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

ONEnergy Inc.
(formerly Look Communications Inc.)

For the sixteen months ended December 31, 2013 and twelve months ended August 31, 2012

March 13, 2014

ONEnergy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
of the Financial Condition and Results of Operations
(In thousands, except per share amounts)

For the sixteen months ended December 31, 2013 and twelve months ended August 31, 2012

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1. INTRODUCTION

This management's discussion and analysis ("MD&A") of financial condition and results of operations of ONEnergy Inc. ("ONEnergy" or the "Corporation"), is supplementary to, and should be read in conjunction with, the audited consolidated financial statements for the sixteen months ended December 31, 2013. The following MD&A, dated March 13, 2014, has been prepared with all information available up to and including March 13, 2014. ONEnergy's audited annual consolidated financial statements and other disclosure documents are available on www.sedar.com and on ONEnergy's website at www.onenergyinc.com.

The audited annual consolidated financial statements of ONEnergy are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The annual audited consolidated financial statements of ONEnergy are presented in Canadian dollars. All figures within this MD&A are presented in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages may not reconcile due to rounding.

ONEnergy, formerly Look Communications Inc. ("Look"), is a corporation established under the laws of Canada. On July 9, 2013, Look completed a change-of-business transaction (the "Transaction") by acquiring Sunwave Gas & Power Inc. for $1,000 in consideration for multiple voting shares and subordinated voting shares and a concurrent private placement of $9,000, changing its name to ONEnergy Inc. (*refer to the section entitled "3(a) Overview" – "Change of business and overview").* The names "ONEnergy", "Look" and the "Corporation" all refer to the same legal entity, and the use of each is dependent upon the context of the topic covered in this MD&A.

The Corporation is comprised of ONEnergy, and its wholly-owned subsidiaries including 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. and Sunwave Gas & Power Pennsylvania Inc. (collectively referred to as "Sunwave").

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

In this MD&A, the terms "we", "us", "our", and "Corporation" refer to ONEnergy and Sunwave, and Look's subsidiary entities, prior to their dissolution.

2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements and information concerning expected future events, the future performance of the Corporation, 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 Corporation 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 Corporation's control. New risks and uncertainties arise from time to time, and it is impossible for the Corporation to predict these events or the effect that they may have on the Corporation.

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) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments including competition for, and the availability of, qualified employees and contractors, (iv) business integrations and internal reorganizations, (v) business process risks including the use of, and reliance on, external vendors and contractors, (vi) regulatory developments and changes including regulatory requirements for sales channels used by the Corporation and financial surety requirements from utilities and regulators, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) commodity pricing volatility and availability, (x) disruption to transmission systems for energy commodities that could impair the Corporation's ability to serve its customers, (xi) other risk factors related to the Corporation's historic business, (xii) risk factors related to the Corporation's future operations, and (xiii) 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 the sections *entitled "Overview – Significant current events"* and *"Operating risks and uncertainties*" below.

Therefore, future events and results may vary significantly from what the Corporation currently foresees. Readers are cautioned that the forward-looking statements and information made by the Corporation 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.

3. <u>OVERVIEW</u>

a) Change of business and overview

On July 9, 2013, Look completed the change-of-business transaction by acquiring Sunwave Gas & Power Inc. for $1,000, completed a concurrent private placement of $9,000, and changed its name to ONEnergy Inc.

The transaction involved the acquisition by ONEnergy of all of the outstanding shares of Sunwave Gas & Power Inc., a provider of innovative energy commodity products and services based in Toronto, Ontario for aggregate consideration of $1,000. The consideration for the acquisition was satisfied through the issuance of 3,383 multiple voting shares and 3,760 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 30,447 multiple voting shares and 33,839 subordinate voting shares in the capital of ONEnergy, at a price of $0.14 per share, for aggregate subscription proceeds of $9,000.

ONEnergy's business currently involves the sale of natural gas and/or electricity to residential and commercial customers in Ontario under long-term fixed-price or variable-priced contracts under the brand name Sunwave Gas & Power™. By fixing the price of natural gas or electricity under its fixed-price program for a period of up to five years, ONEnergy's customers reduce or eliminate their exposure to volatility in the price of energy. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. ONEnergy's general policy is to match the forecast consumption requirements of its customers by purchasing offsetting volumes of natural gas or electricity through either physical or financial transactions in the wholesale markets.

ONEnergy, through Sunwave, is a licensed retailer of energy commodity products to the residential and commercial customer market segments in Ontario. Sunwave was granted its natural gas retailer licence and electricity marketer licence from the Ontario Energy Board in June 2012. ONEnergy's business can be divided into three customer segments: residential, small commercial and large commercial.

Sunwave purchases its energy requirements from various wholesale energy markets, including both physical and financial markets. For both natural gas and electricity, Sunwave purchases its wholesale energy requirements at various city gates for natural gas and various utility load zones for electricity. Gas supply and electricity is generally purchased concurrently with the execution of an end-user contract.

Sunwave's gross margin is derived from the difference between the price charged to its customers and the price paid to its wholesale energy suppliers. Sunwave also incurs selling expenses to compensate independent contractors for customer acquisition activities, through a mixture of upfront payments and residual-based payments. All such costs are recognized as expenses in the period incurred. In addition, Sunwave incurs general, administrative and finance expenses to operate its business.

In Ontario, the natural gas volumes delivered from Sunwave's wholesale suppliers remain constant throughout the year as required by the local natural gas distribution companies. During the winter, gas is consumed at a rate that is greater than delivery and, in the summer, deliveries to local distribution companies ("LDCs") on Sunwave's behalf exceed customer consumption. These volume variances result in either excess or short supply positions that are accrued in a physical balance account with the applicable gas distribution company. Typically, the local natural gas distribution companies require the balance account to be reconciled within defined tolerance bands on an annual basis. In the case of deliveries exceeding consumption, the excess supply is sold in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. In the case of customer consumption exceeding deliveries, Sunwave must purchase additional supply in the spot market, resulting in either a gain or loss compared to the weighted average cost of supply. To the extent that the supply balancing is not fully covered through active supply and risk management, Sunwave's customer gross margin may be reduced or increased depending on market conditions at the time of balancing.

Sunwave purchases electricity supply concurrently with the execution of a contract for residential and commercial customers. In some cases Sunwave is required to aggregate sufficient volume in order to transact in the wholesale supply markets. This introduces a short term execution risk that is managed by Sunwave pricing policies. The fixed price products are load-shaped, for a single load profile for residential customers and each utility. For a commercial customer, their historical usage data defines their load profile. Sunwave purchases wholesale energy in the form of on peak and off peak blocks, hedging between 96% and 102% of the actual customer consumption profiles. The LDC provides Sunwave with historical customer usage which enables Sunwave to purchase the expected normal customer load. To the extent that balancing requirements are outside of the forecasted purchase, Sunwave bears the financial responsibility for excess or short supply caused by fluctuations in customer usage within its residential and small commercial portfolio. For its large commercial portfolio, Sunwave has provisions to pass through large consumption variances relative to historical consumption. To the extent that the supply balancing is not fully covered through active supply and risk management or customer pass-through, Sunwave's customer gross margin may be affected by the cost of balancing.

b) Sales channels

The Corporation markets its products through various sales channels. In mid-2012, Sunwave began marketing natural gas and electricity to commercial customers through a network of direct sales agents who provide customers with a highly interactive and customized sales process. In December 2012, Sunwave launched a unique dual fuel (natural gas and electricity) monthly fixed rate residential program through a direct sales force of independent contractors. An online presence was established in August 2013, allowing customers to secure their energy needs through Sunwave's website (www.gosunwave.com). These sales channels permit Sunwave to serve a large majority of the Ontario market. Sunwave serves customers on approximately 68 electric LDCs as well as both major gas utilities in Ontario.

c) U.S. expansion

Sunwave entered the Connecticut market in February 2014 and the Pennsylvania market in March 2014 after receiving its electric supplier licences from the relevant regulatory body in those states. It operates in two electric distribution service territories in Connecticut and three electric distribution service territories in Pennsylvania. Sunwave reaches its customers through an online presence directly through its own website as well as via a link to the respective state-operated energy choice websites (www.CTenergyinfo.com and www.PApowerswitch.com) as well as through the telemarketing sales channel.

In September 2013, the Corporation established an office in Norwalk, Connecticut to service its U.S. expansion. Sunwave has pending electric supplier licensing applications in Massachusetts and New York.

Sunwave is continually evaluating new energy commodity markets which have the appropriate growth and profitability profiles, and additional state or provincial markets may be pursued in the future.

d) Shell Energy North America supply and credit agreements

In November 2013, Sunwave entered into agreements with Shell Energy North America (Canada) Inc. and Shell Energy North America (US), L.P. (collectively "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.

The commodity supply agreements allow for Shell Energy to provide Sunwave with wholesale electricity, natural gas, carbon offsets, and renewable energy credits in Canada and five U.S. states, namely Connecticut, New York, Pennsylvania, Illinois and Massachusetts. The agreements can be further expanded to cover additional states as Sunwave moves into additional deregulated markets for natural gas and electricity.

Under the credit facility agreements, Shell Energy *(see the section entitled "7. Liquidity and capital resources" below)* will be providing Sunwave with credit to help support growth in its targeted Canadian and U.S. markets.

e) Unique Broadband Systems sale of Look shares

Unique Broadband Systems, Inc. is a company that had a 39.2% economic interest and a 37.6% voting interest in the Corporation and with whom the Corporation had previously entered into transactions either directly or through its wholly-owned subsidiaries, collectively referred to as "UBS".

On November 9, 2012, the Ontario Superior Court of Justice (the "Court") made an order approving a process by which UBS sought offers for the purchase of all or part of the 24,864 multiple voting shares and 29,921 subordinate voting shares of Look owned by UBS. The sales process was run by Duff & Phelps Canada Restructuring Inc. in its capacity as monitor of UBS under the *Companies Creditors' Arrangement Act.*

On February 13, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of ONEnergy to Canyon Creek Management Inc.

4. SELECTED ANNUAL INFORMATION

	Sixteen months ended December 31, 2013	Twelve months ended August 31, 2012	Twelve months ended August 31, 2011
Total revenue	**$ 604**	$ -	$ -
Total comprehensive loss	**(6,327)**	(4,221)	(2,957)
Earnings per share, basic and diluted	**(0.038)**	(0.030)	(0.02)
Total assets	**23,338**	18,805	30,406
Total long-term financial liability	**104**	-	-
Distributions declared and paid per multiple voting share and per subordinate voting share	**$ -**	$ 0.05	$ -

Revenue rose in 2013 as a result of the Sunwave acquisition in July 2013. Expenses increased from 2012 in connection with professional fees from the change of business (see section 3(a) above) and the Shell agreements; operating costs of Sunwave for six months and ongoing litigation costs from a Statement of Claim (see section 13 below). There were no management services fees (see section 12(d)(i) below) paid to the Corporation's former parent company. In addition, 2013 includes four additional months of operating expenses due to the change in the Corporation's fiscal year-end to December 31 from August 31.

The Corporation had limited operations during 2012 and 2011 as a result of the sale of its spectrum and broadcast licence in 2009. Expenses incurred during these years were predominately Statement of Claim litigation costs and management services fees. Professional fees during 2012 were $2,899 compared to $1,343 in 2011. This increase was due mainly to costs associated with the Statement of Claim (see section 13(a) below) and the expensing of the legal advances paid by the former board of directors in 2010 to various law firms for the then directors, officers and consultants totalling $993 for fiscal 2012. Management services fees amounted to $1,244 in 2012 compared to $1,956 in 2011, with the decrease due to the termination of the Management Services Agreement in 2012 (see section 12(d)(i) below).

The Corporation's assets are comprised primarily of its cash and cash equivalents. The increase in total assets in 2013 from 2012 resulted principally from the cash proceeds from a private placement in July 2013 of $9,000 reduced by the use of cash in operations of $5,818. In addition, goodwill of $548 and intangible assets of $919 were acquired as part of the Sunwave transaction. The decline in total assets in 2012 from 2011 reflects the distribution of $6,985 made in Q3 2012 and the use of cash in operations of $2,649 offset by finance income of $357.

Long-term financial liabilities include a finance lease for office equipment in the amount of $42 maturing in 2016 and electricity fix-for-floating swaps with a fair value of $62.

5. <u>RESULTS OF OPERATIONS</u>

Sixteen months ending December 31, 2013 ("fiscal 2013") compared to twelve months ending August 31, 2012 ("fiscal 2012").

Selected financial information for the periods ended December 31, 2013 and August 31, 2012, respectively

Loss and comprehensive loss	**Sixteen months ended December 31, 2013**	Twelve months ended August 31, 2012
Revenue	**$ 604**	$ -
Cost of sales	**378**	-
Gross margin	**226**	-
Selling	**1,519**	-
General and administrative	**5,373**	4,495
Change in fair value of derivative instruments	**30**	-
Finance income	**294**	274
Unrealized gain on translation of foreign operations	**15**	-
Loss and comprehensive loss	**$ (6,327)**	$ (4,221)
Total comprehensive loss per share	**$ (0.038)**	$ (0.030)

Financial position	**December 31, 2013**	August 31, 2012
Current assets	**$ 21,782**	$ 18,805
Non-current assets	**1,556**	-
Current liabilities	**1,540**	915
Non-current liabilities	**104**	-
Shareholders' equity	**$ 21,694**	$ 17,890

Revenue

Revenue was $604 for fiscal 2013 compared to $Nil for fiscal 2012. The increase is a result of the acquisition of Sunwave during fiscal 2013 and revenue associated with Sunwave's business operations for the six months following the acquisition. Revenue is from sales of natural gas and electricity to customers in Ontario, the Corporation's only market in fiscal 2013.

Cost of sales

Cost of sales was $378 in fiscal 2013 compared to $Nil in fiscal 2012. The increase is a result of the acquisition of Sunwave during fiscal 2013 and associated with revenue for the six months following the acquisition. Cost of sales is comprised of the cost of natural gas or electricity, along with costs to deliver to the LDCs.

Selling

Selling expenses include commissions and other compensation paid to independent contractors such as sales representatives, brokers and consultants. Marketing expenses include the development of sales programs and materials, costs of sales collateral and costs to maintain an online presence for web sales. Sales and marketing expenses were $1,519 in fiscal 2013 and $Nil for fiscal 2012. The expense arises from sales activity since the acquisition of Sunwave, which include launching an online presence; establishing a regional office in the Ottawa/Nepean region; executing on the U.S. expansion; and increasing the size of the direct sales force. Selling expenses are expensed in the period that the commissions are earned by the independent contractors. For fiscal 2013, selling expenses consisted of (i) $699 for commissions; (ii) other customer acquisition and marketing costs of $266 and (iii) management and back-office support costs of $554, which included personnel costs of $470, comprised of wages, salaries, fees, benefits and stock compensation expense.

General and administrative

General and administrative expenses include personnel costs, professional fees, occupancy, information technology, and other administrative overheads for the Corporation. A summary of the key components of general and administrative expenses is set out below:

	Sixteen months ended December 31 2013	Twelve months ended August 31, 2012
Personnel	**$ 1,426**	$ 267
Professional fees	**1,589**	371
Litigation costs	**1,832**	2,528
Occupancy and other expenses	**539**	85
Depreciation	**39**	-
Management services income	**(52)**	-
Management services agreement	**-**	1,244
Total general and administrative expenses	**$ 5,373**	$ 4,495

<u>Personnel</u>

Personnel costs include wages, salaries, benefits, termination payments and share-based payments. During fiscal 2013, the Corporation incurred $1,426 in personnel costs compared to $267 for fiscal 2012, resulting from the Sunwave acquisition, which increased total employee count significantly from 2 to over 20. This also included separation payments to the Corporation's former CEO (see section 12(f) below) and fees paid to the Board of Directors. A share based compensation plan was introduced in 2013 resulting in an expense of $92.

<u>Professional fees</u>

Professional fees are comprised of legal, accounting, audit and filing fees. For fiscal 2013, the Corporation incurred professional fees for activity that is not considered to be recurring, including overseeing the sale of its shares by one of its major shareholders (see section 3(e) above); change of business activity (see section 3(a) above); support agreement termination fees (see section 12(e) below); negotiation of a supply and credit facility agreement (see section 3(d) above) and a private placement. Professional fees increased by $1,218 to $1,589 from $371 in fiscal 2012, as a result.

Former Officer and Director litigation costs

Litigation costs are the legal fees and other related costs to the Statement of Claim as discussed under section 13(a) below. During fiscal 2013, litigation costs of $1,832 decreased by $696 from $2,528 in fiscal 2012. The higher level of expense in 2012 compared to 2013 arose out of the amount of preparatory work performed at the onset of the Statement of Claim. The Statement of Claim is expected to go to trial in 2014. In addition, in fiscal 2012, $993 of the legal advances paid by the former board of directors in 2010 to various law firms for the then directors, officers and consultants was expensed (see section 13 below).

Occupancy and other expenses

Occupancy costs rose from fiscal 2012 as a result of the Sunwave acquisition. The Corporation had previously sold its land and building in June 2011, thereby eliminating its occupancy costs at that time. All of its workforce has operated from virtual offices since that time until July 2013, when its workforce re-located to Sunwave's premises.

Finance income

For fiscal 2013, interest income recognized on liquid assets totalled $294 compared to $274 for fiscal 2012 arising from the higher cash balance over four additional months in fiscal 2013. Also, included in finance income are bank charges and foreign exchange losses of $31.

Change in fair value of derivative instruments

The fair value of derivative instruments consists of changes in unrealized gains or losses on derivatives, which represent the estimated amount that the Corporation would need to pay or receive to dispose of the remaining notional commodity positions in the market if the derivative contracts were to be terminated at the respective period end (see the section entitled *"Financial Instruments and Risk Management"* in this MD&A).

For fiscal 2013, the unrealized gains and losses associated with derivative contracts were a gain of $30; made up of (a) unrealized gains of $133 on forward natural gas positions and (b) unrealized loss of $103 on fixed-for-floating electricity swaps. These gains and losses represent non-cash gains and losses associated with mark-to-market movements on forward hedge positions that are outstanding at period end. There were no derivative contracts in fiscal 2012.

Total comprehensive loss

The total comprehensive loss amounted to $6,327 for fiscal 2013 and $4,221 for fiscal 2012 or $0.038 and $0.030 per basic and diluted share, respectively.

6. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA")

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

		Sixteen months ended December 31 2013	Twelve months ended August 31, 2012
Loss for the period		**$ (6,342)**	$ (4,221)
Add:	Depreciation and amortization	**144**	-
Less:	Change in fair value of derivative instruments	**30**	-
	Finance income	**294**	274
EBITDA[1]		**$ (6,522)**	$ (4,495)

[1] Management views EBITDA as an important measure of operating performance of the Corporation; however, since 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.

QUARTERLY FINANCIAL RESULTS

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

	Fiscal 2013					Fiscal 2012		
	Dec 31[1]	**Aug 31**	**May 31**	**Feb 28**	**Nov 30**	**Aug 31**	**May 31**	**Feb 29**
Revenue	$ 490	$ 114	$ -	$ -	$ -	$ -	$ -	$ -
Cost of sales	300	78						
Gross margin	190	36	-	-	-	-	-	-
Operating expenses before depreciation and amortization, interest and finance charges, and finance income	3,017	1,588	1,186	587	370	1,419	1,140	1,097
EBITDA	(2,827)	(1,552)	(1,186)	(587)	(370)	(1,419)	(1,140)	(1,097)
Depreciation and amortization	(82)	(62)	-	-	-	-	-	-
Finance income	73	50	56	57	58	55	61	78
Change in fair value of derivative instruments	30	-	-	-	-	-	-	-
Net loss from operations	$(2,806)	$(1,564)	$(1,130)	$ (530)	$ (312)	$(1,364)	$(1,079)	$(1,019)
Loss per share								
Basic and diluted	(0.0151)	(0.0086)	(0.0081)	(0.004)	(0.0022)	(0.010)	(0.007)	(0.008)

[1] Four months ended December 31

The four months ended December 31 and the quarter ended August 31, 2013 reflects the activity of Sunwave after its acquisition by ONEnergy. Prior to the quarter ended August 31, 2013, the Corporation was operating as a holding company that was actively seeking a transaction to enhance shareholder value.

Expenses during this period were related to attempts to maximize shareholder value including the monetization of the remaining assets, the return of capital to shareholders, and legal charges incurred related to the recovery of payments made to former directors and former management (see section 13 below).

7. LIQUIDITY AND CAPITAL RESOURCES

ONEnergy expects to have sufficient liquidity to fund its planned operations for the foreseeable future. The following sources of funding for future expenditures are expected by management to be available: (i) existing cash and working capital; (ii) internally generated cash flow from operations; (iii) borrowing capacity under our Shell Energy credit facility; (iv) external debt financing; and (v) new equity capital through the issuance of additional shares.

The Corporation's cash and cash equivalents were $20,555, as at December 31, 2013 compared with $18,156 of cash and short-term investments as at August 31, 2012. The increase was due to proceeds received upon the completion of the private placement offset by cash used in current operations.

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, 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 December 31, 2013, LIBOR was 0.24%. An additional interest rate penalty of 0.50% 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 as at December 31, 2013. Cash transfers to ONEnergy from Sunwave are subject to certain restrictions under the Shell Energy agreements, however ONEnergy currently has sufficient liquidity to meet its obligations without requiring any such transfers.

The Corporation held cash and short-term investments of $20,555, as at December 31, 2013, compared to $18,156 as at August 31, 2012. Cash, totaling $20,555 (August 31, 2012 - $147), consists of all bank balances and short-term investments maturing within 90 days. Short-term investments, totaling $Nil (August 31, 2012 - $18,009), include variable rate term deposits with original maturities of less than 365 days.

During the sixteen months ended December 31, 2013, $16,800 of short-term investments was redeemed, and $1,012 matured. The fair value of short-term investments has been valued using Level 1 inputs.

The change in cash is summarized as follows:

		For the sixteen months ended December 31, 2013		For the twelve months ended August 31, 2012
Cash used in operating activities	**$**	**(5,818)**	$	(2,649)
Cash provided by investing activities		**17,926**		9,545
Cash provided by (used in) financing activities		**8,313**		(6,985)
Increase (decrease) in cash	**$**	**20,408**	$	(89)

Cash used in operating activities for fiscal 2013 was $5,818 compared to $2,649 for fiscal 2012, an increase of $3,169 or 119.6%. Net loss increased by $2,121 in fiscal 2013 compared to fiscal 2012. Change in non-cash working capital decreased by $2,473 to ($627) in fiscal 2013 from $1,846 in fiscal 2012. This change results from the use of prepaid legal advances in fiscal 2012 of $2,388.

Cash provided by investing activities for fiscal 2013 was $17,926 and is made up of the redemption or maturity of short-term investments totalling $17,812 plus the receipt of interest on investments totalling $413, net of increases in restricted cash by $266 and purchases of property and equipment, and intangible assets totalling $33. This compares to cash provided by investing activities for fiscal 2012 totalling $9,545, comprised of the redemption of short-term investments of $9,188, and the receipt of interest on investments of $357. Restricted cash is cash collateral held as security for a letter of credit issued by the Corporation.

Cash provided by financing activities during fiscal 2013, was $8,313 compared to the use of cash of $6,985 in fiscal 2012. The provision of cash was the result of a private placement of shares of $9,000 during fiscal 2013. Cash used in financing activities in fiscal 2012, totalling $6,985, was pursuant to the Corporation's return of capital to the holders of its multiple and subordinate voting shares, equivalent to $0.05 per share, on March 13, 2012. During fiscal 2013, the Corporation also issued $1,000 of shares as consideration for the acquisition of Sunwave.

8. OFF-BALANCE SHEET ARRANGEMENTS

Pursuant to terms under which the Corporation was issued an electricity retailer licence by the Pennsylvania Public Utilities Commission ("PA PUC"), the Corporation has issued a letter of credit totalling $266 (US$250) to the PA PUC. Such financial assurance postings are required in order to operate in certain states or markets. The Corporation has posted $266 (US$250) with a financial institution as security for this letter of credit. If this letter of credit was withdrawn by the Corporation, it would be required to post another form of financial assurance satisfactory to PA PUC, in order to continue to operate in the Pennsylvania electricity retailing market.

9. SHARE CAPITAL

As at December 31, 2013, there were 99,995 multiple voting shares and 111,136 subordinate voting shares issued, totalling 211,131 shares issued and outstanding (August 31, 2012 – 66,165 multiple voting shares, 73,537 subordinate voting shares, totalling 139,702). The increase in multiple voting shares and subordinate voting shares is a result of the issuance of shares to acquire Sunwave and a concurrent private placement (see section 3(a) above).

During 2013, the Corporation granted 18,087 options to purchase subordinate voting shares in the capital of the Corporation to officers, employees and service providers of the Corporation. The options vest over a four- or five-year period, are exercisable at a price of $0.14 per share, and expire in July or October 2023.

In determining diluted loss per share for fiscal 2013 and fiscal 2012, the weighted average number of shares outstanding was not increased for stock options outstanding as it is considered anti-dilutive.

As at March 13, 2014, there were no changes to the number of issued and outstanding shares from December 31, 2013.

10. STOCK BASED COMPENSATION

During fiscal 2013, stock-based compensation totaling $131 (2012 - $Nil) was expensed to selling, general and administrative, and related to options issued to employees and consultants, which has been recorded in contributed surplus.

11. TAX LOSSES

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. The Corporation has federal non-capital income tax losses of $173,479, which may be carried forward to reduce future years' taxable income.

Due to the Canada Revenue Agency's ("CRA") current interpretation of the tax treatment with respect to the disposition of the Corporation's broadcast and spectrum licenses in 2007, the Corporation conducted an independent study, in fiscal 2012, of its remaining federal non-capital income tax losses, amending the total amount to reflect greater certainty of their deductibility, which may be carried forward to reduce future years' taxable income. As part of this process, the Corporation filed a protective tax election to ensure that no tax liability could occur should the CRA challenge the Corporation's position with respect to the 2007 license disposition.

Deferred taxes have not been recognized in respect of the Company's loss carry forwards. 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
	$ 173,479

12. <u>RELATED PARTY TRANSACTIONS</u>

a) Premises sublease

The Corporation subleases its premises from OZZ Clean Energy Inc. ("OCE"), which is Sunwave's former controlling shareholder and which is a current shareholder of the Corporation. The sublease expires November 2017. For the sixteen months ended December 31, 2013 and twelve months ended August 31, 2012, $130 and $Nil respectively was charged to the Corporation. No amounts are currently outstanding.

On January 20, 2014, the sublease and underlying head lease was amended by agreement of the Landlord and the holder of the head lease, OCE, to terminate at the end of July 2014, resulting in a termination of the Corporation's obligations under the sublease at no cost, as of July 31st, 2014.

b) Electricity revenue

For 2013, the Corporation supplied electricity totalling $14 (2012 - $Nil) 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 December 31, 2013 was $Nil (August 31, 2012 - $Nil).

c) Management services income

The Corporation provided certain commodity management and general administrative services, under a management services agreement, to Canadian RiteRate Energy Corporation ("RiteRate"), a company that is controlled by the controlling shareholder of OCE. RiteRate paid for certain consultant fees on behalf of the Corporation in 2013, for which the Corporation reimbursed RiteRate. For 2013, the Corporation charged RiteRate $52 (2012 - $Nil). No amounts were outstanding as at December 31, 2013. In November 2013 RiteRate provided the Corporation with notice of cancellation under the terms of the management services agreement, and services are no longer provided by the Corporation to RiteRate under this agreement.

d) Unique Broadband Systems, Inc.

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:

	Sixteen months ended December 31, 2013	Twelve months ended August 31, 2012
Management fees expense	**$ -**	$ 1,244
Rent revenue	**(2)**	(24)

(i) 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.

(ii) Rent revenue

During the three months ended November 30, 2012, the Corporation subleased a portion of its premises to UBS for $2 (three and twelve months ended August 31, 2012 - $6 and $24 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.

e) Support agreement regarding share purchase ("Support Agreement")

On December 18, 2012, the Corporation entered into a Support Agreement, with Robert Ulicki, a director of UBS, and Jeff Gavarkovs, 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 paid a $225 termination fee.

f) 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 sixteen months ended December 31, 2013		For the twelve months ended August 31, 2012
Salaries, fees, and short-term employee benefits	**$**	**815**	$	225
Stock compensation		**117**		-
	$	**932**	$	225

Concurrently with the Transaction, the Corporation's former chief executive officer resigned and was awarded a termination payment of $100. This payment is included in the table above.

13. FORMER OFFICER AND DIRECTOR LITIGATION

a) Claim seeking recovery of damages from former officers and directors

On July 6, 2011, the Corporation issued a Statement of Claim (the "Claim") in the Ontario Superior Court of Justice (the "Court") against certain former directors and senior officers of the Corporation and their personal service companies. The Claim sought recovery of approximately $20,000, which was paid in 2009 from the net proceeds of approximately $64,000 realized by the Corporation on the sale of its spectrum license which closed September 11, 2009. Approximately $15,700 was paid to the directors and officers named in the Claim (or their personal service companies). The following table summarizes the amounts paid to directors and senior management:

	Number of options relinquished	**Number of Share Appreciation Rights (SARs) relinquished**	**Equity-related payment**	**Compensation-related payment**	**Total payments**
First Fiscal Management Ltd.[1] / Michael Cytrynbaum	727	7,384	$1,746	$2,400	$4,146
Jolian Investments Limited[2] / Gerald McGoey	335	14,769	3,166	2,400	5,566
DOL Technologies Inc.[3] / Alex Dolgonos	-	7,384	1,551	2,400	3,951
Former Directors and Senior Management	4,325	3,194	1,585	1,976	3,561
Total	**5,387**	**32,731**	**$8,048**	**$9,176**	**$17,224**

[1]First Fiscal Management Ltd. is a company controlled by the former Chairman of the Board of Directors of the Corporation, Michael Cytrynbaum.
[2]Jolian Investments Limited is a company controlled by the former Chief Executive Officer ("CEO") and Vice-Chairman of the Board of Directors of the Corporation, Gerald McGoey.
[3]DOL Technologies Inc. is a company controlled by the former Chief Technology Officer to the Corporation, Alex Dolgonos.

These payments were not formally disclosed to the market until the Corporation released its 2009 Management Information Circular (the "2009 MIC") on January 19, 2010. The 2009 MIC referred to the payments that were made as Contingent Restructuring Awards (the "CRAs"). The CRAs had two components: a bonus and a payment made to compensate for the decision of the directors and management to cancel options and share appreciation rights ("SARs"). The compensation paid for the cancellation of options and SARs was based on a non-market share value of $0.40 when the share price traded at substantially lower prices. Shareholders protested the payments and inquiries were initiated by the Authorité des marches financiers (the "AMF") and the Toronto Stock Exchange ("TSX").

In June of 2010, the former directors and officers authorized the advance of $1,550 to law firms to fund the legal costs they expected to incur defending anticipated shareholder litigation and regulatory proceedings. The Claim also seeks recoveries of these advances.

The former officers and directors named in the Claim resigned from their positions at the Corporation effective July 21, 2010. None of the factual allegations in the Claim have been proven before the Court. The Corporation did not claim against Louis Mitrovich, one of the former directors, because it reached a settlement with him. Mr. Mitrovich paid the Corporation $100 and approximately $78 from the share of advances paid to Mr. Mitrovich's counsel.

b) Applications For Advances

The former officers and directors named in the Claim brought applications and motions seeking further advances of their legal fees and expenses from the Corporation in order to defend themselves against the Claim. On September 28, 2012, the Court dismissed these proceedings, except with respect to Mr. Dolgonos. The Court required the Corporation to pay advances to Mr. Dolgonos only, because the Court did not accept that the Corporation had sufficient evidence at that time to demonstrate that Mr. Dolgonos was an officer or that he participated in the decisions to make the payments that the Claim seeks to recover. The defendants, except Mr. Dolgonos, appealed to the Ontario Court of Appeal. Their appeals were dismissed on July 4, 2013. They were required to pay $58 to the Corporation toward the costs of the appeal, which amounts were paid. The defendants Mr. Cytrynbaum, First Fiscal Management Ltd., Mr. McGoey and Jolian Investments Limited sought leave to appeal to the Supreme Court of Canada. On February 13, 2014 the Supreme Court of Canada denied leave to appeal, bringing the proceedings for further advances to an end.

c) Status of the Claim

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 will conclude in April 2014. The Court has directed the parties to be prepared for a trial in 2014.

d) Claim Against McMillan LLP

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 expects to receive a defence from McMillan LLP and to proceed with examinations for discovery during the spring and summer of 2014.

14. <u>OPERATING RISKS AND UNCERTAINTIES</u>

Management of capital

The Corporation determines capital to include its cash and 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.

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.

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 and the Risk Management Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

<u>Electricity and natural gas derivatives</u>

The Corporation has entered into contracts with customers to provide electricity or natural gas at either variable or fixed prices, with the majority of the electricity and natural gas provided by the Corporation to customers is pursuant to fixed price contracts. Fixed price contracts expose the Corporation to changes in market prices of electricity and natural gas as the Corporation is obligated to purchase the electricity or natural gas at floating wholesale market prices for the electricity or natural gas consumed by its customers. To reduce its exposure to short-term and long-term movements in commodity prices arising from the procurement of electricity or natural gas at floating prices, the Corporation uses derivative financial and physical contracts to secure fixed price commodity supply to cover its estimated fixed price delivery. The derivative financial contracts are fixed-for-floating swaps whereby the Corporation agrees with a counterparty, principally Shell Energy, to cash settle the difference between the floating price and the fixed price on a notional quantity of electricity for a specified time frame. The cash flow from these instruments is expected to be effective in offsetting the Corporation's price exposure and serves to fix the Corporation's wholesale cost of electricity or natural gas to be delivered to the customer. The Corporation remains subject to commodity risk for any volumetric differences between the actual quantities used by customers and the forecasted quantities upon which the commodity hedging is based.

Realized swap settlements under derivative instruments are included in cost of sales in the consolidated statement of comprehensive loss. Unrealized gains or losses resulting from changes in the fair value of the swaps, generally referred to as mark-to-market gains or losses, have been recognized as the change in fair value on derivative instruments in the consolidated statement of loss and comprehensive income (loss).

The fair value of derivative financial instruments is the estimated amount that the Corporation would pay or receive to dispose of these derivative instruments in the market, in the unlikely event that the Corporation was required to dispose of its derivative instruments. The Corporation has estimated the value of derivative instruments using market-based forward wholesale price curves.

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.

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:

	December 31, 2013	August 31, 2012
Accounts and other receivables		
Currently due	**$ 292**	$ 108
Past due by 90 days or less not impaired	**83**	116
Past due by greater than 90 days not impaired	**62**	404
	$ 437	$ 628

All of the Corporation's cash is held with major financial institutions in Canada and in the U.S., 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 December 31, 2013 and August 31, 2012, 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.

Contractual Obligations

In the normal course of business, ONEnergy is obligated to make future payments under various non-cancellable contracts and other commitments.

The Corporation's financial liabilities are comprised of its accounts payable and accrued liabilities, payments received in advance of consumption, non-cancellable leases and financial leases. As at December 31, 2013, the payments due by period are set out in the following table:

	Payment due by period			
(in thousands $)	**Less than one year**	**Between one and five years**	**More than five years**	**Total**
Trade and other payables	$ 1,280	$ -	$ -	$ 1,280
Payments received in advance of consumption	191	-	-	191
Derivative instruments	1,176	1,997		3,173
Non-cancellable leases	98	4	-	102
Finance lease obligation	28	42	-	70
	$ 2,773	$ 2,043	$ -	$ 4,816

Interest rate risk

The Corporation is exposed to interest rate fluctuations associated with its floating rate credit facility. The Corporation has not drawn any amounts under this facility, therefore 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 U.S. A growing percentage 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 commencement of operations in the U.S., ONEnergy expects to have a greater exposure to U.S. fluctuations in the future than in prior years.

ONEnergy may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect its operating results. Translation risk is not hedged. With respect to translation exposure, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the sixteen months ended December 31, 2013, assuming that all the other variables had remained constant, profit for the period would have been $9 higher/lower and other comprehensive income would have been $37 lower/higher.

Fair Values

IFRS 7 Financial Instruments: Disclosure requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. 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 and cash equivalents, accounts and other receivables, deposits, trade and other payables as presented in the Consolidated Statements of Financial Position, approximate their carrying amounts due to the short period to maturity of these financial instruments.

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 by $4 to accommodate for its counterparties' risk of default.

15. OTHER RISK FACTORS

In addition to operating risks described in the section entitled "*14. Operating risks and uncertainties*", below are other risk and uncertainties that ONEnergy can foresee. It is not an exhaustive list, as some future risks may be yet unknown and other risks, currently regarded as immaterial, could turn out to be material.

Electricity supply – balancing risk

It is the Corporation's policy to procure the estimated electricity requirements of its customers with offsetting electricity derivatives. Depending on several factors, including weather, the Corporation's customers may use more or less electricity than the volume purchased by the Corporation for delivery to them. The Corporation is able to invoice some of its existing electricity customers for balancing charges or credits when the amount of energy used is greater than or less than the amount of energy that the Corporation has estimated. For other customers, the Corporation bears the risk of fluctuation in customer consumption. In addition, under certain circumstances, there can be balancing issues for which the Corporation is responsible when customer aggregation forecasts are not realized. The inability or failure of the Corporation to manage and monitor these balancing risks could have a material adverse effect on its operations and cash flow.

Natural gas supply – balancing risk

It is the Corporation's policy to procure the estimated gas requirements of its customers with offsetting gas purchases (see the section entitled *"15. Operating risk and other uncertainties – Financial instruments and risk management – Electricity and natural gas derivatives"*) in advance of obtaining customers. Depending on several factors including weather, the Corporation's customers may use more or less gas than the volume purchased by the Corporation for delivery to them. The Corporation does not invoice its natural gas customers for balancing and, accordingly, bears the risk of fluctuation in customer consumption. The Corporation monitors gas consumption and actively manages forecast differences in customer consumption due to weather variations as well as forecast LDC balancing requirements. To the extent that forecast balancing requirements are beyond initial estimates, the Corporation will bear financing responsibility, be exposed to market risk and, furthermore, may also be exposed to penalties by the LDCs. The inability or failure of the Corporation to manage and monitor these balancing risks could have a material adverse effect on its operations and cash flow.

Restrictive covenants and the terms of the Shell Energy agreements may make it more difficult for us to operate.

The terms of the Shell Energy agreements may constrain the ability of the Corporation to operate because it must comply with certain financial, organizational, operational and other covenants. Among other things, the Shell Energy agreements may restrict the Corporation's ability to undertake the following activities or subject to the approval of Shell Energy:(i) deal with other energy suppliers; (ii) enter into hedging transactions (iii) amend or terminate material contracts; (iv) amend or modify its Risk Management Policy; (v) make capital expenditures; (vi) invest in or acquire certain other businesses or entities; (vii) enter new markets and expand its business; (viii) enter into certain commercial transactions; (ix) incur indebtedness, suffer liens or grant security on its assets; (x) sell, liquidate or dissolve its assets; (xi) merge, amalgamate or consolidate with another entity; and (xii) release any utility, LDC or Independent system operator ("ISO") from its contractual obligations.

A default under the Shell Energy agreements could impact our business.

The Shell Energy agreements contains numerous covenants by the Corporation, including covenants relating to the operation and conduct of its business, ownership and maintenance of assets, regulatory approvals and licenses, compliance with laws, delivery of financial information, the incurrence of indebtedness, its Risk Management Policy, the maintenance of certain financial ratios, and restrictions on undertaking certain transactions without Shell Energy's consent. A breach of any of the covenants in the Shell Energy agreements constitutes an event of default, subject to cure periods in limited circumstances. Additional events of default include the revocation of certain licenses, exceeding certain exposure limits, the loss of key employees, the existence of unsatisfied judgments in excess of a threshold, the termination of material contracts and change of control. Upon an event of default, Shell Energy is entitled to suspend its performance under or terminate the Shell Energy agreements, including the supply of energy to the Corporation under the Shell Energy agreements. In addition, Shell Energy may elect not to enter into any further transactions under the Shell Agreements unless the representations and warranties contained in the Shell Energy agreements are true and correct and there has not been a material adverse change (as defined in the Shell Energy agreements). Any such termination or election not to enter into further transactions by Shell Energy would likely have an adverse economic impact on the business of the Corporation.

Our business is dependent on our contracts with our commodity suppliers and their inability to perform their obligations under the contracts could adversely affect our margins on electricity and natural gas sales.

Our business model is based on contracting for supply of natural gas and electricity, through physical and financial transactions, to fix margins. If our commodity suppliers experiences financial difficulties or is otherwise unable to perform its obligations to us, we may suffer losses, including as a result of being unable to secure energy supply on a timely basis. As a result, our ability to earn margins on electricity and natural gas sales could be affected. If the Corporation cannot identify an alternative supply of natural gas and electricity in a timely manner, our business will be adversely affected as the Corporation may not be able to meet its obligations to its customers.

We may suffer economic losses where risk management policies and programs do not work as planned.

The Corporation's risk management programs may not work as planned. For example, actual electricity and natural gas prices may be significantly different or more volatile than the historical trends and assumptions upon which the Corporation based its risk management calculations. In addition, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting the Corporation's ability to enter into new transactions. Similarly, interest rates or foreign currency exchange rates could change in significant ways that the Corporation's risk management procedures were not designed to address. As a result, the Corporation cannot always predict the impact that its risk management decisions may have on its business if actual events result in greater losses or costs than predicted by the Corporation's risk models, or if there is greater than expected volatility in the Corporation's results of operations.

In addition, the Corporation's trading, marketing and hedging activities are exposed to counterparty credit risk and market liquidity risk. If counterparties fail to perform, the Corporation may be forced to enter into alternative arrangements at then-current market prices. In that event, the Corporation's results of operations may be adversely affected.

Our business is reliant on the services provided by LDCs, and any disruptions to these services could adversely impact our results of operations and cash flow.

LDCs provide many essential services to the Corporation, including energy delivery, billing and collections and meter reading. The Corporation is reliant on LDCs to deliver the electricity and natural gas that it sells to customers. LDCs are reliant upon the continuing availability of existing distribution infrastructure. Any disruptions in this infrastructure could result in the Corporation invoking force majeure clauses in its contracts. Under such severe circumstances there would be no revenue or gross margin to report for the affected areas as the Corporation would have no alternative way to deliver energy to its customers.

The Corporation is reliant on LDCs to perform billing and collection services in utility consolidated billing markets, which includes paying the Corporation for its energy service delivered to customers. If LDCs cease to perform these services, the Corporation would have to seek a third party billing provider or develop internal systems and processes to perform these functions, which may require a significant capital expenditure and increased operating expenses to support the internal billing and collections functions.

The Corporation is reliant on LDCs to measure and record customer electricity and natural gas meter usage rates, which is used to calculate commodity charges billed to the customer. If the LDCs do not accurately measure or record customer usage rates and the customer is under-billed relative to their actual usage rates, the Corporation may not receive full payment for energy that has been supplied to its customers.

There can be no assurance that the practices or policies of LDCs in the future will not limit the growth or profitability of the Corporation.

Risk Relating to the Retail Energy Industry

We operate in a highly competitive market and our customers may switch to another retail energy provider or to the LDC.

A number of retail energy providers compete with the Corporation in the residential and commercial markets. It is possible that the existing competition and additional new entrants may compete directly for the customer base that the Corporation targets, slowing growth or reducing its market share. It is also possible that new entrants may be better capitalized, or that their existing customer base will provide them with a competitive advantage over the Corporation. Changes in customer behaviour, government regulation or increased competition may affect (potentially adversely) attrition and retention rates in the future, and these changes could adversely impact the future cash flow or margin of the Corporation.

Our revenues and results from operations may fluctuate on a seasonal and quarterly basis as a result of our high concentration of residential customers.

The Corporation's revenues and results of operations may fluctuate significantly on a seasonal basis depending on the demand for electricity and natural gas. Generally, demand for electricity peaks in winter and summer months while demand for natural gas peaks in the winter months for residential customers. The impact may be exaggerated as a result of extreme weather conditions, resulting in variances in forecasted electricity and natural gas consumption. Depending on prevailing market prices for electricity and natural gas, these and other unexpected circumstances may reduce our revenues and results of operations.

Customers may not widely accept retail energy providers as their energy supplier.

The Corporation believes that its profitability and growth will depend upon the broad acceptance of retail energy providers in North America. There can be no assurance that customers will widely accept retail energy providers as their energy supplier. The acceptance of our products may be adversely affected by our ability to offer a competitive value proposition, concerns relating to product reliability, general resistance to change, and price of alternative methods of supply (e.g. residential and commercial solar programs). Unfavourable publicity involving customer experiences with other retail energy providers could also adversely affect its acceptance. Market acceptance could also be affected by regulatory developments. The failure of retail energy providers to achieve deep market penetration may have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation is required to be licenced by the regulatory body in each market in which we operate, and the denial of a new licence or revocation of an existing licence may impact the Corporation's financial results.

In each state and province in which we operate, the Corporation is required to be licenced by the relevant regulators. The Corporation's expansion strategy is dependent on continuing to be licenced in existing markets and receiving approval for additional licences in new and existing markets. For example, at the current time, the Corporation is in the process of applying for electricity licences in New York and Massachusetts. If the Corporation is denied new licences, has a licence revoked or is not granted renewal of a licence, the Corporation's financial results may be negatively impacted.

Changes by regulators to the utility service rate may affect the Corporation's ability to remain competitive.

The Corporation considers the utility service rate in each market to be the competitive benchmark for our products. The utility service rate in each state or province is regulated by the regulators. From time to time, utilities and government agencies propose changes to the utility service rate structure which may impact the Corporation's ability to offer a competitive value proposition to customers, which may increase customer attrition and negatively impact the Corporation's financial performance.

The utility service rate may not reflect actual wholesale energy market conditions, which may make the Corporation's value proposition for customers less competitive.

The Corporation considers the utility service rate in each market to be the competitive benchmark for our products. The utility service rate in each state or province is regulated by the regulators. In many of the states in which the Corporation operates, the utility service rate charged to customers is set yearly, quarterly, or monthly by the utility and is based on the price paid by the utility to procure electricity or natural gas for that period of time, which may have occurred over a period of up to three years. As a result, the service rate does not necessarily reflect actual market conditions, which may create circumstances where the Corporation is unable to offer a competitive value proposition to the customer and, as a result, may increase customer attrition and negatively impact the Corporation's financial performance.

Risks Relating to the Operations of the Corporation

The Corporation and its predecessors have limited historical data that can be utilized to assess the performance of the Corporation.

The Corporation acquired Sunwave Gas & Power Inc. in July 2013. Sunwave has a limited operating history from which investors can evaluate its business and prospects.

The Corporation's prospects must be considered in light of the risks and uncertainties encountered by an early stage business, and in rapidly evolving markets such as the retail electricity and natural gas markets. Some of these risks relate to the Corporation's potential inability to: effectively manage its business and operations; recruit and retain key personnel; successfully maintain a low-cost structure as it expands the scale of its business; manage rapid growth in personnel and operations; develop new products that complement its existing business; and successfully address the other risks it faces.

If the Corporation cannot successfully address these risks, its business, future results of operations and financial condition may be materially adversely affected.

Our business is dependent on information systems to support business operations, and any failures or disruptions in our information systems could have a material adverse effect on our results of operations.

The Corporation is dependent on third party information systems to track, monitor and correct or otherwise verify a high volume of data to ensure the accuracy of our sales, financial, accounting and other data. The Corporation has arrangements with various third parties to provide support for its energy load forecasting, electronic data interchange services, billing services and various marketing channels. Management also relies on information systems to provide the Corporation's independent contractors with updated marketing and compensation information and record each customer interaction. Our business and results of operations could be materially adversely affected if any of our information systems fail or have other significant shortcomings. We may also be subject to disruptions of our informational systems arising from events that are wholly or partially beyond our control (such as natural disasters, acts of terrorism, epidemics, computer viruses and telecommunications outages). Third party systems on which we rely could also suffer disruptions. Any failure of the information systems on which we rely or our failure to maintain and upgrade our information systems could have a material adverse effect on our business and results of operations.

Our expansion strategy involves numerous risks that could impact our viability and harm our business.

The Corporation plans to grow its business by expansion in new and existing deregulated markets through organic growth and acquisitions. The Corporation's expansion strategy involves numerous risks, which could harm the Corporation's business and results of operations, including: difficulties in integrating, supporting and transitioning customers' accounts; difficulties in realizing value from the expansion of new and existing products and marketing channels; assets of the target company may exceed the value the Corporation realizes, or the value it could have realized if it had allocated the purchase price or other resources to another opportunity; risks of entering new markets or customer segments in which the Corporation has limited or no experience or are outside its core competencies; and inability to generate sufficient revenue to offset acquisition or expansion costs.

The Corporation may require additional financing should an appropriate acquisition be identified and it may not have access to the funding required for the expansion of its business or such funding may not be available to the Corporation on acceptable terms. Future acquisitions or expansion could result in the incurrence of additional debt and related interest expense, as well as unforeseen liabilities, all of which could have a material adverse effect on business, results of operations and financial condition. The failure to successfully evaluate and execute acquisitions or otherwise adequately address the risks associated with acquisitions could have a material adverse effect on the Corporation's business, results of operations and financial condition. There can be no assurance that the Corporation will determine to pursue any acquisition or that such an opportunity, if pursued, will be successful.

The Corporation will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers.

As a public issuer, the Corporation is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Corporation's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources, which could adversely affect our business and financial condition.

Our marketing channels may be contingent upon the viability of our independent sales contractors, telemarketing, door-to-door and outsourcing arrangements.

Our independent contractors are essential to door-to-door marketing and telemarketing. Our ability to increase revenues in the future will depend significantly on the services of our independent contractors. If the Corporation is unable to attract new independent contractors and retain existing independent contractors, the Corporation's growth may be materially reduced. There can be no assurance that competitive conditions will allow these independent contractors, who are not employees of the Corporation, to continue to successfully sign up new customers or independent contractors. Further, if our products are not attractive to, or do not generate sufficient revenue for, our independent contractors, we may lose our existing relationships, which would have a material adverse effect on our business, revenues, results of operations and financial condition. In addition, the decline in landlines reduces the number of potential customers that may be reached by our independent telemarketers and as a result our telemarketing sales channel may become less viable, which may materially impact our business and results of operations.

Our independent contractors may expose us to risks.

We are subject to reputational risks that may arise from the actions of our independent contractors that are wholly or partially beyond our control, such as violations of our marketing policies and procedures as well as any failure to comply with applicable laws and regulations. If our independent contractors engage in marketing practices that are not in compliance with local laws and regulations, we may be in breach of applicable laws and regulations which may result in regulatory proceeding or the revocation of our energy retailer licence, which would materially impact our results of operations.

Our independent contractors are essential to our marketing channels and sales. Independent contractors are not considered employees under the applicable tax rules. The Corporation monitors and complies with regulations in the applicable tax rules regarding the tax status of independent contractors. If the applicable tax rules was amended in a way that altered the employment status of independent contractors, or if the Corporation was successfully challenged by the tax authority or its independent contractors regarding the employment status of our independent contractors, our independent contractors could be considered employees of the Corporation. This could result in adverse financial consequences to the Corporation.

Risks Relating to the Legal and Regulatory Environment

If energy deregulation is reversed or discontinued, the Corporation's prospects and financial condition could be materially adversely affected.

In some retail energy markets, legislators, government agencies and other interested parties have made proposals to change the use of market-based pricing, re-regulate areas of these markets that have previously been competitive, or permit electricity delivery companies to construct or acquire generating facilities. Although the Corporation generally expects retail electricity and natural gas markets to continue to be competitive, other proposals to re-regulate this industry may be made, and legislative or other actions affecting the electricity and natural gas restructuring process may cause the process to be delayed, discontinued or reversed in markets in which the Corporation currently operates or may in the future operate.

The Corporation operates in a regulated industry and is exposed to legislative and regulatory risks that could harm the Corporation's interests.

The Corporation currently operates in the regulated electricity and natural gas retail sales sectors in all of its jurisdictions. The Corporation must comply with the legislation and regulations in these jurisdictions in order to maintain its licenced status to continue its operations and to expand to new markets and/or products. Regulatory compliance affects how quickly we can expand organically or through acquisitions. Compliance is costly and we may be prohibited from expanding or operating if we fail to comply with regulations. There is potential for changes to the legislation and regulatory requirements that may unfavourably impact the Corporation's business model. As part of doing business through the Corporation's various marketing channels, the Corporation receives complaints from customers. The failure of the Corporation to successfully resolve complaints could result in sanctions by the regulators, such as a loss of a licence, which would have a material adverse effect on the Corporation. Increased fragmentation of the retail energy industry, resulting in a greater number of energy retail providers operating in the same jurisdictions as the Corporation, may result in more customer complaints and heightened customer protection legislation. There can be no assurance that future decisions of federal and provincial regulatory bodies having jurisdiction over the Corporation's business activities, or rules enacted by them, or new legislation or regulations or changes to existing legislation or regulations, will not adversely affect the operations or cash flow of the Corporation. There can be no assurance that future decisions of the regulatory bodies having jurisdiction over the Corporation's business activities, or rules enacted by them, or new legislation or regulations or changes to existing legislation or regulations, including any change in regulatory policy, rules, legislation or regulations which would impact the Corporation's ability to renew customer contracts on the expiration of their term, will not adversely affect the results of operations or cash flow of the Corporation.

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

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

	December 31, 2013	August 31, 2012
Less than one year	$ 132	$ -
Between one and five years	47	-
	$ 179	$ -

(b) Contingencies

In the normal course of its operations, the Corporation may be subject to other litigation and claims.

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. As a result of the current litigation, the Corporation may be liable for costs if unsuccessful in pursuing the Claim.

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management's discussion and analysis of operating results and financial condition are made with reference to the Corporation's consolidated financial statements for the sixteen months ended December 31, 2013 and twelve months ended August 31, 2012, and the notes thereto, which have been prepared in accordance with IFRS. The Corporation's significant accounting policies are summarized in detail in Note 2 of the Corporation's consolidated financial statements for the sixteen months ended December 31, 2013 and in Note 2 of the Corporation's consolidated financial statements for the twelve months ended August 31, 2012.

18. 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, with early adoption permitted. 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 or whether to early adopt any of the new requirements.

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.

IAS 36 – Impairment of assets requires additional disclosures in relation to the recoverable amount for non-financial assets. The standard is effective for annual periods beginning on or after January 1, 2014.

IAS 39 – Financial Instruments: recognition and measurement allows the continuation of hedge accounting in instances where a derivative is required by law or regulation to be novated to a central counterparty (CCP) or an entity acting in a similar capacity. The standard is effective for annual periods beginning on or after January 1, 2014.

IFRIC 21 – Levies: clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The standard is effective for annual periods beginning on or after January 1, 2014.

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
IAS 32 – Offsetting Financial Assets and Financial Liabilities

19. SIGNIFICANT EVENTS

a) Change of directors and management

On February 1, 2014, C. Fraser Elliott resigned as Chief Financial Officer of ONEnergy. Ray de Ocampo was appointed Chief Financial Officer of ONEnergy.

On July 9, 2013, Henry Eaton resigned as director of Look. Stanley H. Hartt and Stephen J.J. Letwin were appointed to the ONEnergy board of directors as 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.

b) TSX Venture Exchange listing

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.

c) Change of year-end

ONEnergy's principal operating subsidiary Sunwave has historically operated on a fiscal year ending December 31. Management believes it is in the best interest of shareholders to continue to report consolidated results consistent with a December 31 year-end. An application was made to the Ontario Securities Commission to change ONEnergy's fiscal reporting period to the sixteen months ending December 31, 2013, which was approved on August 15, 2013. This change has resulted in the Annual Report for fiscal 2013 covering a period representing sixteen months to December 31, 2013. Beginning in 2014 ONEnergy's fiscal year will be the twelve months ending December 31.

20. ADDITIONAL INFORMATION

Additional information regarding the Corporation's financial statements and corporate documents is available on SEDAR at www.sedar.com and on the Corporation's website at www.ONEnergyinc.com.

ONEnergy Inc.

SHAREHOLDER INFORMATION

Board of Directors

Chairman of the Board
Stephen J.J. Letwin
President & CEO, IAMGOLD Corporation

Directors
Stanley H. Hartt
Counsel, Norton Rose Fulbright Canada LLP

David Rattee
Corporate Director

Lawrence Silber
Partner, Kelly Santini LLP

Officers
Mark J. Lewis
Chief Executive Officer

Ray de Ocampo
Chief Financial Officer

Robert Weir
Chief Operating Officer

Auditors
BDO Canada LLP
60 Columbia Way, Suite 300
Markham ON L3R 0C9
(905) 946-1066

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Street, 8th Floor
Toronto, Ontario M5J 2Y1
(416) 885 9858

Shareholder enquiries
ONEnergy Inc. Investor Relations
2225 Sheppard Avenue East, Suite 1600
Toronto, Ontario
M2J 5C2
(416) 444-4848
irinfo@onenergyinc.com

Stock exchange listing
ONEnergy's shares are listed on Tier 1 of the TSX Venture Exchange under the symbols OEG and OEG.A