

Unaudited Interim Condensed Consolidated Financial Statements of

ONEnergy Inc.

As at and for the three months ended March 31, 2014 and 2013

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 the Corporation have been prepared by and are the responsibility of the Corporation's management and have been approved by the Corporation's Board of Directors. 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.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)

As at

	Note	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	6	\$ 17,830	\$ 20,555
Restricted cash	7	683	266
Accounts and other receivables	8	1,013	437
Natural gas delivered in excess of consumption		-	136
Prepaid expenses and deposits		500	284
Current portion of other financial assets	22	360	104
		20,386	21,782
Other financial assets	22	191	29
Property and equipment	9	128	147
Intangible asset	10	798	832
Goodwill		548	548
Total assets		\$ 22,051	\$ 23,338
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	11	\$ 1,412	\$ 1,280
Payments received in advance of consumption		-	191
Accrued gas payable		129	-
Current portion of obligation under finance lease	12	30	28
Current portion of other financial liabilities	22	-	41
		1,571	1,540
Credit facility	13	55	-
Obligation under finance lease	12	33	42
Other financial liabilities	22	-	62
		1,659	1,644
Shareholders' equity			
Share capital	14	37,499	37,499
Contributed surplus		204	131
Accumulated other comprehensive (loss) income		(3)	15
Deficit		(17,308)	(15,951)
		20,392	21,694
Total liabilities and shareholders' equity		\$ 22,051	\$ 23,338

Commitments and contingencies (note 20)

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

Approved by the Board of Directors:

(Signed) – Stephen J.J. Letwin
Director

(Signed) – Stanley H. Hartt
Director

ONEnergy Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

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

For the three months ended March 31

	Note	2014	2013
Revenue	15	\$ 1,051	\$ -
Cost of sales	15,16	1,008	-
Gross margin		43	-
Expenses			
Selling	16	634	-
General and administrative	16	1,369	863
		2,003	863
Operating loss before the undernoted		(1,960)	(863)
Change in fair value of derivative instruments	22	522	-
Finance income		45	55
Foreign exchange gain		36	-
Loss for the period		\$ (1,357)	\$ (808)
Other comprehensive loss			
Unrealized loss on translation of foreign operations		(18)	-
Other comprehensive loss		(18)	-
Total comprehensive loss for the period		\$ (1,375)	\$ (808)
Total comprehensive loss per share			
Basic and diluted	14	\$ (0.006)	\$ (0.006)
Weighted average number of shares outstanding			
Basic and diluted (in thousands)	14	211,130	139,702

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

ONEnergy Inc.

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

	Share Capital (note 14)		Deficit	Contributed surplus	Accumulated Other Comprehensive Income		Total Shareholders' Equity
	Shares	Amount					
Balance as at December 31, 2012	139,702	\$ 27,499	\$ (10,064)	\$ -	\$ -	\$ 17,435	
Net loss and comprehensive loss for the period	-	-	(808)	-	-	(808)	
Balance as at March 31, 2013	139,702	\$ 27,499	\$ (10,872)	\$ -	\$ -	\$ 16,627	
Balance as at December 31, 2013	211,131	\$ 37,499	\$ (15,951)	131	\$ 15	\$ 21,694	
Net loss for the period	-	-	(1,357)	-	-	(1,357)	
Other comprehensive loss	-	-	-	-	(18)	(18)	
Stock compensation (note 14)	-	-	-	73	-	73	
Balance as at March 31, 2014	211,131	\$ 37,499	\$ (17,308)	\$ 204	\$ (3)	\$ 20,392	

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

ONEnergy Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

For the three months ended March 31

	Note	2014	2013
Cash flows from the following:			
Operating activities			
Loss for the period		\$ (1,357)	\$ (808)
Items not affecting cash			
Depreciation of property and equipment		21	-
Amortization of intangible assets		58	-
Change in fair value of derivative instruments	22	(522)	-
Interest earned on short-term investments		(57)	(55)
Unrealized foreign exchange gains		(36)	-
Stock based compensation	14	73	-
Change in non-cash operating assets and liabilities	17	(586)	302
Cash used in operating activities		(2,406)	(561)
Investing activities			
Redemption/maturity of short-term investments		-	600
Purchase of short-term investments		(174)	-
Increase in restricted cash		(243)	-
Interest received on short-term investments		58	4
Purchase of property and equipment		(2)	-
Purchase of intangible assets		(24)	-
Cash provided by (used in) investing activities		(385)	604
Financing activities			
Proceeds on credit facility	13	55	-
Repayment of obligation under finance lease		(11)	-
Cash provided by financing activities		44	-
Effect of foreign currency translation on cash balances		22	-
Increase (decrease) in cash and cash equivalents		(2,725)	43
Cash and cash equivalents, beginning of period		20,555	220
Cash and cash equivalents, end of period		\$ 17,830	\$ 263

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

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

1. Nature of operations

Look Communications Inc. ("Look") was formed on October 31, 1999 under the Canada Business Corporations Act. On July 8, 2013, pursuant to articles of amendment, Look changed its name to ONEnergy Inc. ("ONEnergy"). On July 9, 2013, Look completed a change-of-business transaction (the "Transaction") and a concurrent private placement.

The consolidated financial statements are comprised of ONEnergy; and its wholly owned subsidiaries (collectively referred to as "Sunwave") which include Sunwave Gas & Power Inc., Sunwave USA Holdings Inc., Sunwave Gas & Power New York Inc., Sunwave Gas & Power Illinois Inc., Sunwave Gas & Power Massachusetts Inc., Sunwave Gas & Power Connecticut Inc., Sunwave Gas & Power Pennsylvania Inc. and Sunwave Gas & Power Ohio Inc. References to the Corporation include ONEnergy and Sunwave.

The Corporation is domiciled in Canada and the address of its registered office is 2225 Sheppard Avenue East, Suite 1600, Toronto, Ontario, Canada. M2J 5C2.

The Corporation operates in the sale of natural gas and electricity in Ontario, and electricity in Connecticut and Pennsylvania, to residential and commercial customers under short or long-term fixed-price, price-protected or variable-priced contracts. It markets its natural gas and electricity contracts under the Sunwave Gas & Power trade name.

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

These consolidated financial statements were approved for issue by the Board of Directors on May 15, 2014.

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"), and using accounting policies consistent with International Financial Reporting Standards ("IFRS"). 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 consolidated financial statements for the sixteen months ended December 31, 2013, except for the adoption of new standards and interpretations effective January 1, 2014 as disclosed below.

The following new accounting standards that have been adopted had no material impact on the interim condensed consolidated financial statements.

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 32 — Financial Instruments: Presentation

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

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

3. Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires the use of estimates and assumptions to be made in applying accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities, at the date of the consolidated financial statements, and the reported income and expenses during the reporting period.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated. As the basis for its judgments, management uses estimates and related assumptions which are based on previous experience and various commercial, economic and other factors that are considered reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual outcomes may differ from these estimates under different assumptions and conditions.

Estimates made by management in the application of IFRS that have a significant impact on the consolidated financial statements relate to the following:

Revenue recognition

Accounts receivable includes an unbilled receivables component, representing the amount of energy consumed by customers as at the end of the period but not yet billed. Unbilled receivables are estimated by the Corporation based on the number of units of energy consumed but not yet billed, based on estimates using usage data available, multiplied by the current customer average sales price per unit.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Stock compensation

Management determines the fair value of stock options granted using Black Scholes valuation which can be affected by the assumptions used including risk free rates, expected life, dividend yields, volatility and estimated forfeiture rates.

Fair value of financial instruments

Determining the value of derivative instruments requires judgment and is based on market prices or management's best estimates if there is no market and/or if the market is illiquid. Where the fair value of financial instruments recorded cannot be derived from active markets, they are determined using valuation techniques including making internally generated adjustments to quoted prices in observable markets and discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The estimate includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

Impairment of non-financial assets

In assessing the value of intangible assets or non-financial assets for potential impairment, assumptions are made regarding future cash flows. These calculations require the use of estimates. If these estimates change in the future, the Corporation may be required to record impairment charges related to intangible assets and goodwill.

Useful life of property and equipment and intangible assets

The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Corporation.

Acquisition accounting

Management uses judgment to determine whether an acquisition qualifies as an asset acquisition or a business combination by reviewing inputs, processes, and outputs within a transaction. All identifiable assets, liabilities and contingent liabilities acquired in an asset purchase are recognized at fair value on the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition.

4. Accounting standards issued but not yet applied

The IASB has issued the following applicable standards, which have not yet been adopted by the Corporation. Each of the new standards is effective for annual periods beginning on or after January 1, 2014. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements.

The following is a description of the new standards:

IFRS 9 - Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date has not been finally established by the IASB.

The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements and are not expected to have an effect on the Corporation's future results and financial position:

IAS 19 – Employee Benefits

5. Seasonality

Sunwave's customers typically consume more natural gas during the winter months than the summer months and while they typically consume more electricity during the summer months; electricity consumption is subject to less seasonality than natural gas. The combined impact of natural gas and electricity consumption seasonality on the results of the Corporation is that revenue and cost of sales will be typically higher in the quarters ended December 31 and March 31.

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

6. Cash and cash equivalents

As at March 31, 2014, the Corporation had \$17,830 (December 31, 2013 - \$20,555) of cash and cash equivalents, comprised of \$15,580 (December 31, 2013 - \$17,555) of cash on hand and \$2,250 (December 31, 2013 - \$3,000) of short-term investment with an original maturity of 91 days or less. As at March 31, 2014, the effective annual interest rate on the short-term investments was 1.4% and they are fully redeemable at any time by the Corporation, at its discretion.

7. Restricted cash

The Corporation has term deposits of \$440 (US\$398) at March 31, 2014 (December 31, 2013 - \$Nil) held as collateral to support letters of credit issued by the Corporation. The security will remain as long as the letter of credit is outstanding. In addition, at March 31, 2014, the Corporation has \$243 (December 31, 2013 - \$Nil) in cash that is pledged as collateral against energy purchases and other obligations under its commodity supply and credit facility agreement with Shell Energy North America (Canada) Inc. and Shell Energy North America (US), L.P. (collectively "Shell Energy").

8. Accounts and other receivables

Accounts and other receivables are set out in the following table:

	March 31, 2014	December 31, 2013
Trade receivables	\$ 603	\$ 246
Refundable taxes	210	175
Other receivables	200	16
Total	\$ 1,013	\$ 437

9. Property and equipment

	Computer Hardware	Office Furniture & Equipment	Total Property and Equipment
Cost			
Balance at December 31, 2013	\$ 79	\$ 104	\$ 183
Additions	2	-	2
Balance at March 31, 2014	\$ 81	\$ 104	\$ 185
Accumulated depreciation			
Balance at December 31, 2013	\$ 22	\$ 14	\$ 36
Depreciation	13	8	21
Balance at March 31, 2014	\$ 35	\$ 22	\$ 57
Net book value			
As at December 31, 2013	\$ 57	\$ 90	\$ 147
As at March 31, 2014	\$ 46	\$ 82	\$ 128

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

10. Intangible assets

	Customer contracts	Computer software	Total intangible assets
Cost			
Balance at December 31, 2013	\$ 919	\$ 21	\$ 940
Additions	-	24	24
Balance at March 31, 2014	\$ 919	\$ 45	\$ 964
Accumulated amortization			
Balance at December 31, 2013	\$ 105	\$ 3	\$ 108
Amortization	55	3	58
Balance at March 31, 2014	\$ 160	\$ 6	\$ 166
Net book value			
As at December 31, 2013	\$ 814	\$ 18	\$ 832
As at March 31, 2014	\$ 759	\$ 39	\$ 798

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are set out in the following table:

	March 31, 2014	December 31, 2013
Accounts payable	\$ 389	\$ 593
Accrued liabilities	834	498
Accrued restructuring liabilities ⁽¹⁾	189	189
Total	\$ 1,412	\$ 1,280

⁽¹⁾ Accrued restructuring liabilities

During fiscal 2009, the Corporation sold its spectrum and broadcast license, initiated a Plan of Arrangement under the *Canada Business Corporations Act* (Section 192) and, up to November 30, 2010, expensed all associated costs to restructuring charges. Of these charges, a provision of \$189 (December 31, 2013 - \$189) for costs in connection with the Sale Awards (see note 20(b)) is still outstanding.

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

12. Obligation under finance lease

The Corporation leases office equipment under a financing arrangement, which bears interest at 7.54% per annum and matures in April 2016. The net carrying value of office equipment under finance lease is \$66 (December 31, 2013 - \$72).

The following table presents future minimum lease payments under finance lease together with the present value of the minimum lease payments:

Future minimum lease payments due:	
Less than one year	\$ 33
Between one and five years	34
More than five years	-
Total minimum lease payments	67
Less: amounts representing interest	(4)
Present value of total minimum lease payments	63
Less: current portion of minimum lease obligation	30
Non-current portion of minimum lease obligation	\$ 33

13. Credit facility

	March 31, 2014	December 31, 2013
Shell Energy	\$ 55	\$ -
Interest payable	-	-
Total	\$ 55	\$ -

On November 20, 2013, Sunwave entered into agreements with Shell Energy under which Shell Energy will supply energy, credit support, and environmental commodities to Sunwave in multiple North American natural gas and power retail markets.

Under the credit facility agreements Shell Energy has provided Sunwave credit arrangements for its Canadian and U.S. operations. Under the Canadian revolving credit facility Shell Energy will be providing Sunwave with advances of up to \$1,000 for commodity purchases and, financial derivatives and related services. Interest is payable on outstanding advances at 4% plus the greater of: (i) 3% or (ii) LIBOR. Under the U.S. revolving credit and collateral credit facilities Shell Energy will be providing Sunwave with advances of up to US\$15,000 for commodity purchases, certain working capital uses, collateral security support and financial derivatives and related services. Interest is payable on outstanding advances under the revolving credit facility at 4% plus the greater of: (i) 3% or (ii) LIBOR, and under the collateral credit facility at 4% plus the greater of: (i) 4% or (ii) LIBOR. On March 31, 2014, LIBOR was 0.24%. An additional interest rate penalty of 0.5% applies to all facilities in the event that Sunwave were to be in default of certain financial covenants. Principal and interest are repayable in the month following the month that advances were made. No further advances can be made after November 20, 2018. No advances were drawn during 2013 and no amount is outstanding at December 31, 2013.

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

The agreements are secured by a general security agreement and a pledge of Sunwave's assets and subject to certain covenant restrictions.

During March 2014, Sunwave drew \$55 (US\$50) on the collateral credit facility. As at March 31, 2014, Sunwave was non-compliant with a single covenant in the Shell credit agreements. An additional interest rate penalty of 0.5% has been applied until Sunwave becomes compliant with this covenant. Interest is provided at 8.0% per annum plus an interest penalty of 0.5%

As partial consideration for entering into the agreements above, Sunwave has agreed to provide Shell Energy with a "participation" payment based upon the performance of Sunwave during the term of the agreements. A participation payment is payable to Shell Energy upon Sunwave reaching certain milestones such as customer count thresholds; a disposition of Sunwave's assets or a material public share issuance by Sunwave or the Corporation. The payment is based on a certain percentage of Sunwave's equity value at the time of the triggering event. The payment, if and when triggered, is a one-time event. For clarity, the calculation of the payment is based on upon Sunwave's equity value at the time of the triggering event, and not upon the equity value of the Corporation. Given that various events could result in the achievement of triggering milestones, and that the milestones that would trigger a payment may occur at any point over the life of the agreements, as at March 31, 2014 management does not believe it is reasonably possible to estimate either the timing or the amount of such participation payment. No amount for a participation payment to Shell Energy has been accrued as at March 31, 2014 (December 31, 2013 - \$Nil).

14. 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

Shares (in thousands)	Multiple Voting Shares	Subordinate Voting Shares	Total
Balance, as at December 31, 2013 and March 31, 2014	99,995 \$ 17,928	111,136 \$ 19,571	\$ 37,499

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

(c) Stock option plan

During 2014, the Corporation granted 150 options to purchase subordinate voting shares in the capital of the Corporation to employees. The options vest over a four year period, are exercisable at a price of \$0.14 per share and expire in February 2024.

The following table reflects the options outstanding under the 2013 Plan:

	Weighted average remaining contractual life	Number of options	Weighted average exercise price
Outstanding as at December 31, 2013		17,997	\$ 0.14
Granted		150	0.14
Cancelled/ Forfeited		(1,175)	0.14
Outstanding as at March 31, 2014	9.4	16,962	\$ 0.14
Exercisable as at March 31, 2014	9.3	2,420	\$ 0.14

The Corporation uses the Black-Scholes option pricing model to estimate fair value of options granted. The fair value of options issued during the period was determined using the following weighted average assumptions: risk-free interest rate of 2.02%; expected volatility of 80%; expected life of ten years and an expected dividend yield of Nil. The weighted average grant date fair value of options was \$0.096.

(d) Loss per share

	For the three months ended March 31,	
	2013	2012
Total comprehensive loss for the period	\$ 1,375	\$ 808
Weighted average number of shares outstanding	211,103	139,702
Basic and diluted total comprehensive loss per share	\$ (0.006)	\$ (0.006)

Basic loss per share is calculated by dividing the total comprehensive loss by the weighted average number of shares outstanding during the period. Outstanding stock options, as at March 31, 2014, of 16,962, have not been factored into the calculation as it is considered anti-dilutive.

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

15. Segment disclosure

For the three months ended March 31, 2014, the Corporation operated in one segment, as a provider of natural gas and electricity products and services to residential and commercial customers. All of its revenue for the three months ended March 31, 2014 was derived from this business. The Corporation is not considered to have any key customers. As a result of the sale of its spectrum and broadcast license in 2009, the Corporation had limited operations during the three months ended March 31, 2013.

The gross margin of natural gas and electricity sales are as follows:

	For the three months ended March 31	
	2014	2013
Revenue		
Natural gas	\$ 630	\$ -
Electricity	421	-
	1,051	-
Cost of sales		
Natural gas	639	-
Electricity	369	-
	1,008	-
Gross margin		
Natural gas	(9)	-
Electricity	52	-
	\$ 43	\$ -

16. Expenses

	For the three months ended March 31	
	2014	2013
Cost of gas and electricity	\$ 1,008	\$ -
Selling cost	504	-
Personnel	928	65
Professional fees	126	629
Litigation costs ⁽¹⁾	172	146
Occupancy ⁽²⁾	86	2
Office and other expenses	108	21
Depreciation and amortization	79	-
	\$ 3,011	\$ 863

⁽¹⁾ Note 20(b)

⁽²⁾ Note 18(a)

Reported as	For the three months ended March 31	
	2014	2013
Cost of sales	\$ 1,008	\$ -
Selling	634	-
General and administrative	1,369	863
	\$ 3,011	\$ 863

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

17. Supplemental cash flow information

(a) Change in non-cash assets and liabilities consist of the following:

	For the three months ended March 31	
	2014	2013
Accounts receivable and other receivables	\$ (576)	\$ (37)
Natural gas delivered in excess of consumption	136	-
Prepaid expenses and deposits	(216)	18
Accounts payable and accrued liabilities	132	321
Payments received in advance of consumption	(191)	-
Accrued gas payable	129	-
	\$ (586)	\$ 302

18. Related party transactions

(a) Premises sublease

The Corporation subleases its premises from OZZ Clean Energy Inc. ("OCE"), who is Sunwave's former controlling shareholder and is a current shareholder of the Corporation. The sublease is for the period from July 2013 to November 2017. For the three months ended 2014, \$73 was charged to the Corporation (2013 - \$Nil). No amounts are currently outstanding. On January 20, 2014, the sublease and underlying head lease was amended, at no penalty, to early terminate on July 31, 2014, resulting in a termination of the Corporation's obligations under the sublease as of that date.

(b) Electricity revenue

For the three months ended March 31, 2014, the Corporation supplied electricity totaling \$7, to a company that is controlled by the controlling shareholder of OCE, based on the Corporation's standard supply agreement for electricity at a negotiated price per kilowatt hour ("kWh"). The balance outstanding as at March 31, 2014 was \$Nil (December 31, 2013 - \$Nil).

(c) Compensation of key management personnel

The Corporation's key management personnel are comprised of the Board of Directors and members of the executive team of the Corporation.

	For the three months ended March 31, 2014	For the three months ended Mar 31, 2013
Salaries, fees, and short-term employee benefits	\$ 382	\$ 100
Stock-based compensation	67	-
	\$ 449	\$ 100

ONEnergy Inc.

Notes to the unaudited interim condensed consolidated financial statements

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

For the three months ended March 31, 2014 and 2013

19. Income taxes

Deferred taxes, in respect of the Corporation's loss carry-forwards, are recognized to the extent that it is probable that they can be utilized. 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:

Year	Amount
2014	\$ 12,588
2015	55
2026	403
2027	1
2028	8,987
2029	115,583
2030	5,748
2031	21,933
2032	3,457
2033	4,724
2034	1,858
	<u>\$ 175,337</u>

20. Commitments and contingencies

(a) Commitments

The minimum payments required under the terms of non-cancellable leases are as follows:

	March 31, 2014	March 31, 2013
Less than one year	\$ 106	\$ -
Between one and five years	438	-
Over five years	241	-
	<u>\$ 785</u>	<u>\$ -</u>

On March 31, 2014, the Corporation entered into a long-term premises lease for its new head office location. Future minimum payments under the terms of this non-cancellable lease are \$645.

(b) Contingencies

- (i) Status of Statement of Claim against certain former directors and officers of Look:

The defendants delivered Statements of Defence in the spring of 2013. The defendants, other than Mr. Dolgonos and DOL Technologies Inc., also issued Third Party Claims against Stikeman Elliott LLP and one of its lawyers (collectively, "Stikeman Elliott"). Stikeman Elliott delivered Statements of Defence to the third party claims. The parties exchanged Affidavits of Documents in late 2013 and early 2014. Examinations for discovery began in February 2014 and are effectively completed. The Court has directed the parties to be prepared for a trial in 2014. A mediation is scheduled for July 30 and 31, 2014 with the Honorable George Adams Q.C.

ONEnergy Inc.

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The Corporation also issued a Statement of Claim against McMillan LLP on August 20, 2012 (the "McMillan Claim"). The McMillan Claim seeks recovery of the advances paid in June of 2010 in the amount of \$1,550, which were paid to McMillan LLP and other law firms before the former directors and officers resigned on July 21, 2010. The Corporation has received a defence from McMillan LLP and is working to schedule examinations for discovery to take place before the end of July 2014. Dates for the examinations have not yet been set.

- (ii) In the normal course of its operations, the Corporation may be subject to other litigation and claims.
- (iii) 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.
- (iv) Sunwave is subject to a participation interest payment to Shell Energy (note 14) upon certain triggering events occurring.

21. 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 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.

22. Financial instruments and risk management

The Board of Directors has overall responsibility for the determination of the Corporation'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 Corporation's management. Periodically throughout the year, the Board of Directors receive reports from the Corporation'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 Corporation's competitiveness and flexibility. With the acquisition of Sunwave, the Corporation's activities expose it to a variety of market risks, principally from fluctuating commodity prices. The Corporation has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. The Corporation's risk management activities include the use of derivative instruments such as swaps and forward contracts. The Corporation maintains commodity risk management strategies that use derivative instruments, within approved risk tolerances to minimize significant, unanticipated fluctuations in earnings caused by market price volatility. Further details regarding these policies are set out below.

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Risk management

The main risks arising from the Corporation's financial instruments are commodity pricing and mark-to-market risk, supplier risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposure that occur in the normal course of business and are managed on a consolidated basis.

Market risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which the Corporation is exposed are discussed below.

Commodity pricing and mark-to-market risk

The Corporation purchases both physical energy commodities, such as natural gas, and financially settled energy instruments such as electricity swap contracts. These commodity products are subject to market fluctuations based upon market supply and demand for such products. The Corporation experiences fluctuations in the unrealized valuation of its contracts to purchase energy commodities. The Corporation is also subject to cancellations by customers that may leave the Corporation with an excess of commodity supply, which may have to be sold into the open market at an indeterminate price. Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the electricity and natural gas portfolios. The Corporation's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The Corporation enters into derivative instruments in order to manage exposures to changes in commodity prices. The inability or failure of the Corporation to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of the Corporation.

The fair values of the Corporation's financial instruments are significantly influenced by the variability of forward spot prices for electricity and natural gas. Period to period changes in forward spot prices could cause significant changes in the mark to market valuation ("MTM valuation") of these contracts.

Supplier Risk

Sunwave purchases all of the natural gas and electricity delivered to its customer through long-term contracts entered into with various suppliers. The Corporation has an exposure to supplier risk as the ability to continue to deliver natural gas and electricity to its customers is reliant upon ongoing operations of these suppliers and their ability to fulfill their contractual obligations. The Corporation has discounted the fair value of its financial assets to accommodate for its counterparties' risk of default.

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. Financial instruments, which are potentially subject to credit risk for the Corporation, consist primarily of cash and cash equivalents, accounts and other receivables.

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Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The LDCs provide collection services and assume the risk of any bad debts from customers for a fee. Therefore, the Corporation receives the collection of customer account balances directly from the LDCs. Management believes that the risk of the LDCs failing to deliver payment to the Corporation is minimal. The Corporation's customers are individually insignificant and geographically dispersed. The Corporation currently believes that its susceptibility to an individually significant write-off as a result of concentrations of customer accounts receivable with those LDCs is remote.

Other receivables are comprised primarily of refundable taxes receivable from the 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 Corporation is minimal.

The Corporation's maximum exposure to credit risk at the end of the reporting period under its financial instruments is summarized as follows:

	March 31, 2014	December 31, 2013
<u>Accounts and other receivables</u>		
Currently due	\$ 712	\$ 292
Past due by 90 days or less not impaired	197	83
Past due by greater than 90 days not impaired	104	62
	\$ 1,013	\$ 437

All of the Corporation's cash is held with major financial institutions in Canada and in the US, and management believes the exposure to credit risk with these institutions is not significant. The Corporation's maximum assessed exposure to credit risk, as at March 31, 2014 and December 31, 2013, is the carrying value of its accounts and other receivables.

Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or other financial assets. The Corporation's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital and regulatory requirements and obligations, 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, ONEnergy is obligated to make future payments under various non-cancellable contracts and other commitments.

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The Corporation's financial liabilities are comprised of its accounts payable and accrued liabilities, payments received in advance of consumption, derivative instruments and financial leases. As at March 31, 2014, 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	\$ 1,412	\$ -	\$ -	\$ 1,412
Payments received in advance of consumption	-	-	-	-
Derivative instruments	913	1,105	-	2,018
Finance lease obligation	30	33	-	63
	\$ 2,355	\$ 1,138	\$ -	\$ 3,493

Derivative financial instruments

The Corporation has fixed-for-floating electricity swaps and gas forward contracts that are considered financial instruments. The fair value of financial instruments is the estimated amount that the Corporation would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation has estimated the value of these contracts using a discounted cash flow method which employs market forward curves. The market forward curves are sourced directly from third parties.

At March 31, 2014, the Corporation had the following financial instruments classified as fair value through profit and loss.

Fixed-for-floating electricity swaps - Canada

Notional volumes (on-peak/off-peak)	18,608 MWh / 20,188 MWh
Total remaining notional volume	38,796 MWh
Maturity dates	May 31, 2014 to March 31, 2018
Fixed price per MWh (in dollars)	\$19.36 to \$40.05
Fair value favourable/ (unfavourable)	\$228
Notional value	\$1,391

Fixed-for-floating electricity swaps – U.S.

Notional volumes (on-peak/off-peak)	1,896 MWh/1,920 MWh
Total remaining notional volume	3,816 MWh
Maturity dates	February 28, 2014 to March 31, 2018
Fixed price per MWh (in U.S.dollars)	\$33.96 to \$73.50
Fair value favourable/ (unfavourable)	\$33
Notional value	\$210

Natural gas forward contracts - Canada

Notional volumes	5 – 470 GJ/day
Total remaining notional volume	512,366 GJ
Maturity dates	July 31, 2014 to March 31, 2018
Fixed price per GJ (in dollars)	\$3.08 to \$4.82
Fair value favourable/ (unfavourable)	\$290
Notional value	\$2,513

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Change in fair value of derivative instruments

	For the three months ended	
	March 31,	
	2014	2013
Fixed-for-floating electricity swaps	\$ 365	\$ -
Natural gas forward contracts	157	-
	\$ 522	\$ -

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 illustrates the classification of financial assets/ (liabilities) in the FV hierarchy.

As at March 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 17,830	\$ -	\$ -	\$ 17,830
Restricted cash	683	-	-	683
Accounts and other receivables	-	1,013	-	1,013
Other financial assets	-	-	551	551
Financial liabilities				
Trade and other payables	-	(1,412)	-	(1,412)
Finance lease obligation	-	(63)	-	(63)
	\$ 18,513	\$ (462)	\$ 551	\$ 18,602

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 20,555	\$ -	\$ -	\$ 20,555
Restricted cash	266	-	-	266
Accounts and other receivables	-	437	-	437
Other financial assets	-	-	133	133
Financial liabilities				
Accounts payable and accrued liabilities	-	(1,280)	-	(1,280)
Payments received in advance of consumption	-	(191)	-	(191)
Obligation under finance lease	-	(70)	-	(70)
Other financial liabilities	-	-	(103)	(103)
	\$ 20,821	\$ (1,104)	\$ 30	\$ 19,747

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Classification of financial assets and liabilities

The following table represents the carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost.

As at March 31, 2014	Carrying amount	Fair value
Cash and cash equivalents	\$ 17,830	\$ 17,830
Restricted cash	683	683
Accounts and other receivables	1,013	1,013
Accounts payable and accrued liabilities	1,412	1,412
Obligation under finance lease	63	63

As at March 31, 2014 and December 31, 2013, the carrying value of cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities approximates their fair value due to their short-term nature. The carrying value of obligation under finance lease approximates its fair value as its interest payable on outstanding amounts approximates the Corporation's current cost of capital.

Interest rate risk

The Corporation is exposed to interest rate fluctuations associated with its floating rate credit facility. The Corporation's current exposure to interest rate risk does not economically warrant the use of derivative instruments and the Corporation does not currently believe that it is exposed to material interest rate risk.

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 as a result of investments in U.S. operations.

Although the Corporation's operations are predominately in Ontario, it has started operations in the US. A portion of ONEnergy's income will be generated in U.S. dollars and will be subject to currency fluctuations. The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect ONEnergy's income. Due to commencing operations in the U.S., ONEnergy expects to have a greater exposure to U.S. fluctuations in the future than in prior years.

23. Subsequent events

(a) Acquisition of The Home Comfort Group Inc.

On April 21, 2014, the Corporation acquired all the issued and outstanding shares of The Home Comfort Group Inc. ("HCG") for cash consideration of \$3,205. HCG is in the residential heating, ventilation, & air conditioning ("HVAC") rentals, sales and installation business and provides heating and air conditioning equipment, tankless and conventional hot water systems and other in-home and commercial appliances, products and services. Based in Toronto, Ontario, HCG has operations in Ontario, Alberta, and Manitoba.