

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

# ONEnergy Inc.

As at and for the year ended December 31, 2022

April 28, 2023

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# 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, 2022

April 28, 2023

### 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) human resources developments including competition for, and the availability of, qualified employees and contractors, (iii) business integrations and internal reorganizations, (iv) business process risks including the use of, and reliance on, external vendors and contractors, (v) the outcome of litigation and legal matters, (vi) any prospective acquisitions or divestitures, (vii) other risk factors related to the Company's historic business, (viii) risk factors related to the Company's future operations, and (ix) 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 16 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 April 28, 2023, 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 the Company's operations, financial performance and present and future business environment. This MD&A is supplementary to, and should

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be read in conjunction with the audited consolidated financial statement for the year ended December 31, 2022. The following MD&A, dated April 28, 2023, has been prepared with all information available up to and including April 28, 2023. The Company's audited consolidated financial statements and other disclosure documents are available on [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.onenergyinc.com](http://www.onenergyinc.com).

The audited annual consolidated financial statements of the Company 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 the Company are presented in thousands of Canadian dollars.

### **3. THE COMPANY**

ONEnergy is a corporation continued under the *Business Corporations Act* (Ontario). 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 and, where the context of the narrative permits or requires, its wholly-owned subsidiaries.

### **4. SIGNIFICANT EVENTS**

#### **(a) Gas & Power bankruptcy**

On February 23, 2022, Gas & Power filed an assignment into bankruptcy pursuant to the Bankruptcy and Insolvency Act ("BIA"). B. Riley Farber Inc. ("Farber") was appointed trustee of the bankruptcy estate. On March 15, 2022, Farber held the first meeting of creditors and indicated the nominal assets in the bankruptcy estate would be applied against trustee fees leaving no amounts available for distribution to the creditors. There were no dissenting creditors at the meeting. Accordingly, during the first quarter of 2022, Gas & Power recognized a net gain of \$209 on the derecognition of its accounts payable and accrued liabilities, except for the note payable (the "C Wave Note") due to C Wave Power & Gas Inc. ("C Wave"). The C Wave Note was issued by Gas & Power on the sale of the U.S. Gas & Power business to C Wave in 2019. The C Wave note is unsecured, bears interest at a rate equal to the Applicable Federal Rate, which was 2.72% per annum, matured on January 14, 2020 and is now due on demand. The Applicable Federal Rate is the Internal Revenue Service published rate under the Internal Revenue Code of the United States. On April 22, 2022, Gas & Power filed a petition under chapter 15 of title 11 of the United States Code (the "Chapter 15 Filing") to have the assignment into bankruptcy in Canada recognized in the U.S. with the provisional relief and stay extended to ONEnergy. On May 5, 2022, the United States Eastern District of New York Bankruptcy Court (the "Bankruptcy Court") did not extend the provisional relief and stay to ONEnergy, but it did order that any judgments entered as a result of the Motion against Gas & Power will not be enforced. Accordingly, the C Wave Note and accrued interest were derecognized and a gain of \$959 was recognized during the second quarter of 2022. On August 26, 2022, the Bankruptcy Court recognized the Chapter 15 Filing, effectively staying the Motion against Gas & Power indefinitely (see below).

#### **(b) C Wave Motion**

On March 2, 2022, C Wave filed a Motion for Summary Judgment in Lieu of Complaint (the "Motion") with the Supreme Court of the State of New York (the "NY Court") against Gas & Power and ONEnergy (collectively the "Defendants"). The Motion seeks a summary judgment against the Defendants for US\$747, being the principal and interest outstanding as of December 31, 2021, plus additional interest and reasonable costs until the judgment is paid.

On May 10, 2022, the Defendants responded to the Motion with a Cross-Motion seeking dismissal of the Motion against ONEnergy and an opposition of the Motion against Gas & Power. On May 27, 2022, C Wave filed a response to the Defendants' Cross Motion.

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On November 29, 2022, the NY Court dismissed the Motion and Cross-Motion but permitted C Wave to file a Verified Complaint (the "Complaint").

**(c) C Wave Complaint**

On December 28, 2022, C Wave filed the Complaint against the Defendants. The Defendants did not respond to the Complaint (by the February 17, 2023 response date) as the Company did not have the resources to pay legal counsel. Consequently, on March 13, 2023, C Wave filed a Motion for Default Judgment ("Default Motion") against the Defendants seeking US\$769, being the principal and interest outstanding as of March 13, 2023, plus additional interest and reasonable costs until the judgment is paid. The Defendants did not answer the Default Motion by the answering date of April 11, 2023. On April 18, 2023, the NY Court heard the Default Motion, however the Default Motion remains pending with the NY Court. Since the Company did not respond to the Complaint and Default Motion, the Company determined it is more likely than not that the Default Motion may be granted, and therefore, as of December 31, 2022, the Company recognized a provision of \$1,042 (US\$769), being the amount of the Default Motion.

**(d) Non-convertible debt financing**

During 2023, the Company entered into the following financing transactions:

- \$292 of additional Promissory Notes were issued to Stephen J.J. Letwin, a shareholder and the Chairman of the Board of Directors (the "Chairman"). The Promissory Notes are unsecured, bear interest at 10% per annum and are due on demand.

**(e) Canada Emergency Wage Subsidy**

The Company applied for and received benefits under the Canada Emergency Wage Subsidy ("CEWS"), which is one of the Canadian government's COVID-19 economic recovery measures. During the year ended December 31, 2022, the Company recognized \$NIL of government assistance received under the CEWS program (2021 – \$40).

**(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 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. On January 12, 2022, the Canadian government extended the Initial Term to December 31, 2023.

**5. CORPORATE STRATEGY**

The Company divested or exited its operating businesses in 2018 and 2019. It is the intention of management and the Board to pursue opportunities to complete a transaction, which may include completing a Reverse Takeover ("RTO"), or other potential business acquisitions. There can be no guarantees or assurances that a transaction will take place.

As at December 31, 2022, the Company has an accumulated deficit of \$50,981 (December 31, 2021 - \$49,506), including a net loss of \$1,475 for the year ended December 31, 2022 (net loss of \$1,461 for the year ended December 31, 2021). The Company 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. **SELECTED ANNUAL INFORMATION**

Years ended December 31	2022	2021	2020
Revenue	\$ -	\$ -	\$ 1
Net loss and comprehensive loss	(1,475)	(1,461)	(1,224)
Net loss per share from continuing operations, basic and diluted	(0.06)	(0.06)	(0.05)
Total assets	66	67	175
Total non-current financial liabilities	52	47	43

### 2022 vs 2021

Net loss was \$1,475 in 2022 compared to net loss of \$1,461 in 2021.

The Company's assets are comprised primarily of its cash, other receivables and prepaid expenses and deposits.

The Company's non-current financial liabilities are comprised of the CEBA term loan.

### 2021 vs 2020

Net loss was \$1,461 in 2021 compared to net loss of \$1,224 in 2020.

The Company's assets are comprised primarily of its cash, other receivables and prepaid expenses and deposits.

The Company's non-current financial liabilities are comprised of the CEBA term loan.

## 7. **RESULTS OF OPERATIONS**

### Selected financial information

Years ended December 31	2022	2021
<b>Loss and comprehensive loss</b>		
General and administrative	\$ 1,080	\$ 1,037
Finance cost	(510)	(462)
Foreign exchange gain (loss)	(23)	4
Legal settlement	12	34
Net gain on derecognition of assets and liabilities	126	-
Net loss	(1,475)	(1,461)
Net loss per share – basic and diluted	(0.06)	(0.06)

As at December 31	2022	2021
<b>Financial position</b>		
Current assets	\$ 66	\$ 67
Current liabilities	10,325	8,856
Non-current liabilities	52	47
Shareholders' deficiency	(10,311)	(8,836)

### General and administrative

General and administrative expenses include personnel costs, professional fees, 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	2022	2021
Personnel	\$ 387	\$ 374
Professional fees	563	503
Other expenses	130	160
Total general and administrative expenses	\$ 1,080	\$ 1,037

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### Personnel

Personnel costs include wages, salaries, benefits, accrued directors' fees and share-based payments. Personnel costs increased by \$13 for the year ended December 31, 2022 compared to the year end December 31, 2021 primarily due to a decrease in government assistance received under the CEWS program in 2022 compared to 2021, as discussed below, offset by a decrease in the revaluation of the deferred share unit liability.

Personnel expenses were reduced by government assistance received under the CEWS program. During the year ended December 31, 2022, the Company recognized \$NIL of government assistance received under the CEWS program (2021 – \$40). See *Section 4 Significant Events* for additional information.

### Professional fees

Professional fees are comprised of legal, accounting, audit and consulting fees. Professional fees increased by \$60 for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to an increase in legal fees related to corporate development activities combined with legal fees incurred in responding to the Motion.

### Other expenses

Other expenses include public company costs, insurance costs and other general & administrative costs. Other expenses decreased by \$30 for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to a decrease in travel and entertainment costs related to business development activities and a decrease in costs for the annual general meeting.

### **Finance costs**

Finance costs increased by \$48 for the year ended December 31, 2022 compared to the year ended December 31, 2021, due to an increase in promissory notes payable.

### **Legal settlement**

On July 20, 2020, the Company received a \$34 distribution from the bankruptcy estate of the McGoey Defendants (as defined in *Section 15 Former Officer and Director Litigation*). On May 17, 2021, the Company received an additional \$34 distribution from the bankruptcy estate of the McGoey Defendants. On September 12, 2022, the Company received a final \$12 distribution from the bankruptcy estate of the McGoey Defendants. See *Section 15 Former Officer and Director Litigation* for additional information.

### **Net gain on derecognition of assets and liabilities**

During 2022, the Company recognized a gain of \$1,168 on the derecognition of Gas & Power's assets and liabilities, offset by a provision of \$1,042 for the C Wave Default Motion. See *Section 4(a) Significant Events – Gas & Power bankruptcy* and *Section 4(c) Significant Events – C Wave Complaint* for additional information.

### **Net loss**

Net loss amounted to \$1,475 or \$0.06 per basic and diluted share for the year ended December 31, 2022 compared to \$1,461 or \$0.06 per basic and diluted share for the year ended December 31, 2021.

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

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.

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

Years ended December 31	2022	2021
Net loss	\$ (1,475)	\$ (1,461)
Add/(subtract)		
Finance costs	510	462
Foreign exchange loss (gain)	23	(4)
Legal settlement	(12)	(34)
Net gain on derecognition of assets and liabilities	(126)	-
Adjusted EBITDA	\$ (1,080)	\$ (1,037)

## 9. QUARTERLY FINANCIAL RESULTS

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

	2022				2021			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses before the undernoted	285	341	260	194	301	215	235	286
Adjusted EBITDA	(285)	(341)	(260)	(194)	(301)	(215)	(235)	(286)
Finance costs	(137)	(129)	(121)	(123)	(120)	(117)	(114)	(111)
Foreign exchange gain (loss)	1	(12)	(27)	15	5	(30)	16	13
Legal settlement	-	12	-	-	-	-	34	-
Net gain (loss) on derecognition of assets and liabilities	(1,042)	-	959	209	-	-	-	-
<b>Net income (loss)</b>	<b>\$ (1,463)</b>	<b>\$ (470)</b>	<b>\$ 551</b>	<b>\$ (93)</b>	<b>\$ (416)</b>	<b>\$ (362)</b>	<b>\$ (299)</b>	<b>\$ (384)</b>
<b>Net income (loss) per share</b>								
Basic and diluted	\$ (0.06)	\$ (0.02)	\$ 0.02	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.02)

### Analysis of the Fourth Quarter

#### Operating expenses

Operating expenses, excluding depreciation and amortization, for the three months ended December 31, 2022 were \$285 compared to \$301 for the three months ended December 31, 2021, primarily due to a decrease in travel and entertainment costs related to business development activities.

#### Finance costs

Finance costs were \$137 for the three months ended December 31, 2022 compared to \$120 for the three months ended December 31, 2021, due to an increase in promissory notes payable.

#### Net gain on derecognition of assets and liabilities

During the three months ended December 31, 2022, the Company recognized a provision of \$1,042 for the C Wave Default Motion, offsetting a gain of \$1,168 recognized on the derecognition of Gas & Power's assets and liabilities during the first and second quarters of 2022. See *Section 4(a) Significant Events – Gas & Power bankruptcy* and *Section 4(c) Significant Events – C Wave Complaint* for additional information.

#### Net loss

Net loss amounted to \$1,463 or \$0.06 per basic and diluted share for the three months ended December 31, 2022 compared to \$416 or \$0.02 per basic and diluted share for the three months ended December 31, 2021.

## 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) financing provided by related parties; (iii) external debt financing; and (iv) new equity capital through the issuance of additional shares.

The Company's total cash liquidity is \$19 as at December 31, 2022 (December 31, 2021 – \$33). The Company divested or exited its operating businesses and is unable to generate sufficient amounts of cash, both in the short

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term and long term. As a result, the Company receives periodic cash advances from the Chairman to support working capital needs and to fund development activities as they arise. During the year ended December 31, 2022, the Company received \$1,062 of cash advances from the Chairman. See *Section 14 Related Party Transactions* for additional information.

The change in cash is summarized as follows:

Years ended December 31	2022	2021
Cash used in operating activities	\$ (822)	\$ (582)
Cash provided by investing activities	-	21
Cash provided by financing activities	808	480
Decrease in cash	\$ (14)	\$ (81)

Cash used in operating activities for the year ended December 31, 2022 was \$822 compared to cash used in operating activities of \$582 for the year ended December 31, 2021, an increase of \$240. The increase was primarily a result of non-cash operating assets and liabilities decreasing by \$159 and net gain on derecognition of assets and liabilities increasing by \$126 offset by finance costs increasing by \$48.

Cash provided by investing activities for the year ended December 31, 2022 was \$NIL compared to cash provided by investing activities of \$21 for the year ended December 31, 2021, as the lease receivable was fully realized by the end of the first quarter of 2021.

Cash provided by financing activities for the year ended December 31, 2022 was \$808 compared to cash provided by financing activities of \$480 for the year ended December 31, 2021. The provision of cash in 2022 was comprised of net proceeds from promissory notes payable of \$812 offset by finance costs paid of \$4. The provision of cash in 2021 was comprised of proceeds from promissory notes payable of \$510 offset by finance costs paid of \$1 and repayments of lease liability of \$29.

## 11. SHARE CAPITAL

As at December 31, 2022 there were 23,975,507 Common Shares issued and outstanding (December 31, 2021 – 23,975,507).

In determining diluted loss per share for the years ended December 31, 2022 and 2021, the weighted average number of shares outstanding was not increased for stock options outstanding as they are considered anti-dilutive.

## 12. 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 years ended December 31, 2022 and 2021.

### *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 years ended December 31, 2022 and 2021.

## 13. 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	3,702
2034	2,982
2035	3,295
2036	87
2037	3,640
2038	1,192
2039	773
2040	1,210
2041	1,662
2042	1,552
	\$ 170,426

#### 14. **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	2022	2021
Salaries, fees and short-term employee benefits	\$ 293	\$ 297

##### (b) **Promissory notes payable**

During 2021, the Company entered into agreements to issue an additional \$510 of promissory notes (the "Promissory Notes") to the Chairman. The Promissory Notes are unsecured, bear interest at 10% per annum and are due on demand. During 2022, the Company entered into agreements to issue an additional \$1,062 of Promissory Notes to the Chairman. The Promissory Notes are unsecured, bear interest at 10% per annum and are due on demand. Also during 2022, the Company repaid \$250 of Promissory Notes to a corporation controlled by Ivan Bos, a shareholder and a director of the Company. At December 31, 2022, Promissory Notes included \$4,148 (December 31, 2021 – \$3,086) advanced by the Chairman and \$750 (December 31, 2021 - \$1,000) advanced by a corporation controlled by Ivan Bos.

##### (c) **Business development fees**

During the year ended December 31, 2022, the Company recognized \$10 (2021 – \$245) of business development fees to Ivan Bos, a shareholder and a director of the Company, or his personal holding company. The business development fees were included in general and administrative expenses.

Included in accounts payable and accrued liabilities is \$156 (December 31, 2021 – \$149) payable to the Chairman, or his personal holding company, for reimbursement of expenses incurred on the Company's behalf; and \$283 (December 31, 2021 – \$283) payable to Ivan Bos, or his personal holding company, for business development fees and reimbursement of travel expenses.

#### 15. **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 "McGoey Proposal"). In connection with the McGoey 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. On September 12, 2022, the Trustee distributed the final funds from the estate and the Company received \$12 as its share of proceeds.

## 16. 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. The Company considers capital to be primarily cash and promissory notes payable.

### 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 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 December 31, 2022 and 2021, is the carrying value of its other receivables.

#### Liquidity risk

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

#### Contractual Obligations

In the normal course of business, the Company 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 Provident Home Comfort Inc., promissory notes payable and CEBA term loan. The payments due by period are set out in the following table:

	Payment due by period			
	Less than one year	Between one and five years	More than five years	Total
Accounts payable and accrued liabilities	\$ 2,477	\$ -	\$ -	\$ 2,477
Advances from Provident Home Comfort Inc.	208	-	-	208
Promissory notes payable	6,598	-	-	6,598
Note payable to C Wave Power & Gas Inc.	1,042	-	-	1,042
CEBA term loan	-	60	-	60
	<b>\$ 10,325</b>	<b>\$ 60</b>	<b>\$ -</b>	<b>\$ 10,385</b>

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### 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, accounts payable and accrued liabilities, advances from Provident Home Comfort Inc. and promissory notes payable, 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.

## **17. OTHER RISK FACTORS**

In addition to operating risks described in *Section 16 Operating Risks and Uncertainties* are other risk and uncertainties that the Company 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.

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**18. COMMITMENTS AND CONTINGENCIES****Contingencies**

See *Section 4(c) Significant Events – C Wave Complaint* for a discussion on the C Wave Complaint.

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.

**19. 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, 2022 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, 2022.

**20. 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