

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, 2021

August 24, 2021

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# ONEnergy Inc.

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

(In thousands of Canadian dollars, except per share amounts)

As at and for the three and six months ended June 30, 2021

August 24, 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 5 Corporate Strategy* and *Section 15 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 August 24, 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

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in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2021. The following MD&A, dated August 24, 2021, has been prepared with all information available up to and including August 24, 2021. ONEnergy's unaudited interim condensed consolidated financial statements and other disclosure documents are available on [www.sedar.com](http://www.sedar.com) and on ONEnergy's website at [www.onenergyinc.com](http://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, 2020 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. 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. ("Gas & Power");
- (b) 0867893 B.C. Ltd. ("PVL");
- (c) ONEnergy USA Holdings Inc.;
- (d) 2594834 Ontario Inc.; and
- (e) 10927040 Canada Inc.

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

### **4. SIGNIFICANT EVENTS**

#### **(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 on April 28, 2021 applied to the OSC for revocation of the Cease Trade Order. On August 18, 2021, the OSC granted a full 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

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material disruption to businesses globally resulting in an economic slowdown. As a result, the Company's ability to source and transact on new business opportunities may be impacted by these emergency measures. Also, 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**

Between July 1, 2021 and August 24, 2021, the Company entered into the following financing transactions:

- \$90 of additional Promissory Notes were issued to Stephen J.J. Letwin, the Chairman of the Board of Directors (the "Chairman"), bearing interest at 10% per annum.

**(e) Canada Emergency Wage Subsidy**

The Company applied for and received benefits under the under the Canada Emergency Wage Subsidy ("CEWS"), which is one of the Canadian government's COVID-19 economic recovery measures. During the three and six months ended June 30, 2021, the Company recognized \$22 and \$26, respectively, of government assistance received under the CEWS program (three and six months ended June 30, 2020 – \$20 and \$20, respectively).

**(f) 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 another 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.

**5. CORPORATE STRATEGY**

**(a) Corporate Strategy**

ONEnergy divested or exited its operating businesses in 2018 and 2019. The Company is currently researching other potential business opportunities and has not entered into any agreements.

As at June 30, 2021, the Company has an accumulated deficit of \$48,728 (December 31, 2020 - \$48,045), including a total loss of \$299 and \$683 for the three and six months ended June 30, 2021, respectively (total loss of \$258 and \$668 for the three and six months ended June 30, 2020, respectively). ONEnergy will need to raise cash and/or monetize assets, and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments. Whether and when the Company can achieve the above is uncertain. As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will have sufficient capital to fund its ongoing operations without future financing. If adequate funds are not available or the Company is unable to find and develop profitable business opportunities, 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.

## 6. RESULTS OF OPERATIONS

### Selected financial information

Periods ended June 30	Three months		Six months	
	2021	2020	2021	2020
<b>Loss and comprehensive loss</b>				
Revenue	\$ -	\$ 1	\$ -	\$ 1
Cost of sales	-	-	-	2
Gross margin	-	1	-	(1)
Selling	-	-	-	-
General and administrative	235	194	521	396
Finance income	-	1	-	2
Finance cost	(114)	(113)	(225)	(219)
Foreign exchange gain (loss)	16	47	29	(54)
Legal settlement	34	-	34	-
Total loss	(299)	(258)	(683)	(668)
Total loss per share – basic and diluted	(0.01)	(0.01)	(0.03)	(0.03)

As at	June 30, 2021	December 31, 2020
<b>Financial position</b>		
Current assets	\$ 83	\$ 175
Current liabilities	8,096	7,507
Non-current liabilities	45	43
Shareholders' deficiency	(8,058)	(7,375)

### Cost of sales

Cost of sales for the three and six months ended June 30, 2021 was \$NIL and \$NIL, respectively, compared to \$NIL and \$2 for the same period in 2020.

### 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:

Periods ended June 30	Three months		Six months	
	2021	2020	2021	2020
Personnel	\$ 79	\$ 56	\$ 177	\$ 159
Professional fees	125	117	290	173
Operations	-	-	-	4
Other expenses	31	21	54	60
Total general and administrative expenses	\$ 235	\$ 194	\$ 521	\$ 396

### Personnel

Personnel costs include wages, salaries, benefits, separation payments and share-based payments. Personnel costs increased by \$23 and \$18 for the three and six months ended June 30, 2021, respectively, compared to the same period in 2020, primarily due to a reduction in government assistance, as discussed below, and an increase in directors fees as a result of more meetings held in 2021 as compared to 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, 2021, the Company recognized \$22 and \$26, respectively, of government assistance received under the CEWS program (three and six months ended June 30, 2020 – \$20 and \$20, respectively). 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.

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### Professional fees

Professional fees are comprised of legal, accounting, audit and consulting fees. Professional fees increased by \$8 and \$117 for the three and six months ended June 30, 2021, respectively, compared to the same period in 2020, primarily due to the delay in the 2019 annual financial statement audit with costs incurred during 2021 along with costs for the 2020 annual financial statement audit.

### Operations

Operations expenses for the three and six months ended June 30, 2020 were related to residual electronic data interchange charges for Ontario Gas & Power.

### Other expenses

Other expenses include costs for investor relations, insurance and other general & administrative costs. Other expenses increased by \$10 for the three months ended June 30, 2021 compared to the same period in 2020 primarily due to fees related to applying to the OSC for the revocation of the Cease Trade Order. Other expenses decreased by \$6 for the six months ended June 30, 2021 compared to the same period in 2020 primarily due to lower travel and entertainment costs as a result of the COVID-19 restrictions offset by fees related to applying to the OSC for the revocation of the Cease Trade Order.

### **Finance costs**

Finance costs were \$114 and \$225 for the three and six months ended June 30, 2021, respectively, compared to \$113 and \$219 for the same period in 2020.

### **Total loss**

Total loss amounted to \$299 and \$683 for the three and six months ended June 30, 2021, respectively, or \$0.01 and \$0.03 per basic and diluted share, respectively. Total loss 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.

## **7. ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (“ADJUSTED EBITDA”)**

The following table reconciles Adjusted EBITDA to total loss for the respective periods as determined under IFRS:

Periods ended June 30	Three months		Six months	
	2021	2020	2021	2020
Total loss	\$ (299)	\$ (258)	\$ (683)	\$ (668)
Add/(subtract)				
Finance income	-	(1)	-	(2)
Finance costs	114	113	225	219
Foreign exchange loss (gain)	(16)	(47)	(29)	54
Legal settlement	(34)	-	(34)	-
Adjusted EBITDA <sup>(1)</sup>	\$ (235)	\$ (193)	\$ (521)	\$ (397)

(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.

## 8. QUARTERLY FINANCIAL RESULTS

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

	2021		2020				2019	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-	-	2	2	-
Gross margin	-	-	-	-	1	(2)	(2)	-
Operating expenses before the undernoted	235	286	256	188	194	202	330	187
Adjusted EBITDA	(235)	(286)	(256)	(188)	(193)	(204)	(332)	(187)
Finance income	-	-	-	1	1	1	2	1
Finance costs	(114)	(111)	(104)	(118)	(113)	(106)	(194)	47
Foreign exchange gain (loss)	16	13	51	24	47	(101)	21	(13)
Legal settlement	34	-	-	34	-	-	490	-
<b>Loss from continuing operations</b>	<b>\$ (299)</b>	<b>\$ (384)</b>	<b>\$ (309)</b>	<b>\$ (247)</b>	<b>\$ (258)</b>	<b>\$ (410)</b>	<b>\$ (13)</b>	<b>\$ (152)</b>
<b>Loss per share from continuing operations</b>								
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.00)	\$ (0.01)

## 9. 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 \$35 comprised of unrestricted cash. Unrestricted cash was \$114 at December 31, 2020. The Company divested or exited its operating businesses and is unable to generate sufficient amounts of cash, both in the short term and long term. As a result, the Company receives periodic cash advances from Stephen J.J. Letwin, the Chairman and a shareholder, to support working capital needs and to fund development activities as they arise. During the three and six months ended June 30, 2021, the Company received \$100 and \$250, respectively, of cash advances from Stephen J.J. Letwin. See *Section 13 Related Party Transactions* for additional information.

The change in cash is summarized as follows:

Periods ended June 30	Three months		Six months	
	2021	2020	2021	2020
Cash used in operating activities	\$ (127)	\$ (142)	\$ (321)	\$ (259)
Cash provided by investing activities	-	30	21	50
Cash provided by financing activities	100	2	221	24
<b>Decrease in cash</b>	<b>\$ (27)</b>	<b>\$ (110)</b>	<b>\$ (79)</b>	<b>\$ (185)</b>

Cash used in operating activities for the three months ended June 30, 2021 was \$127 compared to cash used in operating activities of \$142 for the same period in 2020, an increase of \$15. The increase was primarily a result of unrealized foreign exchange gain increasing by \$27, government assistance on CEBA term loan increasing by \$13 and change in non-cash operating assets and liabilities increasing by \$15 offset by total loss increasing by \$41.

Cash used in operating activities for the six months ended June 30, 2021 was \$321 compared to cash used in operating activities of \$259 for the same period in 2020, a decrease of \$62. The decrease was primarily a result of unrealized foreign exchange gain decreasing by \$70.

Cash provided by investing activities for the three months ended June 30, 2021 was \$NIL compared to cash provided by investing activities of \$21 for the same period in 2020, as a result of the lease receivable fully realized by the end of the first quarter of 2021.

Cash provided by investing activities for the six months ended June 30, 2021 was \$21 compared to cash provided by investing activities of \$50 for the same period in 2020, primarily due to the lease receivable fully realized by the end of the first quarter of 2021.

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Cash provided by financing activities for the three months ended June 30, 2021 was \$100 compared to cash provided by financing activities of \$2 for the same period in 2020, an increase of \$98. The provision of cash for the three months ended June 30, 2021 was comprised of proceeds from promissory note payable of \$100. 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.

Cash provided by financing activities for the six months ended June 30, 2021 was \$221 compared to cash provided by financing activities of \$24 for the same period in 2020, an increase of \$197. The provision of cash for the six months ended June 30, 2021 was comprised of proceeds from promissory note payable of \$250 offset by repayments of lease liability of \$29. 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.

#### **10. SHARE CAPITAL**

As at June 30, 2021 there were 23,975 Common Shares issued and outstanding (December 31, 2020 – 23,975).

In determining diluted loss per share for the three and six months ended June 30, 2021 and June 30, 2020, the weighted average number of shares outstanding was not increased for stock options outstanding as they are considered anti-dilutive.

#### **11. STOCK BASED COMPENSATION**

##### *Stock option plans*

Stock option costs are recognized as selling expenses and general and administrative expenses and 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, 2021 and June 30, 2020.

##### *Deferred share units*

Deferred share units (“DSUs”) are recognized as general and administrative expenses and recorded as current liabilities.

The Company did not grant DSUs during the three and six months ended June 30, 2021 and June 30, 2020.

## 12. 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	5,264
2035	3,295
2036	84
2037	3,640
2038	1,191
2039	1,402
2040	1,235
2041	668
	<u>\$ 171,669</u>

## 13. 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.

Periods ended June 30	Three months		Six months	
	2021	2020	2021	2020
Salaries, fees, separation payments and short-term employee benefits	\$ 76	\$ 69	\$ 150	\$ 138

### (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 \$838 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. The principal and corresponding interest on \$405 of the Promissory Notes were repaid in September 2020. During the three and six months ended June 30, 2021, the Company entered into agreements to issue an additional \$100 and \$250, respectively, of Promissory Notes to Stephen J.J. Letwin, the Chairman. The Promissory Notes are unsecured, bear interest at 10% per annum and are due on demand. At June 30, 2021, Promissory Notes included \$2,826 (December 31, 2020 - \$2,576) advanced by Stephen J.J. Letwin and \$1,000 (December 31, 2020 - \$1,000) advanced by a corporation controlled by Dr. Ivan Bos, a director of the Company.

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#### **14. 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. On May 17, 2021, the Trustee distributed additional funds from the estate and the Company received \$34 as its share of proceeds. The Company expects notification from the Trustee on its share of the remaining proceeds, if any, by the end of 2021.

#### **15. 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 foreign currency 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.

##### 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 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, 2021 and December 31, 2020, 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.

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### 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., lease liability, and CEBA term loan. 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	\$ 2,166	\$ -	\$ -	\$ 2,166
Advances from Cricket Energy Holdings Inc.	208	-	-	208
Promissory note payable	4,808	-	-	4,808
Note payable to C Wave Power & Gas Inc.	914	-	-	914
CEBA term loan	-	60	-	60
	<b>\$ 8,096</b>	<b>\$ 60</b>	<b>\$ -</b>	<b>\$ 8,156</b>

### 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. dollar denominated liabilities.

### 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, 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.

## **16. OTHER RISK FACTORS**

In addition to operating risks described in *Section 15 Operating Risks and Uncertainties* are other risk and uncertainties that ONEnergy can foresee. The information presented in *Section 19 Other Risk Factors* in our MD&A for the year ended December 31, 2020 has not changed materially since December 31, 2020.

## **17. COMMITMENTS AND CONTINGENCIES**

### **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.

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**18. 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, 2021 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, 2021 and in Note 2 of the Company's audited consolidated financial statements for year ended December 31, 2020.

**19. ADDITIONAL INFORMATION**

Additional information regarding the Company's financial statements and corporate documents is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ONEnergyinc.com](http://www.ONEnergyinc.com).

# ONEnergy Inc.

## SHAREHOLDER INFORMATION

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### Board of Directors

#### Chairman of the Board

Stephen J.J. Letwin  
President & CEO, Mancal Corporation

#### Directors

Lawrence Silber  
Partner, Kelly Santini LLP

Dr. Ivan Bos  
President, Bos Veterinary Professional Corp.

#### 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](mailto:irinfo@onenergyinc.com)

### Stock exchange listing

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