

Unaudited Condensed Consolidated Interim Financial Statements of

ONEnergy<sup>TM</sup><sub>Inc.</sub>

*(formerly Look Communications Inc.)*

For the three and nine months ended May 31, 2013 and 2012

## **NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# ONEnergy Inc.

(formerly Look Communications Inc.)

## Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

As at

	May 31, 2013	August 31, 2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 3)	\$ 170	\$ 147
Short-term investments (note 3)	16,119	18,009
Accounts receivable and other receivables (note 4)	700	628
Prepaid expenses and deposits (note 5)	33	21
	<b>\$ 17,022</b>	<b>\$ 18,805</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 716	\$ 547
Accrued restructuring liabilities (note 6)	189	189
Accrued liabilities	199	179
	<b>1,104</b>	<b>915</b>
Shareholders' equity		
Share capital (note 7)	27,499	27,499
Deficit	(11,581)	(9,609)
	<b>15,918</b>	<b>17,890</b>
	<b>\$ 17,022</b>	<b>\$ 18,805</b>

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

Approved by the Board of Directors:

(Signed) – *Stephen J.J. Letwin* \_\_\_\_\_

Director

(Signed) – *Stanley H. Hartt* \_\_\_\_\_

Director

# ONEnergy Inc.

(formerly Look Communications Inc.)

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

(Unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2013	2012	2013	2012
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses				
Compensation (note 9)	56	21	163	102
General and administrative (note 10(a))	1,130	1,119	1,980	2,974
Loss before the undernoted	(1,186)	(1,140)	(2,143)	(3,076)
Interest income	56	61	171	219
Loss and comprehensive loss for the period	\$ (1,130)	\$ (1,079)	\$ (1,972)	\$ (2,857)
Loss per share				
Basic and diluted	(0.008)	(0.007)	(0.014)	(0.020)
Weighted average number of shares outstanding				
Basic and diluted	139,702	139,702	139,702	139,702

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

# ONEnergy Inc.

(formerly Look Communications Inc.)

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

	Share Capital (note 7)			Total Shareholders' Equity
	Shares	Amount	Deficit	
Balance as at September 1, 2011	139,702	\$ 34,484	\$ (5,388)	\$ 29,096
Return of capital		(6,985)	-	(6,985)
Net loss and comprehensive loss for the period	-	-	(2,857)	(2,857)
Balance as at May 31, 2012	139,702	\$ 27,499	\$ (8,245)	\$ 19,254
Balance as at September 1, 2012	139,702	\$ 27,499	\$ (9,609)	\$ 17,890
Net loss and comprehensive loss for the period	-	-	(1,972)	(1,972)
<b>Balance as at May 31, 2013</b>	<b>139,702</b>	<b>\$ 27,499</b>	<b>\$ (11,581)</b>	<b>\$ 15,918</b>

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

# ONEnergy Inc.

(formerly Look Communications Inc.)

## Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2013	2012	2013	2012
Cash flows from operating activities				
Net loss for the period	\$ (1,130)	\$ (1,079)	\$ (1,972)	\$ (2,857)
Items not affecting cash				
Interest earned on short-term investments	(56)	(58)	(171)	(216)
Change in non-cash operating assets and liabilities				
Accounts receivable and other receivables	(103)	(9)	(72)	(152)
Prepaid expenses and deposits	10	979	(12)	1,843
Accounts payable and accrued liabilities	166	(157)	189	(554)
Cash used in operating activities	(1,113)	(324)	(2,038)	(1,936)
Investing activities				
Return of capital	-	(6,985)	-	(6,985)
Redemption of short-term investments	1,200	7,400	1,850	8,700
Interest received on short-term investments	10	44	211	335
Cash provided by investing activities	1,210	459	2,061	2,050
Increase in cash and cash equivalents	97	135	23	114
Cash and cash equivalents, beginning of period	73	215	147	236
Cash and cash equivalents, end of period	\$ 170	\$ 350	\$ 170	\$ 350

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

# ONEnergy Inc.

*(formerly Look Communications Inc.)*

## **Notes to Unaudited Condensed Consolidated Interim Financial Statements**

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

For the three and nine months ended May 31, 2013 and 2012

*(Unaudited)*

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### **1. Nature of operation**

During fiscal 2009, the Corporation sold its spectrum and broadcast licence to Inukshuk Wireless Partnership (“Inukshuk”). As a result of this sale, the Corporation pursued potential investment opportunities to utilize the Corporation’s cash and tax attributes in an effort to maximize shareholder value.

On March 25, 2013, the Corporation entered into a securities purchase agreement, pursuant to which the Corporation agreed to acquire all of the outstanding shares of Sunwave Gas & Power Inc., a privately-held provider of innovative energy commodity products and services based in Toronto, for aggregate consideration of \$1,000. Consideration for the transaction will be satisfied through the issuance of 3,383 multiple voting shares and 3,760 subordinate voting shares in the capital of the Corporation, each valued at \$0.14 per share. Concurrently with the execution of the securities purchase agreement, the Corporation entered into subscription agreements with a group of investors, pursuant to which the investors will subscribe, on a private placement basis, for an aggregate of 30,447 multiple voting shares and 33,839 subordinate voting shares in the capital of the Corporation at a price of \$0.14 per share for aggregate subscription proceeds of \$9,000.

In accordance with the policies of the Exchange, the Corporation’s multiple voting shares and subordinate voting shares were halted from trading upon announcement of the transactions, and remained halted as at May 31, 2013.

The transactions closed on July 9, 2013 (note 16).

As at May 31, 2013, the Corporation was listed on the NEX, the trading symbol for the Corporation’s multiple voting shares was LOK.H, and subordinate voting shares was LOK.K. (note 16(c)).

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on July 19, 2013.

### **2. Summary of significant accounting policies**

These unaudited condensed consolidated interim financial statements have been prepared, in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”). Accounting policies and methods of their application followed in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the consolidated financial statements for the year ended August 31, 2012.

On December 28, 2012, the Corporation’s wholly-owned subsidiaries – Look Mobility Inc., Look Mobile Corporation, Look Communications Limited Partnership, and Delphi SuperNet Inc. - were dissolved, as they were inactive.

# ONEnergy Inc.

(formerly Look Communications Inc.)

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2013 and 2012

(Unaudited)

### 3. Cash and cash equivalents and short-term investments

#### (a) Cash and cash equivalents

As at May 31, 2013, the Corporation held \$170 of cash (August 31, 2012 - \$147) and no cash equivalents.

#### (b) Short-term investments

As at May 31, 2013, the Corporation held \$16,119 of short-term investments (August 31, 2012 - \$18,009), which included variable rate guaranteed investment certificates ("GIC") with original maturities of less than 365 days. During the nine months ended May 31, 2013, \$1,850 was redeemed. As at May 31, 2013, the effective annual interest rate on the GICs was 1.34%. The fair value of short-term investments has been valued using Level 1 inputs.

### 4. Accounts receivable and other receivables

Accounts receivable and other receivables, as at May 31, 2013 and August 31, 2012, are set out in the following table:

	May 31, 2013	August 31, 2012
GST/HST receivable	\$ 614	\$ 446
Legal retainers <sup>(1)</sup>	86	164
Other receivables	-	18
Total	\$ 700	\$ 628

<sup>(1)</sup> During the quarter ended February 28, 2011, as a result of a settlement agreement executed between the Corporation and a former director, a legal retainer totalling \$164 was reallocated from prepayments. During the nine months ended May 31, 2013, \$78 was expensed and, as at May 31, 2013, \$86 remained on retainer.

### 5. Prepaid expenses and deposits

Prepaid expenses, totalling \$33 as at May 31, 2013, included annual insurance payments and security deposits (August 31, 2012 - \$21).

### 6. Restructuring

As a result of the sale of its spectrum and broadcast licence to Inukshuk (note 1), the Corporation initiated a Plan of Arrangement in 2009, under the *Canada Business Corporations Act* (Section 192) and up to November 30, 2010, associated costs were expensed to restructuring charges. Additional charges may be incurred as the Corporation continues in its attempt to recover advances to various law firms.

There were no restructuring expenses or payments during the three and nine months ended May 31, 2013 and 2012.



# ONEnergy Inc.

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## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2013 and 2012

(Unaudited)

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### 7. Share capital

#### (a) Authorized

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 Multiple Voting Shares - voting, entitled to 150 votes 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 Corporation.

Unlimited Subordinate Voting 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 Corporation.

Unlimited Class A Non-Voting Shares – non-voting, entitled to dividends, subject to the rights holders of any preference shares, and to the receipt of any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation. No such shares are issued and outstanding.

#### (b) Issued and outstanding

	Multiple Voting Shares		Subordinate Voting Shares		Total
Balance, as at September 1, 2011	66,165	\$ 16,499	73,537	\$ 17,985	\$ 34,484
Return of capital <sup>(1)</sup>		(3,308)		(3,677)	(6,985)
Balance, as at August 31, 2012 and May 31, 2013	66,165	\$ 13,191	73,537	\$ 14,308	\$ 27,499

<sup>(1)</sup> On March 13, 2012, the Corporation paid a distribution of \$6,985 to the holders of its multiple voting shares and subordinate voting shares, as a return of capital equivalent to \$0.05 for each outstanding multiple voting share and subordinate voting share.

#### (c) Stock option incentive plan

On March 25, 2002, the Board of Directors of the Corporation approved the 2002 Stock Option Incentive Plan (the "2002 Plan"). As a result of the Corporation's restructuring process, there were no options outstanding to acquire Subordinate Voting Shares of the Corporation as at May 31, 2013 or August 31, 2012. The 2002 Plan remains in effect.

# ONEnergy Inc.

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## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2013 and 2012

(Unaudited)

### 8. Segment disclosure

The Corporation had only one segment for the three and nine months ended May 31, 2013 and 2012.

### 9. Compensation

During the three and nine months ended May 31, 2013, the Corporation expensed \$56 and \$163 respectively in compensation (2012 - \$21 and \$102 respectively), which included \$49 and \$146 respectively in key management compensation (2012 - \$19 and \$56 respectively).

### 10. Related party transactions

Related party transactions and balances with Unique Broadband Systems, Inc. (the Corporation's former parent company, which previously controlled the Corporation and with whom the Corporation had previously entered into transactions either directly or through its wholly-owned subsidiaries – collectively "UBS"), are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2013	2012	2013	2012
Management fees expense	\$ -	\$ 377	\$ -	\$ 1,244
Rent revenue	-	(6)	(2)	(18)

#### (a) Management fees expense

Under the original terms of the Management Service Agreement entered into between the Corporation and UBS on May 19, 2004 ("MSA"), the Corporation had been required to pay an annual fee of \$2,400 to UBS. In September 2007, the Corporation advanced \$2,400, which was included in prepaid expenses and deposits.

Effective January 1, 2011, the \$2,400 prepayment was expensed at approximately \$145 per month over the remaining term of the MSA, which expired on May 19, 2012.

#### (b) Rent revenue

During the three months ended November 30, 2012, the Corporation subleased a portion of its premises to UBS for \$2 (three and nine months ended May 31, 2012 - \$6 and \$18 respectively), which was on a month-to-month basis and was recorded as a reduction of general and administrative expenses. On September 30, 2012, UBS terminated its lease agreement with the Corporation and, as at May 31, 2013, the Corporation did not lease premises.

# ONEnergy Inc.

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## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

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### 10. Related party transactions (continued)

#### (c) UBS sale of shares

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of its interest in the Corporation to 2092390 Ontario Inc.

#### (d) 2010 legal advances

During June and July, 2010, the former Board of Directors of the Corporation approved \$1,550 of advances to various professional firms as retainers for future legal fees the directors and officers expected would be incurred answering shareholder complaints and regulatory enquiries. Approximately \$1,464 of the advances was expensed, up to May 31, 2013, and \$86 remains in accounts receivable and other receivables, as a result of a settlement agreement executed between the Corporation and a former director.

The Corporation is seeking recovery of these 2010 legal advances.

### 11. Income taxes

As a result of the restructuring of the business, the cumulative eligible capital expenditure pool was converted to a non-capital loss.

Deferred taxes have not been recognized in respect of the Company's loss carryforwards. The Corporation 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:

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2014	\$ 12,588
2015	55
2026	403
2027	1
2028	8,987
2029	115,583
2030	5,748
2031	19,992
2032	3,457
	<hr/>
	\$ 166,814

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The Corporation's tax attributes may be utilized by the Corporation 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 Corporation.

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## **Notes to Unaudited Condensed Consolidated Interim Financial Statements**

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*(Unaudited)*

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### **12. Contingencies**

- (a) In the normal course of its operations, the Corporation may be subject to litigation and claims.
- (b) The Corporation indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers.

### **13. Management of capital**

The Corporation determines capital to include shareholders' equity. The Corporation's overall strategy with respect to management of capital is to hold low-risk highly-liquid cash accounts and short-term investments.

The Corporation currently does not use other sources of financing that require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Corporation invests its capital in short-term investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Corporation's short-term obligations while maximizing liquidity and returns of unused capital.

On March 13, 2012, the Corporation paid a distribution of \$6,985 to the holders of its multiple voting shares and subordinate voting shares, as a return of capital (note 7(b)).

### **14. Financial instruments and risk management**

The Corporation's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Corporation'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.

# ONEnergy Inc.

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## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

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### 14. Financial instruments and risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its obligations. The Corporation's maximum exposure to credit risk at the end of the reporting period under its financial instruments is summarized as follows:

	May 31, 2013	August 31, 2012
<u>Accounts and other receivables</u>		
Currently due	\$ 117	\$ 108
Past due by 90 days or less not impaired	48	116
Past due by greater than 90 days not impaired	535	404
	<b>\$ 700</b>	<b>\$ 628</b>

All of the Corporation's cash is held with a major financial institution in Canada, and management believes the exposure to credit risk with this institution is not significant. The Corporation's maximum assessed exposure to credit risk, as at May 31, 2013 and August 31, 2012, is the carrying value of its accounts receivable and other receivables.

#### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. The Corporation has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Corporation coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 13, in normal circumstances.

The Corporation's financial liabilities, as at May 31, 2013 and August 31, 2012, are comprised of its accounts payable, accrued restructuring liabilities and accrued liabilities, and are summarized as follows:

	May 31, 2013	August 31, 2012
Contractual maturities -		
Within 90 days or less	\$ 757	\$ 504
In later than 90 days not later than one year	347	411
	<b>\$ 1,104</b>	<b>\$ 915</b>

#### Interest rate risk

The Corporation had no significant exposure, as at May 31, 2013 and August 31, 2012, to interest rate risk through its financial instruments.

# ONEnergy Inc.

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## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2013 and 2012

*(Unaudited)*

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### 15. Support agreement regarding share purchase (“Support Agreement”)

On December 18, 2012, the Corporation entered into a Support Agreement, led by a director of UBS and other independent parties, to acquire up to 45,000 of the Corporation’s multiple voting shares, at \$0.11 per share, up to a 49.9% equity interest in the Corporation. On March 25, 2013, the Corporation terminated the Support Agreement and the Corporation paid a \$225 termination fee.

### 16. Subsequent events

#### a) Change of business to ONEnergy Inc.

On July 9, 2013, Look Communications Inc. completed the change-of-business transaction and concurrent private placement, and changed its name to ONEnergy Inc.

The transactions involved the acquisition by ONEnergy of all of the outstanding shares of Sunwave Gas & Power Inc., a privately held provider of innovative energy commodity products and services based in Toronto, for aggregate consideration of \$1,000. The consideration for the acquisition was satisfied through the issuance of 3,382,974 multiple voting shares and 3,759,883 subordinate voting shares in the capital of ONEnergy, each valued at \$0.14 per share. Concurrently with the completion of the acquisition, the Corporation completed a private placement for an aggregate of 30,446,767 multiple voting shares and 33,838,947 subordinate voting shares in the capital of ONEnergy at a price of \$0.14 per share for aggregate subscription proceeds of \$9,000.

#### b) Change of directors and management

On July 9, 2013, Henry Eaton resigned as director of Look Communications Inc. (“Look”). Stanley H. Hartt and Stephen J.J. Letwin were appointed to the ONEnergy board as independent directors, and David Rattee and Lawrence Silber continue to serve as ONEnergy’s two other independent directors.

On July 9, 2013, Grant McCutcheon resigned as chief executive officer of Look and was awarded a severance payment of \$100 for his services to Look.

On July 9, 2013, Mark J. Lewis was appointed chief executive officer and Robert Weir was appointed chief operating officer of ONEnergy. C. Fraser Elliott continues to serve as ONEnergy’s chief financial officer.

#### c) TSX listing

Effective July 11, 2013, the multiple voting shares and subordinate voting shares were listed and posted for trading on the exchange under the symbols OEG and OEG.A, respectively.

# ONEnergy Inc.

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## **Notes to Unaudited Condensed Consolidated Interim Financial Statements**

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

For the three and nine months ended May 31, 2013 and 2012

*(Unaudited)*

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### **16. Subsequent events (continued)**

#### **d) Court Decision**

On Friday, September 28, 2012, the Ontario Superior Court of Justice dismissed applications and motions made by certain of the Corporation's former officers and directors and personal service companies for interim advances to finance their costs of defending claims made against them by the Corporation.

The Court denied the advances sought by Messrs. McGoey, Cytrynbaum, Redman, Smith, Colbran and the personal service companies (the "Applicants"), but held that Mr. Dolgonos (but not his personal service company) is entitled to advances for his defense of the claims made against him. On June 18, 2013, the Corporation advanced \$150 to Mr. Dolgonos (note 10(d)).