

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

ONEnergy Inc.

As at and for the three and nine months ended September 30, 2023

November 24, 2023

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 nine months ended September 30, 2023

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1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) 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 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 November 24, 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 be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023. The following MD&A, dated November 24, 2023, has been prepared with all information available up to and including November 24, 2023. The Company's unaudited interim condensed consolidated financial statements and other disclosure documents are available on www.sedarplus.ca and on the Company's website at www.onenergyinc.com.

The unaudited interim condensed consolidated financial statements of the Company 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, 2022 of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements and audited 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) **Creditor Proposal pursuant to the Bankruptcy and Insolvency Act**

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.

The Creditor Proposal provides a better recovery for affected creditors, and the successful approval and implementation of the Creditor Proposal will enable the Company to survive without filing for bankruptcy. It is the intention of management and the Board to pursue opportunities to complete a transaction, which may include completing a Reverse Takeover, or other potential business acquisitions. There can be no guarantees or assurances that a transaction will take place.

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.

A hearing date of November 28, 2023 is scheduled for the Proposal Trustee to seek an order from the Ontario Superior Court of Justice (Commercial List) (the "Ontario Court") to approve 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.

(b) Secured promissory note financing

On May 26, 2023, the Company entered into a secured grid promissory note (the “Secured Note”) with Stephen J.J. Letwin, a shareholder, creditor and the Chairman of the Board of Directors of the Company (the “Chairman”). The Secured Note has a 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.

Funds advanced under the Secured Note will be used to fund the Proposal Trustee fees, legal fees of the Creditor Proposal proceedings and the Company’s working capital requirements during Creditor Proposal proceedings and after the Company’s exit from the Creditor Proposal proceedings.

During the three and nine months ended September 30, 2023, the Company received \$170 and \$210, respectively, of advances pursuant to the Secured Note. Between October 1, 2023 and November 24, 2023, the Company received \$45 of advances pursuant to the Secured Note.

(c) Trading halt

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

(d) 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. 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. On August 26, 2022, the United States Eastern District of New York Bankruptcy Court (the “NY Bankruptcy Court”) recognized the Chapter 15 Filing, effectively staying the Motion against Gas & Power indefinitely (see below). Accordingly, the C Wave Note and accrued interest were derecognized and a gain of \$959 was recognized during the second quarter of 2022.

(e) 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 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”).

(f) 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 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 nine months ended September 30, 2023, the Company recognized an additional provision of \$NIL (US\$NIL) and \$258 (US\$195), respectively. At September 30, 2023, the balance of the litigation provision was \$1,303 (US\$964).

(g) 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

(a) 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 or other potential business acquisitions. There can be no guarantees or assurances that a transaction will take place.

As at September 30, 2023, the Company has an accumulated deficit of \$52,010 (December 31, 2022 - \$50,981), including a net loss of \$196 and \$1,029 for the three and nine months ended September 30, 2023 (net loss of \$470 and \$1,180, excluding a net gain on derecognition of assets and liabilities of \$NIL and \$1,168, for the three and nine months ended September 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.

6. RESULTS OF OPERATIONS

Selected financial information

Periods ended September 30	Three months		Nine months	
	2023	2022	2023	2022
Loss and comprehensive loss				
General and administrative	\$ (162)	\$ (341)	\$ (526)	\$ (795)
Finance cost	(4)	(129)	(241)	(373)
Foreign exchange loss	(30)	(12)	(4)	(24)
Legal settlement	-	12	-	12
Net gain on derecognition of assets and liabilities	-	-	-	1,168
Litigation provision for note payable to C Wave Power & Gas Inc.	-	-	(258)	-
Net loss	(196)	(470)	(1,029)	(12)
Net loss per share – basic and diluted	(0.01)	(0.02)	(0.04)	(0.00)

As at	September 30, 2023	December 31, 2022
Financial position		
Current assets	\$ 96	\$ 66
Current liabilities	11,376	10,325
Non-current liabilities	60	52
Shareholders' deficiency	(11,340)	(10,311)

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:

Periods ended September 30	Three months		Nine months	
	2023	2022	2023	2022
Personnel	\$ 98	\$ 105	\$ 315	\$ 293
Professional fees	34	204	119	420
Other expenses	30	32	92	82
Total general and administrative expenses	\$ 162	\$ 341	\$ 526	\$ 795

Personnel

Personnel costs include wages, salaries, benefits, accrued directors' fees and share-based payments. Personnel costs decreased by \$7 for the three months ended September 30, 2023 compared to the same period in 2022, primarily due to lower compensation expense related to the revaluation of the deferred share unit liability. Personnel costs increased by \$22 for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to an increase in contractor costs related to corporate development activities.

Professional fees

Professional fees are comprised of legal, accounting, audit and consulting fees. Professional fees decreased by \$170 and \$301 for the three and nine months ended September 30, 2023, respectively, compared to the same period in 2022, primarily due to a decrease in legal, accounting and consulting fees related to corporate development activities and responding to the Motion, offset by an increase in Proposal Trustee and legal fees related to the Creditor Proposal.

Other expenses

Other expenses include public company costs, insurance costs and other general & administrative costs. Other expenses for the three months ended September 30, 2023 were comparable to the same period in 2022. Other expenses increased by \$10 for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to an increase in travel and entertainment costs related to corporate development activities.

Finance costs

Finance costs were \$4 and \$241 for the three and nine months ended September 30, 2023, respectively, compared to \$129 and \$373 for the same period in 2022, primarily due to additional interest on the promissory notes payable no longer recognized after the Creditor Proposal was filed.

Legal settlement

On September 12, 2022, the Company received a final \$12 distribution from the bankruptcy estate of the McGoeys Defendants (as defined in *Section 15 Former Officer and Director Litigation*). See *Section 14 Former Officer and Director Litigation* for additional information.

Net gain on derecognition of assets and liabilities

During the three and nine months ended September 30, 2022, the Company recognized a gain of \$NIL and \$1,168, respectively, on the derecognition of Gas & Power's assets and liabilities. See *Section 4(d) Significant Events – Gas & Power bankruptcy* and *Section 4(f) Significant Events – C Wave Complaint* for additional information.

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

During the three and nine months ended September 30, 2023, the Company recognized a litigation provision of \$NIL and \$258, respectively, for the note payable to C Wave Power & Gas Inc. See *Section 4(f) Significant Events – C Wave Complaint* for additional information.

Net loss

Net loss amounted to \$196 and \$1,029 or \$0.01 and \$0.04 per basic and diluted share for the three and nine months ended September 30, 2023, respectively. Net loss included a litigation provision for note payable to C Wave Power & Gas Inc. of \$NIL and \$258 for the three and nine months ended September 30, 2023, respectively. Net loss amounted to \$470 and \$12 or \$0.02 and \$0.00 per basic and diluted share for the three and nine months ended September 30, 2022, respectively. Net loss included a net gain on derecognition of assets and liabilities of \$NIL and \$1,168 for the three and nine months ended September 30, 2022, respectively.

7. 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:

Periods ended September 30	Three months		Nine months	
	2023	2022	2023	2022
Net loss	\$ (196)	\$ (470)	\$ (1,029)	\$ (12)
Add/(subtract)				
Finance costs	4	129	241	373
Foreign exchange loss	30	12	4	24
Legal settlement	-	(12)	-	(12)
Net gain on derecognition of assets and liabilities	-	-	-	(1,168)
Litigation provision for note payable to C Wave Power & Gas Inc.	-	-	258	-
Adjusted EBITDA	\$ (162)	\$ (341)	\$ (526)	\$ (795)

8. QUARTERLY FINANCIAL RESULTS

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

	2023			2022			2021	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses before the undernoted	162	247	117	285	341	260	194	301
Adjusted EBITDA	(162)	(247)	(117)	(285)	(341)	(260)	(194)	(301)
Finance costs	(4)	(100)	(137)	(137)	(129)	(121)	(123)	(120)
Foreign exchange gain (loss)	(30)	25	1	1	(12)	(27)	15	5
Legal settlement	-	-	-	-	12	-	-	-
Net gain (loss) on derecognition of assets and liabilities	-	-	-	(1,042)	-	959	209	-
Litigation provision for note payable to C Wave Power & Gas Inc.	-	(258)	-	-	-	-	-	-
Net income (loss)	\$ (196)	\$ (580)	\$ (253)	\$ (1,463)	\$ (470)	\$ 551	\$ (93)	\$ (416)
Net income (loss) per share								
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.02)	\$ 0.02	\$ (0.00)	\$ (0.02)

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) 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 \$13 as at September 30, 2023 (December 31, 2022 – \$19). 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 the Chairman to support working capital needs and to fund development activities as they arise. During the three and nine months ended September 30, 2023, the Company received \$170 and \$552, respectively, of cash advances from the Chairman. See *Section 13 Related Party Transactions* for additional information.

The change in cash is summarized as follows:

Periods ended September 30	Three months		Nine months	
	2023	2022	2023	2022
Cash used in operating activities	\$ (179)	\$ (245)	\$ (556)	\$ (672)
Cash provided by financing activities	170	214	550	688
Increase (decrease) in cash	\$ (9)	\$ (31)	\$ (6)	\$ 16

Cash used in operating activities for the three months ended September 30, 2023 was \$179 compared to cash used in operating activities of \$245 for the same period in 2022, a decrease of \$66. The decrease was a result of net loss decreasing by \$274 and unrealized foreign exchange loss increasing by \$27 offset by finance costs decreasing by \$125 and non-cash operating assets and liabilities decreasing by \$110.

Cash used in operating activities for the nine months ended September 30, 2023 was \$556 compared to cash used in operating activities of \$672 for the same period in 2022, a decrease of \$116. The decrease was a result of net gain on derecognition of assets and liabilities decreasing by \$1,168 and litigation provision for note payable to C Wave Power & Gas Inc. increasing by \$258, offset by net loss increasing by \$1,017, finance costs decreasing by \$132 and non-cash operating assets and liabilities decreasing by \$158.

Cash provided by financing activities for the three months ended September 30, 2023 was \$170 compared to cash provided by financing activities of \$214 for the same period in 2022, a decrease of \$44. The decrease was primarily a result of proceeds from promissory notes decreasing by \$215, offset by proceeds from secured promissory note increasing by \$170.

Cash provided by financing activities for the nine months ended September 30, 2023 was \$550 compared to cash provided by financing activities of \$688 for the same period in 2022, a decrease of \$138. The decrease was

primarily a result of net proceeds from promissory notes decreasing by \$348, offset by proceeds from secured promissory note increasing by \$210.

10. SHARE CAPITAL

As at September 30, 2023 there were 23,975,507 Common Shares issued and outstanding (December 31, 2022 – 23,975,507).

In determining diluted loss per share for the three and nine months ended September 30, 2023 and September 30, 2022, 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 nine months ended September 30, 2023 and September 30, 2022. All outstanding options either expired or were cancelled in July 2023.

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 nine months ended September 30, 2023 and September 30, 2022.

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	3,702
2034	2,982
2035	3,295
2036	86
2037	3,640
2038	1,192
2039	773
2040	1,210
2041	1,662
2042	1,548
2043	739
	<u>\$ 171,160</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 September 30	Three months		Nine months	
	2023	2022	2023	2022
Salaries, fees and short-term employee benefits	\$ 68	\$ 73	\$ 216	\$ 220

(b) **Promissory notes payable**

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 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 nine months ended September 30, 2023, the Company entered into agreements to issue an additional \$NIL and \$342, respectively, of Promissory Notes to the Chairman. At September 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.

(c) **Secured promissory note payable**

During the three and nine months ended September 30, 2023, the Company received \$170 and \$210, respectively, of advances pursuant to the Secured Note. At September 30, 2023, the Secured Note is comprised of \$210 (December 31, 2022 – \$NIL) advanced by the Chairman. See *Section 4(b) Significant Events – Secured promissory note financing* for additional information.

(d) **Business development fees**

During the three and nine months ended September 30, 2023, the Company recognized \$NIL and \$NIL, respectively, (three and nine months ended September 30, 2022 – \$NIL and \$10, respectively) of business development fees to Ivan 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 \$182 (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. 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 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.

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 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 September 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.

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, secured promissory note payable, litigation provision for note payable to C Wave Power & Gas Inc. (see *Section 4(d) Significant Events – Gas & Power bankruptcy* and *Section 4(f) Significant Events – C Wave Complaint*) 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	\$ 2,483	\$ -	\$ -	\$ 2,483
Advances from Provident Home Comfort Inc.	208	-	-	208
Promissory notes payable	7,168	-	-	7,168
Secured promissory note payable	214	-	-	214
Litigation provision for note payable to C Wave Power & Gas Inc.	1,303	-	-	1,303
CEBA term loan	-	60	-	60
	\$ 11,376	\$ 60	\$ -	\$ 11,436

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., promissory notes payable, secured promissory note payable and litigation provision for note payable to C Wave Power & Gas Inc. (see *Section 4(d) Significant Events – Gas & Power bankruptcy* and *Section 4(f) Significant Events – C Wave Complaint*), 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 the Company can foresee. The information presented in *Section 17 Other Risk Factors* in our MD&A for the year ended December 31, 2022 has not changed materially since December 31, 2022.

17. COMMITMENTS AND CONTINGENCIES

Contingencies

See *Section 4(f) 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.

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 nine months ended September 30, 2023 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 nine months ended September 30, 2023 and in Note 2 of the Company's audited consolidated financial statements for year ended December 31, 2022.

19. ADDITIONAL INFORMATION

Additional information regarding the Company's financial statements and corporate documents is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.onenergyinc.com.

ONEnergy Inc.

SHAREHOLDER INFORMATION

Board of Directors

Chairman of the Board

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

Directors

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

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(416) 444-4848
irinfo@onenergyinc.com

Stock exchange listing

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