

Unaudited Interim Condensed Consolidated Financial Statements of

ONEnergy Inc.

As at and for the three and six months ended June 30, 2023

Notice of No Audit or Review of Interim Financial Statements

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

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

ONEnergy Inc.

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

As at	Note	June 30, 2023	December 31, 2022
Assets			
Current assets			
Cash		\$ 22	\$ 19
Other receivables		2	27
Prepaid expenses and deposits		50	20
Total assets		\$ 74	\$ 66
Liabilities and Shareholders' Deficiency			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,466	\$ 2,477
Advances from Provident Home Comfort Inc.	5	208	208
Promissory notes payable	6	7,168	6,598
Secured promissory note payable	7	40	-
Litigation provision for note payable to C Wave Power & Gas Inc.	8	1,276	1,042
		11,158	10,325
Non-current liabilities			
CEBA term loan	9	60	52
		11,218	10,377
Shareholders' deficiency			
Share capital	10	39,236	39,236
Contributed surplus		1,434	1,434
Deficit		(51,814)	(50,981)
		(11,144)	(10,311)
Total liabilities and shareholders' deficiency		\$ 74	\$ 66

Commitments and contingencies (note 14)

Going concern (note 1)

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

Approved by the Board of Directors:

/s/ "Stephen J.J. Letwin"
Director

/s/ "Lawrence Silber"
Director

ONEnergy Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

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

Periods ended June 30	Note	Three months		Six months	
		2023	2022	2023	2022
Expenses					
General and administrative	11	\$ 247	\$ 260	\$ 364	\$ 454
		247	260	364	454
Loss before the undernoted		(247)	(260)	(364)	(454)
Other gains (expenses)					
Finance cost		(100)	(121)	(237)	(244)
Foreign exchange gain (loss)		25	(27)	26	(12)
Net gain on derecognition of assets and liabilities	4, 8	-	959	-	1,168
Litigation provision for note payable to C Wave Power & Gas Inc.	4, 8	(258)	-	(258)	-
		(333)	811	(469)	912
Net income (loss) and comprehensive income (loss)		\$ (580)	\$ 551	\$ (833)	\$ 458
Net income (loss) per share					
Basic and diluted	10	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.02
Weighted average number of shares outstanding					
Basic and diluted	10	23,975,507	23,975,507	23,975,507	23,975,507

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

ONEnergy Inc.

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

	Share capital (note 10)		Deficit	Contributed surplus	Shareholders' deficiency
	Shares	Amount			
Balance as at January 1, 2022	23,975,507	\$ 39,236	\$ (49,506)	\$ 1,434	\$ (8,836)
Net income for the period	-	-	458	-	458
Balance as at June 30, 2022	23,975,507	\$ 39,236	\$ (49,048)	\$ 1,434	\$ (8,378)
Balance as at January 1, 2023	23,975,507	\$ 39,236	\$ (50,981)	\$ 1,434	\$ (10,311)
Net loss for the period	-	-	(833)	-	(833)
Balance as at June 30, 2023	23,975,507	\$ 39,236	\$ (51,814)	\$ 1,434	\$ (11,144)

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

ONEnergy Inc.

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

Periods ended June 30	Note	Three months		Six months	
		2023	2022	2023	2022
Cash flows from the following:					
Operating activities					
Net income (loss)		\$ (580)	\$ 551	\$ (833)	\$ 458
Items not affecting cash					
Finance costs		100	121	237	244
Unrealized foreign exchange loss (gain)		(22)	22	(23)	7
Net gain on derecognition of assets and liabilities	4,8	-	(959)	-	(1,168)
Litigation provision for note payable to C Wave Power & Gas Inc.	4,8	258	-	258	-
Change in non-cash operating assets and liabilities	12	78	54	(16)	32
Cash used in operating activities		(166)	(211)	(377)	(427)
Financing activities					
Finance costs paid		(1)	-	(2)	(1)
Proceeds from promissory note payable		135	490	342	725
Repayment of promissory note payable		-	(250)	-	(250)
Proceeds from secured promissory note payable		40	-	40	-
Cash provided by financing activities		174	240	380	474
Increase in cash		8	29	3	47
Cash, beginning of period		14	51	19	33
Cash, end of period		\$ 22	\$ 80	\$ 22	\$ 80

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

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

1. Nature of operations

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

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

- (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.

The terms “we”, “us”, “our”, and “Company” refer to ONEnergy and, where the context of the narrative permits or requires, its wholly-owned subsidiaries. The Company is domiciled in Canada and the address of its registered office is 401 Bay Street, Suite 2410, Toronto, Ontario, Canada M5H 2Y4.

The Company is currently pursuing potential business opportunities but has not entered into any agreements.

On May 30, 2023, ONEnergy filed a Division I proposal (the “Creditor Proposal”) pursuant to the *Bankruptcy and Insolvency Act (Canada)* (the “BIA”). B. Riley Farber Inc. has been appointed as proposal trustee (the “Proposal Trustee”), with the intent of settling the Company’s outstanding creditor liabilities.

The Company’s Creditor Proposal to its unsecured creditors, if approved, would settle the Company’s unsecured outstanding liabilities in exchange for the issuance of common shares of the Company, valued at no more than 100% of the Company’s current market capitalization. An approval of the Creditor Proposal requires a majority of the unsecured creditors with proven claims to vote in favour, of which must also represent at least two-thirds of the value of the proven claims voting. This will result in unsecured creditors owning up to eighty-four percent (84%) of the Company, depending on the conversion ratio of liabilities to common shares. The proposed share issuance is subject to approval by the Exchange.

On June 22, 2023, the Creditor Proposal was unanimously approved by the Company’s unsecured creditors (the “Creditors”) who were present (in person or by proxy) and voted at the meeting of the Creditors, in accordance with the voting procedures established by the Creditor Proposal and the BIA.

The Proposal Trustee intends to seek an order from the Ontario Superior Court of Justice (Commercial List) (the “Ontario Court”) approving the Creditor Proposal in accordance with the BIA (the “Order”). Implementation of the Creditor Proposal is subject to receipt of the Order and the approval by the Exchange of the share issuance.

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. Trading in the common shares of ONEnergy was halted on May 30, 2023 and will remain halted until the completion of the Creditor Proposal.

These unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors on August 18, 2023.

Basis of presentation and going concern

The notes presented in these unaudited interim condensed consolidated financial statements include only significant events and transactions and do not include all required disclosures as required under IFRS as issued by the IASB. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022.

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

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

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

As at June 30, 2023, the Company has an accumulated deficit of \$51,814 (December 31, 2022 - \$50,981), including a net loss of \$580 and \$833 for the three and six months ended June 30, 2023 (net loss of \$408 and \$710, excluding a net gain on derecognition of assets and liabilities of \$959 and \$1,168, for the three and six months ended June 30, 2022, respectively). 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.

2. Summary of significant accounting policies

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. Unless otherwise disclosed, the accounting policies and methods of their application followed in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2022.

Principles of consolidation

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

3. Significant accounting judgments, estimates and assumptions

There have been no material revisions to the nature and estimates of amounts reported in the audited consolidated financial statements for the year ended December 31, 2022.

4. Gas & Power bankruptcy

On February 23, 2022, Gas & Power filed an assignment into bankruptcy pursuant to the *Bankruptcy and Insolvency Act (Canada)* ("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. On April 22, 2022, Gas & Power filed a petition under chapter 15 of title 11 of the United States Code to have the assignment into bankruptcy in Canada recognized in the United States. On August 26, 2022, the United States Eastern District of New York Bankruptcy Court (the "NY Bankruptcy Court") granted the petition. Accordingly, during the first quarter of 2022, Gas & Power recognized a net gain of \$209 on the derecognition of accounts payable and accrued liabilities and during the second quarter of 2022, Gas & Power recognized a gain of \$959 on the derecognition of the note payable (the "C Wave Note") and accrued

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Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

interest due to C Wave Power & Gas Inc. ("C Wave"). Also, during the fourth quarter of 2022, the Company recognized a provision of \$1,042 for the C Wave Default Motion (as defined in note 8), for a net gain on derecognition of assets and liabilities of \$126 during 2022. See note 8 for additional information.

5. Advances from Provident Home Comfort Inc.

The advances from Provident Home Comfort Inc. (formerly known as Cricket Home Comfort Inc.) are unsecured, non-interest bearing and due on demand.

6. Promissory notes payable

As at	June 30, 2023	December 31, 2022
Principal	\$ 5,464	\$ 5,122
Accrued interest payable	1,704	1,476
	\$ 7,168	\$ 6,598

The promissory notes (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 Stephen J.J. Letwin, a shareholder and the Chairman of the Board of Directors (the "Chairman"). In addition, during 2022, the Company repaid \$250 of Promissory Notes to a corporation controlled by Ivan Bos, a shareholder and a director of the Company.

During the three and six months ended June 30, 2023, the Company entered into agreements to issue an additional \$135 and \$342, respectively, of Promissory Notes to the Chairman. At June 30, 2023, Promissory Notes included \$4,490 (December 31, 2022 – \$4,148) advanced by the Chairman and \$750 (December 31, 2022 - \$750) advanced by a corporation controlled by Ivan Bos.

7. Secured promissory note payable

As at	June 30, 2023	December 31, 2022
Principal	\$ 40	\$ -
Accrued interest payable	-	-
	\$ 40	\$ -

On May 26, 2023, the Company entered into a secured grid promissory note (the "Secured Note") with the Chairman. The Secured Note has borrowing limit of \$450, permits repayments and additional drawdowns, has a maturity date of December 31, 2023 and carries an interest rate of 10% per annum. The Secured Note is secured by a first-ranking security over all assets of ONEnergy.

During the three and six months ended June 30, 2023, the Company received \$40 and \$40, respectively, of advances pursuant to the Secured Note.

8. Litigation provision for note payable to C Wave Power & Gas Inc.

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 February 23, 2022, Gas & Power filed an assignment into bankruptcy pursuant to the BIA (see Note 4). 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. On August 26, 2022, the NY Bankruptcy Court recognized the Chapter 15 Filing, effectively staying the Motion (as defined below) against Gas

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

& Power indefinitely. Accordingly, the C Wave Note and accrued interest were derecognized and a gain of \$959 was recognized during the second quarter of 2022.

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

On April 18, 2023, the NY Court received the Default Motion and on July 17, 2023 granted the Default Motion. A final judgment against the Defendants, with approval of the final amount sought, being approximately US\$964, is pending issuance by the NY Court. Accordingly, during the three and six months ended June 30, 2023, the Company recognized an additional provision of \$258 (US\$195) and \$258 (US\$195), respectively. At June 30, 2023, the balance of the litigation provision was \$1,276 (US\$964).

9. CEBA term loan

As at	June 30, 2023	December 31, 2022
Principal	\$ 60	\$ 60
Less: unamortized below-market interest benefit	-	(8)
	\$ 60	\$ 52

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.

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Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

10. Share capital

(a) Authorized

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

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

(b) Issued and outstanding

Shares	Common Shares	
Balance, as at June 30, 2023 and December 31, 2022	23,975,507	\$ 39,236

(c) Stock option plans

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

	Weighted average remaining contractual life	Number of options	Weighted average exercise price
Outstanding as at January 1, 2023	0.76	610,591	\$ 1.26
Granted	-	-	-
Forfeited	-	-	-
Outstanding as at June 30, 2023	0.27	610,591	\$ 1.26
Exercisable as at December 31, 2022	0.76	610,591	1.26
Exercisable as at June 30, 2023	0.27	610,591	\$ 1.26

The Company uses the Black-Scholes option pricing model to estimate fair value of options granted. No options were granted during the three and six months ended June 30, 2023.

(d) Loss per share

Periods ended June 30	Three months		Six months	
	2023	2022	2023	2022
Net income (loss)	\$ (580)	\$ 551	\$ (833)	\$ 458
Weighted average number of shares outstanding	23,975,507	23,975,507	23,975,507	23,975,507
Basic and diluted income (loss) per share	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.02

Basic loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the period. Outstanding stock options, as at June 30, 2023, of 610,591 (June 30, 2022 – 610,591) and Deferred Share Units ("DSUs"), as at June 30, 2023, of 715,843 (June 30, 2022 – 715,843) have not been factored into the calculation as they are considered anti-dilutive.

(e) Deferred share unit plan

The Company awarded no DSUs during the three and six months ended June 30, 2023 (three and six months ended June 30, 2022 – NIL and NIL, respectively).

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

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Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

	Deferred share unit	Weighted average grant price
Outstanding as at January 1, 2023	715,843	\$ 0.35
Granted	-	-
Outstanding as at June 30, 2023	715,843	\$ 0.35

During the three and six months ended June 30, 2023, the Company recognized a compensation expense of \$18 and \$NIL, respectively related to the DSUs granted (three and six months ended June 30, 2022 – compensation expense (recovery) of \$25 and (\$11), respectively). As at June 30, 2023, a liability of \$61 (December 31, 2022 – \$61) related to the DSUs granted is included in accounts payable and accrued liabilities.

11. Expenses

Periods ended June 30	Three months		Six months	
	2023	2022	2023	2022
Personnel	\$ 131	\$ 124	\$ 217	\$ 188
Professional fees	83	115	85	216
Office and other expenses	33	21	62	50
Reported as general and administrative	\$ 247	\$ 260	\$ 364	\$ 454

12. Supplemental cash flow information

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

Periods ended June 30	Three months		Six months	
	2023	2022	2023	2022
Other receivables	\$ (1)	\$ 6	\$ 25	\$ 5
Prepaid expenses and deposits	26	17	(30)	(5)
Accounts payable and accrued liabilities	53	31	(11)	32
	\$ 78	\$ 54	\$ (16)	\$ 32

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	
	2023	2022	2023	2022
Salaries, fees and short-term employee benefits	\$ 77	\$ 77	\$ 148	\$ 147

(b) Promissory notes payable

Included in the Promissory Notes is \$4,490 (December 31, 2022 – \$4,148) advanced by the Chairman and \$750 (December 31, 2022 - \$750) advanced by a corporation controlled by Ivan Bos. See note 6 for additional information.

(c) Secured promissory note payable

The Secured Note is comprised of \$40 (December 31, 2022 – \$NIL) advanced by the Chairman. See note 7 for additional information.

(d) Business development fees

During the three and six months ended June 30, 2023, the Company recognized \$NIL and \$NIL, respectively, (three and six months ended June 30, 2022 – \$NIL and \$10, respectively) of business development fees to Ivan

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

Bos or his personal holding company. The business development fees were included in general and administrative expenses.

Included in accounts payable and accrued liabilities is \$176 (December 31, 2022 – \$156) payable to the Chairman, or his personal holding company, for reimbursement of expenses incurred on the Company's behalf; and \$283 (December 31, 2022 – \$283) payable to Ivan Bos, or his personal holding company, for business development fees and reimbursement of travel expenses.

14. Commitments and contingencies

Contingencies

(i) Statement of Claim against Gerald McGoey:

On June 1, 2017, the Company was granted a judgment against the Company's former CEO Gerald McGoey and his personal service company Jolian Investments Limited (collectively the "McGoey Defendants") in the amount of \$5,766 plus legal costs and interest. On November 14, 2017, the McGoey Defendants made a Proposal under the BIA (the "McGoey Proposal"). At a meeting of creditors on December 12, 2017, the McGoey Proposal was rejected, and the McGoey Defendants were deemed to have been assigned into bankruptcy.

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 September 12, 2022, the Trustee distributed the final funds from the estate and the Company received \$12 as its share of proceeds.

(ii) C Wave Complaint:

See note 8 for a discussion on the C Wave Complaint.

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

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

15. Financial instruments and risk management

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

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

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.

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

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

For the three and six months ended June 30, 2023

The Company's maximum assessed exposure to credit risk, as at June 30, 2023 and December 31, 2022, 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.

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, secured promissory note payable, litigation provision for note payable to C Wave Power & Gas Inc. (see note 8) 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	\$ 2,466	\$ -	\$ -	\$ 2,466
Advances from Provident Home Comfort Inc.	208	-	-	208
Promissory notes payable	7,168	-	-	7,168
Secured promissory note payable	40	-	-	40
Litigation provision for note payable to C Wave Power & Gas Inc.	1,276	-	-	1,276
CEBA term loan	-	60	-	60
	\$ 11,158	\$ 60	\$ -	\$ 11,218

Fair Values

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

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

As at June 30, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	\$ 22	\$ -	\$ -	\$ 22
Other receivables	-	2	-	2
Financial liabilities				
Accounts payable and accrued liabilities	-	(2,466)	-	(2,466)
Advances from Provident Home Comfort Inc.	-	(208)	-	(208)
Promissory notes payable	-	(7,168)	-	(7,168)
Secured promissory note payable	-	(40)	-	(40)
Litigation provision for note payable to C Wave Power & Gas Inc.	-	(1,276)	-	(1,276)
CEBA term loan	-	(60)	-	(60)
	\$ 22	\$ (11,216)	\$ -	\$ (11,194)

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and six months ended June 30, 2023

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	\$ 19	\$ -	\$ -	\$ 19
Other receivables	-	27	-	27
Financial liabilities				
Accounts payable and accrued liabilities	-	(2,477)	-	(2,477)
Advances from Provident Home Comfort Inc.	-	(208)	-	(208)
Promissory notes payable	-	(6,598)	-	(6,598)
Litigation provision for note payable to C Wave Power & Gas Inc.	-	(1,042)	-	(1,042)
CEBA term loan	-	(52)	-	(52)
	\$ 19	\$ (10,350)	\$ -	\$ (10,331)

As at June 30, 2023 and December 31, 2022 the carrying value of cash, other receivables, accounts payable and accrued liabilities, advances from Provident Home Comfort Inc., promissory notes payable, secured promissory note payable and litigation provision for note payable to C Wave Power & Gas Inc. (see note 8) approximates their fair value due to their short-term nature. The carrying value of the CEBA term loan approximates its fair value as the interest payable on outstanding amounts approximates the Company's current cost of debt.

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.

16. Subsequent Events

Secured debt financing

Between July 1, 2023 and August 18, 2023, the Company entered into the following financing transaction:

- \$140 was received from the Chairman pursuant to the Secured Note.