2018
Commissions	\$ 8	\$ 19
Customer acquisition and marketing	-	-
Management and back-office support	66	482
Total selling expenses	\$ 74	\$ 501
Personnel costs included in management and back-office support	\$ 42	\$ 265

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:

Years ended December 31	2019	2018
Personnel	\$ 476	\$ 473
Professional fees	180	372
Recovery of litigation costs	(208)	(514)
Occupancy	83	138
Operations	36	6
Other expenses	241	35
Depreciation and amortization	42	46
Total general and administrative expenses	\$ 850	\$ 556

Personnel

Personnel costs include wages, salaries, benefits, separation payments and share-based payments. Personnel costs for the year ended December 31, 2019 were comparable to the year end December 31, 2018.

Professional fees

Professional fees are comprised of legal, accounting, audit and consulting fees. Professional fees decreased by \$192 for the year ended December 31, 2019 compared to the year ended December 31, 2018 as the annual financial statement audit was delayed.

Former Officer and Director litigation costs

Litigation costs are the legal fees and other related costs to the Statement of Claim as discussed under *Section 16 Former Officer and Director Litigation*. Litigation costs for the year ended December 31, 2019 include a \$208 recovery of litigation costs reimbursed by the estate. Litigation costs for the year ended December 31, 2018 include a \$767 recovery of HST as a result of a favourable ruling from the Federal Court of Appeal.

Occupancy

Occupancy costs decreased by \$55 for the year ended December 31, 2019 compared to the year ended December 31, 2018 as the Company exited and sublet its premises at 155 Gordon Baker Road in Toronto, Ontario, Canada (see *Section 24 Significant Events*).

Operations

Operations expenses increased \$30 for the year ended December 31, 2019 compared to the year ended December 31, 2018.

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 increased by \$206 for the year ended December 31, 2019 compared to the year ended December 31, 2018 as fixed overhead costs were no longer allocated to discontinued operations.

Finance income

Interest income for the year ended December 31, 2018 was primarily attributed to the recovery of HST as a result of a favourable ruling from the Federal Court of Appeal.

Finance costs

Finance costs decreased by \$52 for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily as a result of recoveries of \$115 for the year ended December 31, 2019.

Legal settlement

On December 17, 2019, the Company received \$490 from the Settlement Agreement with the McGoey Defendants. See *Section 16 Former Officer and Director Litigation* for additional information.

Loss from continuing operations

Loss from continuing operations amounted to \$703 or \$0.03 per basic and diluted share for the year ended December 31, 2019 compared to \$1,329 or \$0.06 per basic and diluted share for the year ended December 31, 2018.

7. 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 \$208 as of December 31, 2019 as a result of additional advances and repayments. The advances from Cricket are unsecured, non-interest bearing and due on demand.

Results of operations

As a result of the sale of Home Comfort in 2018, there were no results from this business in 2019.

Home Comfort's revenue is comprised of rental revenue from its portfolio of HVAC and water heater rental equipment. This is supplemented with equipment sales. Revenue for the period up to the date of disposal was \$2,019.

Home Comfort's cost of sales is comprised of amortization of the rental equipment cost and, for equipment sales, the cost of the equipment and installation. Home Comfort's cost of sales for the period up to the date of disposal was \$NIL.

Income from discontinued operations amounted to \$19 or \$0.00 per basic and diluted share for the period up to the date of disposal.

(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 *Section 22 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 December 31, 2018, 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 years ended December 31, 2019 and December 31, 2018.

Results of operations

Gas & Power's revenue for the year ended December 31, 2019 was \$7,137 compared to \$42,012 for the year ended December 31, 2018. The decrease is a result of the disposal of the U.S. Gas & Power business in early March 2019. 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 \$6,104 of revenues for the year ended December 31, 2019 compared to \$39,217 for the year ended December 31, 2018.

Gas & Power's cost of sales is comprised of the cost of natural gas or electricity, along with costs to deliver to the LDCs. Cost of sales for the year ended December 31, 2019 was \$7,411 compared to \$44,557 for the year ended December 31, 2018. 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 \$736 of realized gains for the year ended December 31, 2019 compared to \$85 of realized losses for the year ended December 31, 2018 under these contracts.

Income from discontinued operations amounted to \$2,637 or \$0.11 per basic and diluted share for the year ended December 31, 2018, including a gain of \$4,208 on disposal of net assets related to the sale of U.S. Gas & Power. Loss from discontinued operations amounted to \$6,037 or \$0.25 per basic and diluted share for the year ended December 31, 2018.

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:

Years ended December 31	2019	2018
Loss from continuing operations	\$ (703)	\$ (1,329)
Add/(subtract)		
Depreciation and amortization	44	70
Finance income	(3)	(36)
Finance costs	271	323
Foreign exchange loss (gain)	(23)	27
Legal settlement	(490)	-
Loss on disposal of property and equipment	92	-
Adjusted EBITDA⁽¹⁾	\$ (812)	\$ (945)

(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:

	2019				2018			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	\$ -	\$ -	\$ (7)	\$ 81	\$ 2	\$ (32)	\$ 95	\$ 130
Cost of sales	2	-	3	1	7	2	54	90
Gross margin	(2)	-	(10)	80	(5)	(34)	41	40
Operating expenses before the undernoted	330	187	140	223	69	387	27	504
Adjusted EBITDA	(332)	(187)	(150)	(143)	(74)	(421)	14	(464)
Depreciation and amortization	-	-	(15)	(29)	(17)	(17)	(18)	(18)
Finance income	2	1	-	-	1	35	-	-
Finance costs	(194)	47	(66)	(58)	(148)	(22)	(68)	(85)
Unrealized foreign exchange gain (loss)	21	(13)	22	(7)	(12)	-	(5)	(10)
Legal settlement	490	-	-	-	-	-	-	-
Loss on disposal of property and equipment	-	-	(92)	-	-	-	-	-
Loss from continuing operations	\$ (13)	\$ (152)	\$ (301)	\$ (237)	\$ (250)	\$ (425)	\$ (77)	\$ (577)
Loss per share from continuing operations								
Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.02)

Analysis of the Fourth Quarter

Revenue

Revenue for the three months ended December 31, 2019 was \$NIL compared to \$2 for the same period in 2018 due to the decision to cease actively pursuing new Energy Efficiency business during the first quarter of 2019.

Cost of sales

Cost of sales for the three months ended December 31, 2019 was \$2 compared to \$7 for the same period in 2018 due to the decision to cease actively pursuing new Energy Efficiency business during the first quarter of 2019.

Operating expenses

Operating expenses, excluding depreciation and amortization, for the three months ended December 31, 2019 was \$330 compared to \$69 for the same period in 2018 as fixed overhead costs were no longer allocated to discontinued operations.

Finance income

Interest income recognized on cash and cash equivalents balances for the three months ended December 31, 2019 was \$2 compared to \$1 for the three months ended December 31, 2018.

Finance costs

Finance costs were \$194 for the three months ended December 31, 2019 compared to \$148 for the three months ended December 31, 2018 due to an increase in notes payable.

Legal settlement

On December 17, 2019, the Company received \$490 from the Settlement Agreement with the McGoey Defendants. See *Section 16 Former Officer and Director Litigation* for additional information.

Loss from continuing operations

Loss from continuing operations amounted to \$13 or \$0.00 per basic and diluted share for the three months ended December 31, 2019. Loss from continuing operations amounted to \$250 or \$0.01 per basic and diluted share for the three months ended December 31, 2018.

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 \$351 comprised of unrestricted cash. Unrestricted cash was \$55 at December 31, 2018.

As at December 31, 2019, the Company has an accumulated deficit of \$46,821 (December 31, 2018 - \$48,755), including a total loss of \$2,274 for the year ended December 31, 2019, excluding a \$4,208 gain on disposal of net assets (total loss of \$7,347 for the year ended December 31, 2018). 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.

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 December 31, 2019, LIBOR was 1.91% (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 Inc. See *Section 22 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 December 31, 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 *Section 22 Sale of U.S. Gas & Power Business to C Wave* for additional information. No participation payment was required under the Canadian Termination Agreement.

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

The change in cash is summarized as follows:

Years ended December 31	2019	2018
Cash used in operating activities of continuing operations	\$ (859)	\$ (3,893)
Cash used in investing activities of continuing operations	(28)	-
Cash provided by (used in) financing activities of continuing operations	1,604	(3,274)
Effect of foreign currency translation	(230)	64
Increase (decrease) in cash from continuing operations	487	(7,103)
Increase (decrease) in cash from discontinued operations	(191)	6,890
Increase (decrease) in cash	\$ 296	\$ (213)

Cash used in operating activities of continuing operations for the year ended December 31, 2019 was \$859 compared to cash used in operating activities of continuing operations of \$3,893 for the year ended December 31, 2018, an increase of \$3,034. The increase was primarily a result of loss from continuing operations decreasing by \$626 and non-cash operating assets and liabilities increasing by \$2,442.

Cash used in investing activities of continuing operations for the year ended December 31, 2019 was \$28 due to an increase in restricted cash of \$38 and an increase in lease receivable of \$101 offset by proceeds from disposal of property and equipment of \$111.

Cash provided by financing activities of continuing operations for the year ended December 31, 2019 was \$1,604 compared to cash used in financing activities of continuing operations of \$3,274 for the year ended December 31, 2018. The provision of cash in 2019 was comprised of proceeds from promissory note payable of \$1,465, proceeds from due to related party of \$80, an increase in advances from Cricket of \$130 and finance costs recovered of \$35 offset by repayments of lease liability of \$106. The use of cash in 2018 was comprised of repayments of advances from Cricket of \$3,400, repayments of convertible note payable of \$1,285 and finance costs paid of \$208 offset by proceeds from promissory note payable of \$1,169 and proceeds from due to related party of \$450.

11. OFF-BALANCE SHEET ARRANGEMENTS

Gas & Power is required to post financial assurance in order to operate in certain states or utility service territories. Energy Efficiency is required, on certain contracts, to post financial assurance to assure satisfactory completion of its installation contracts. The Company has 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 December 31, 2019, the Company has \$NIL (December 31, 2018 - \$1,008) in outstanding letters of credit.

12. SHARE CAPITAL

As at December 31, 2019 there were 23,975 Common Shares issued and outstanding (December 31, 2018 – 23,975).

In determining diluted income (loss) per share for the years ended December 31, 2019 and December 31, 2018, the weighted average number of shares outstanding was not increased for stock options outstanding as they are considered anti-dilutive.

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. 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. The Cease Trade Order affects all securities of the Company and will remain in effect until such time as the Company has filed its Interim Filings for 2020.

13. STOCK BASED COMPENSATION

Stock option plans

For the year ended December 31, 2019, stock option costs totaling \$8 were incurred related to employees and contractors, compared to \$56 for 2018. 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 year ended December 31, 2019.

Deferred share units

For the year ended December 31, 2019, deferred share units (“DSUs”) totaling \$10 were granted to a non-executive director compared to \$32 granted to a non-executive director for 2018. The DSUs were 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	85
2037	3,641
2038	1,421
2039	521
	<u>\$ 169,118</u>

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.

Years ended December 31	2019	2018
Salaries, fees, separation payments and short-term employee benefits	\$ 490	\$ 664
Stock-based compensation	35	85
	<u>\$ 525</u>	<u>\$ 749</u>

(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; see section (c) below for additional information. 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. Included in the Promissory Notes is \$1,790 advanced by the Chairman of the Board of Directors (the "Chairman").

(c) **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 and had a repayment date of April 30, 2019. \$530 of the due to related party was restructured as Promissory Notes in October 2019 with the balance repaid.

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 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.

17. OPERATING RISKS AND UNCERTAINTIES

Management of capital

The Company's overall strategy with respect to management of capital is to maintain financial flexibility to support profitable growth and expansion into new markets. ONEnergy considers capital to be primarily cash, credit facility, promissory note payable and due to related party.

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.

The fair value of derivative financial instruments is the estimated amount that the Company would pay or receive to dispose of these derivative instruments in the market, in the unlikely event that the Company was required to dispose of its derivative instruments. The Company estimated the value of derivative instruments using market-based forward wholesale price curves.

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 LDCs provided billing & collection services and assumed the risk of any bad debts from customers for a fee. Therefore, the Company received 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 received 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.

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

Years ended December 31	2019	2018
Accounts and other receivables		
Current	\$ 11	\$ 4,888
31- 90 days	-	302
Over 90 days	-	44
	\$ 11	\$ 5,234

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 December 31, 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.

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, credit facility, advances from Cricket, promissory note payable, note payable to C Wave Power & Gas Inc. and lease liability. The payments due by period are set out in the following table:

	Payment due by period			Total
	Less than one year	Between one and five years	More than five years	
Accounts payable and accrued liabilities	\$ 1,763	\$ -	\$ -	\$ 1,763
Advances from Cricket Energy Holdings Inc.	208	-	-	208
Promissory note payable	3,663	-	-	3,663
Note payable to C Wave Power & Gas Inc.	921	-	-	921
Lease liability	116	29	-	145
	\$ 6,671	\$ 29	\$ -	\$ 6,700

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 were in the U.S. A material portion of ONEnergy's income was generated in U.S. dollars and was 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 year ended December 31, 2019, assuming that all the other variables had remained constant, comprehensive income would have been \$92 higher/lower (2018 – comprehensive loss \$322 lower/higher).

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, accounts and other receivables, accounts payable and accrued liabilities, payments in advance of consumption, credit facility, advances from Cricket Energy Holdings Inc., due to related party, 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.

Supplier Risk

Gas & Power purchased all of the natural gas and electricity delivered to its customer through long-term contracts entered into with various suppliers. The Company had an exposure to supplier risk as the ability to continue to deliver natural gas and electricity to its customers was reliant upon ongoing operations of these suppliers and their ability to fulfill their contractual obligations.

Both Home Comfort and Energy Efficiency worked with multiple vendors for the sourcing of their products, and neither was reliant on a single supplier for any material amount of products or services. Home Comfort was sold effective November 30, 2018, as discussed in *Section 7 Discontinued Operations*.

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. This list is not intended to be an exhaustive list, as some future risks may be yet unknown and other risks, currently regarded as immaterial, could turn out to be material.

We may suffer economic losses where risk management policies and programs do not work as planned.

The Company's risk management programs may not work as planned. In addition, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting the Company's ability to enter into new transactions. Similarly, interest rates or foreign currency exchange rates could change in significant ways that the Company's risk management procedures were not designed to address. As a result, the Company cannot always predict the impact that its risk management decisions may have on its business if actual events result in greater losses or costs than predicted by the Company's risk models, or if there is greater than expected volatility in the Company's results of operations.

In addition, the Company's insurance coverage may not cover its total liabilities in connection with any indemnity obligations. The Company has indemnity obligations (including for legal expenses) for former and current directors, officers and employees. If the coverage under the Company's insurance policies is not available for all of these matters, the Company may have to self-fund the indemnification amounts owed to such directors and officers.

Our expansion strategy involves numerous risks that could impact our viability and harm our business.

The Company may require additional financing should an appropriate acquisition be identified and it may not have access to the funding required for the expansion of its business or such funding may not be available to the Company on acceptable terms. Future acquisitions or expansion could result in the incurrence of additional debt and related interest expense, as well as unforeseen liabilities, all of which could have a material adverse effect on business, results of operations and financial condition. The failure to successfully evaluate and execute acquisitions or otherwise adequately address the risks associated with acquisitions could have a material adverse effect on the Company's business, results of operations and financial condition. There can be no assurance that the Company will determine to pursue any acquisition or that such an opportunity, if pursued, will be successful.

The Company will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers.

As a public issuer, the Company is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources, which could adversely affect our business and financial condition.

Risks Relating to the Legal and Regulatory Environment

The Company is subject to consumer protection laws and regulations

The Company is subject to consumer protection laws and regulations (including the Consumer Protection Act, 2002 (Ontario)). Although the Company believes that it is in compliance with such consumer protection laws and regulations in all material respects, given the likelihood that regulatory determinations could favour consumers in the event of any ambiguity in such laws or regulations (of which there are many), no assurance can be given that the Company will be able to comply with such laws or regulations. Furthermore, changes to any of the consumer protection laws and regulations could have a significant impact on the Company's business, including its compliance costs. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies or, if it does so comply, what the impact may be on its costs to so comply. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the Company's financial condition and results of operations.

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 audited consolidated financial statements for the year ended December 31, 2019 which have been prepared in accordance with IFRS. The Company’s significant accounting policies are summarized in detail in Note 2 of the Company’s audited consolidated financial statements for year ended December 31, 2019.

21. **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)

Included in profit or loss for year ended December 31, 2019 was \$19 of amortization of right-of-use asset and \$9 of finance expense on lease liability. Short-term leases included in profit or loss for the year ended December 31, 2019 were \$21. There was a nominal amount of low-value leases included in profit and loss for the year ended December 31, 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.

During the second quarter of 2019, the Company exited and sublet its premises at 155 Gordon Baker Road in Toronto, Ontario, Canada. The sublease was accounted for as a finance lease and a nominal gain was recorded on the disposal of the right-of-use asset related to the lease. The net investment in the sublease was measured at the discount rate used for the head lease.

As at December 31	2019		2018	
Lease receivable	\$	101	\$	-
Less: current portion		(80)		-
	\$	21	\$	-

22. 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. 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 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.

23. 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.

24. SIGNIFICANT EVENTS

(a) Transfer to NEX

On February 8, 2021, the Company received notice from the Exchange that the listing of the Company’s common shares was transferred, effective February 10, 2021, to the NEX as a result of the Company’s failure to meet 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) 155 Gordon Baker Road premises

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.

(c) Severances

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.

(d) Non-convertible debt financing

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.

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) 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.

25. 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

BDO Canada LLP
222 Bay Street, Suite 2200, P.O. Box 131
Toronto, ON M5K 1H1
(416) 865-0200

Transfer Agent and Registrar

Computershare Investor Services Inc.
100 University Street, 8th Floor
Toronto, ON M5J 2Y1
(416) 885 9858

Shareholder enquiries

ONEnergy Inc. Investor Relations
P.O. Box 47584, RPO Don Mills
Toronto, ON M3C 1S7
(416) 444-4848
irinfo@onenergyinc.com

Stock exchange listing

ONEnergy's shares are listed on NEX Board of the
TSX Venture Exchange under the symbol OEG.H