

Unaudited Condensed Consolidated Interim Financial Statements of

**ONEnergy Inc.**  
*(formerly Look Communications Inc.)*

For the three and twelve months ended August 31, 2013 and 2012

## **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 unaudited interim 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.

## Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

As at August 31

	2013	2012
<b>Assets</b>		
Current assets		
Cash	\$ 8,630	\$ 147
Short-term investments (note 4)	14,331	18,009
Accounts and other receivables (note 5)	962	628
Natural gas delivered in excess of consumption	80	-
Prepaid expenses and deposits	52	21
Due from related party (note 14)	19	-
	<b>24,074</b>	<b>18,805</b>
Property and equipment (note 6)	157	-
Goodwill and intangible asset (note 7)	1,473	-
	<b>\$ 25,704</b>	<b>\$ 18,805</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 1,123	\$ 915
Payments received in advance of consumption	121	-
Current portion of obligation under finance lease (note 10)	28	-
	<b>1,272</b>	<b>915</b>
Obligation under finance lease (note 10)	51	-
	<b>1,323</b>	<b>915</b>
Shareholders' equity		
Share capital (note 11)	37,499	27,499
Contributed surplus	2,419	-
Deficit	(15,537)	(9,609)
	<b>24,381</b>	<b>17,890</b>
	<b>\$ 25,704</b>	<b>\$ 18,805</b>

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

Approved by the Board of Directors:

(Signed) – \_\_\_\_\_  
Director

(Signed) – \_\_\_\_\_  
Director

# ONEnergy Inc.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

(Unaudited)

	Three months ended		Twelve months ended	
	August 31,		August 31,	
	2013	2012	2013	2012
Revenue	\$ 114	\$ -	\$ 114	\$ -
Cost of sales (note 13)	78	-	78	-
Gross margin	36	-	36	-
Expenses				
Selling (note 13)	218	-	218	-
General and administrative (note 13)	1,431	1,419	3,574	4,495
	1,650	1,419	3,792	4,495
Operating loss before the undernoted	(1,613)	(1,419)	(3,756)	(4,495)
Finance income	50	55	221	274
Loss and comprehensive loss for the period	\$ (1,563)	\$ (1,364)	\$ (3,535)	\$ (4,221)
Loss per share				
Basic and diluted	(0.009)	(0.010)	(0.024)	(0.030)
Weighted average number of shares outstanding				
Basic and diluted (in thousands)	181,627	139,702	150,269	139,702

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

# ONEnergy Inc.

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

(In thousands of Canadian dollars)

(Unaudited)

	Share Capital (note 11)		Deficit	Contributed surplus	Total Shareholders' Equity
	Shares	Amount			
Balance as at September 1, 2011	139,702	\$ 34,484	\$ (5,388)	\$ -	\$ 29,096
Return of capital	-	(6,985)	-	-	(6,985)
Net loss and comprehensive loss for the period	-	-	(4,221)	-	(4,221)
Balance as at August 31, 2012	139,702	\$ 27,499	\$ (9,609)	\$ -	\$ 17,890
Shares issued from treasury	71,429	10,000	-	-	10,000
Net loss and comprehensive loss for the period	-	-	(3,535)	-	(3,535)
Acquisition (note 8)	-	-	(2,393)	2,419	26
<b>Balance as at August 31, 2013</b>	<b>211,131</b>	<b>\$ 37,499</b>	<b>\$ (15,537)</b>	<b>\$ 2,419</b>	<b>\$ 24,381</b>

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

# ONEnergy Inc.

## Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three months ended		Twelve months ended	
	August 31,		August 31,	
	2013	2012	2013	2012
Cash flows from operating activities				
Net loss for the period	\$ (1,563)	\$ (1,364)	\$ (3,535)	\$ (4,221)
Items not affecting cash				
Depreciation of property and equipment	62	-	62	-
Interest earned on short-term investments	(44)	(58)	(216)	(274)
Stock based compensation	26	-	26	-
Change in non-cash operating assets and liabilities				
Accounts receivable and other receivables	(98)	5	(171)	(147)
Natural gas delivered in excess of consumption	(51)	-	(51)	-
Prepaid expenses and deposits	(7)	545	(19)	2,388
Due from related party	(19)	-	(19)	-
Accounts payable and accrued liabilities	(738)	159	(547)	(395)
Payments received in advance of consumption	79	-	79	-
Cash used in operating activities	(2,353)	(713)	(4,391)	(2,649)
Investing activities				
Redemption/maturity of short-term investments	1,812	488	3,662	9,188
Interest received on short-term investments	21	22	232	357
Purchase of property and equipment	(2)	-	(2)	-
Purchase of intangible assets	(13)	-	(13)	-
Cash provided by investing activities	1,818	510	3,879	9,545
Financing activities				
Share issuance from treasury <sup>(1)</sup>	9,000	-	9,000	-
Return of capital	-	-	-	(6,985)
Repayment of obligation under finance lease	(5)	-	(5)	-
Cash provided by (used in) financing activities	8,995	-	8,995	(6,985)
Increase (decrease) in cash	8,460	(203)	8,483	(89)
Cash, beginning of period	170	350	147	236
Cash, end of period	\$ 8,630	\$ 147	\$ 8,630	\$ 147

<sup>(1)</sup> In connection with the acquisition of Sunwave (note 8), the Corporation issued an additional \$1,000 of shares from treasury. The shares were used as consideration in the acquisition.

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

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

*(Unaudited)*

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### 1. Nature of operation

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 (notes 8 and 11(b)).

The condensed consolidated interim financial statements of the Corporation 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. and Sunwave Gas & Power Connecticut Inc. References to the Corporation include ONEnergy and Sunwave.

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

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

The Corporation operates in the sale of natural gas and electricity to residential and commercial customers under short or long-term fixed-price, price-protected or variable-priced contracts.

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.

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 ("OSC") to change ONEnergy's fiscal reporting period to the 16 months ending December 31, 2013, which was approved on August 15, 2013. This change will result in the Annual Report for fiscal 2013 to cover a period representing 16 months to December 31, 2013. Beginning in 2014 ONEnergy's fiscal year will be the twelve months ending December 31.

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 24, 2013.

### 2. Summary of significant accounting policies

These unaudited condensed consolidated interim financial statements have been prepared, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), 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 condensed consolidated interim financial statements are consistent with those used in the consolidated financial statements for the year ended August 31, 2012, except as follows:

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

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### 2. Summary of significant accounting policies (continued)

#### Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and all of its wholly-owned subsidiaries for which it has the power to govern the financial and operating policies. All material inter-company balances and transactions are eliminated. For any new acquisitions, the results of operations are reflected from the date of acquisition.

#### Property and equipment

Property and equipment are initially recognized at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and capitalized borrowing costs.

Depreciation commences when the assets are available for use and is recognized on a straight-line basis to depreciate the cost of these assets to their estimated residual value over their estimated useful lives. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate components of the asset and depreciated over their estimated useful life on a straight-line basis. Estimated useful lives are as follows:

Computer hardware	Straight line	3 years
Office equipment	Straight line	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in net income in the period the item is derecognized.

#### Intangible assets

Intangible assets are measured at cost at their initial recognition and are carried at cost less any accumulated amortization and any accumulated impairment losses.

#### Goodwill

Goodwill is measured at cost at its initial recognition and is carried at cost less any accumulated impairment losses.

#### Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Corporation (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.



# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 2. Summary of significant accounting policies (continued)

#### Revenue recognition

Revenue is recognized when significant risks and rewards of ownership are transferred to the customer. For gas and electricity, the transfer of risks and rewards generally coincide with consumption of the commodity by the customer. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Natural gas delivery is based on estimated customer historical usage and is regularly reconciled to determine if customers consumed more gas than has been delivered or if consumption is less than has been delivered. Gas delivered in excess of consumption by customers is recognized as an asset at the lower of cost and net realizable value. Consumption by customers in excess of gas delivered is recognized as accrued gas payable at amortized cost. Any payments received from local distribution companies ("LDCs") in advance of consumption by customers are recognized as a liability at amortized cost.

### 3. Seasonality

Sunwave's customers normally consume more gas and electricity during the winter months than the summer months. Consequently, revenue and cost of sales will be typically higher in the quarters ended December 31 and March 31.

### 4. Short-term investments

As at August 31, 2013, the Corporation held \$14,331 in short-term investments (August 31, 2012 - \$18,009), which included variable rate guaranteed investment certificates ("GICs") with original maturities of less than 365 days. As at August 31, 2013, the effective annual interest rate on the GICs was 1.33% and they are fully redeemable at any time by the Corporation, at its discretion. The fair value of short-term investments has been valued using Level 1 inputs.

### 5. Accounts and other receivables

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

	2013	2012
Trade receivables	\$ 130	\$ -
GST/HST receivable	635	446
Legal retainers <sup>(1)</sup>	86	164
Other receivables	111	18
Total	\$ 962	\$ 628

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

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 6. Property and equipment

	Cost	Additions	Accumulated Amortization	Net book value
<b>Balance as at May 31, 2013</b>	\$ -	\$ -	\$ -	\$ -

  

	Cost	Acquisition	Additions	Accumulated Amortization	Net book value
Computer hardware	\$ -	\$ 62	\$ 2	\$ 8	\$ 56
Office equipment	-	104	-	3	101
<b>Balance as at August 31, 2013</b>	\$ -	\$ 166	\$ 2	\$ 11	\$ 157

### 7. Goodwill and intangible asset

	Cost	Acquisition	Additions	Accumulated Amortization	Net book value
Goodwill and intangible asset	\$ -	\$ 1,506	\$ -	\$ 50	\$ 1,456
Computer software	-	5	13	1	17
<b>Balance as at August 31, 2013</b>	\$ -	\$ 1,511	\$ 13	\$ 51	\$ 1,473

Intangible asset is amortized over 50 months (4.2 years), which is the average remaining life at the time of acquisition.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 8. Acquisition of Sunwave Gas & Power Inc.

On July 9, 2013 the Corporation acquired 100% of the outstanding share capital of Sunwave Gas & Power Inc. located in Toronto, Ontario, for aggregate consideration of \$1,000. Sunwave operates as a retailer of natural gas and electricity to residential and commercial customers under short or long-term fixed-price, price-protected or variable-priced contracts. The consideration for the acquisition was satisfied through the issuance of 3,382,974 multiple voting shares and 3,759,883 subordinate voting shares in the capital of ONEnergy, each valued at \$0.14 per share. This acquisition is the result of the Corporation pursuing potential investment opportunities to utilize the Corporation's cash and tax attributes to maximize shareholder value.

The acquisition of Sunwave was accounted for using the purchase method of accounting. The Corporation allocated the purchase price to the net identified assets and liabilities acquired based on their fair values at the time of the acquisition as follows:

<b>Purchase price</b>	
ONEnergy multiple voting shares and subordinate voting shares	<b>\$ 1,000</b>
<b>Allocation of purchase price (at estimated fair values)</b>	
Current assets	208
Current liabilities	(805)
Property and equipment	166
Intangible asset	5
Due from related party	4
Obligation under finance lease	(84)
Goodwill and intangible asset	1,506
	<b>\$ 1,000</b>

The transaction costs related to the acquisition of Sunwave have been expensed and are included in general and administrative expenses in the consolidated statement of loss. The transaction costs related to the issuance of the multiple voting and subordinate voting shares have been expensed and are included in general and administrative expenses. Goodwill comprises the value of Sunwave's current infrastructure along with its Ontario Natural Gas Marketer License and Ontario Electricity Retailer License while intangible asset comprises the value of the Corporation's customer contracts.

The purchase price allocation is considered preliminary, and as a result, it may be adjusted during the 12-month period following the acquisition, in accordance with IFRS 3, as management determines the fair value of the intangible asset. The carrying value of current assets, current liabilities, and property and equipment are considered to approximate their fair values.

If the acquisition of Sunwave had taken place at the beginning of the fiscal year, the consolidated revenue would have been \$742 and the consolidated net loss would have been \$3,310. For the three months ended August 31, 2013, Sunwave contributed \$114 in revenue and \$444 in net loss.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities, as at August 31, are set out in the following table:

	2013	2012
Accounts payable	\$ 443	\$ 547
Accrued liabilities	491	179
Accrued restructuring liabilities <sup>(1)</sup>	189	189
Total	\$ 1,123	\$ 915

<sup>(1)</sup> Accrued restructuring liabilities – 2009 restructuring

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. Additional charges may be incurred as the Corporation continues in its attempt to recover advances made to various law firms (note 14(d)).

### 10. 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 \$80 (August 31, 2012 - Nil).

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	\$ 34
Between one and five years	53
More than five years	-
Total minimum lease payments	87
Less: amounts representing interest	(8)
Present value of total minimum lease payments	79
Less: current portion of minimum lease obligation	28
Non-current portion of minimum lease obligation	\$ 51

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 11. 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 September 1, 2011	66,165	\$ 16,499	73,537	\$ 17,985	\$ 34,484
Return of capital <sup>(1)</sup>	-	(3,308)	-	(3,677)	(6,985)
Balance, as at August 31, 2012	66,165	\$ 13,191	73,537	\$ 14,308	\$ 27,499
Issued by the Corporation to acquire Sunwave <sup>(2)</sup>	3,383	474	3,760	526	1,000
Issued by the Corporation <sup>(3)</sup>	30,447	4,263	33,839	4,737	9,000
Balance, as at August 31, 2013	99,995	\$ 17,928	111,136	\$ 19,571	\$ 37,499

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

<sup>(2)</sup> See Note 8

<sup>(3)</sup> Concurrently with the completion of the acquisition of Sunwave, the Corporation completed a private placement for an aggregate of 30,446,767 multiple voting shares and 33,838,947 subordinate voting shares in the capital of ONEnergy, at a price of \$0.14 per share, for aggregate subscription proceeds of \$9,000.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 11. Share capital (continued)

#### (c) Stock option plan

On March 25, 2002, the Board of Directors of the Corporation ("Board") approved the 2002 Stock Option Incentive Plan (the "2002 Plan"). The 2002 Plan was subsequently amended in 2004 and 2005. On July 9, 2013, the Board approved the 2013 Stock Option Plan ("2013 Plan") and terminated the 2002 Plan. The objective of the 2013 Plan is to provide directors, officers and employees of, and service providers to, the Corporation with a proprietary interest through the granting of options to purchase Subordinate Voting Shares of the Corporation. The groups are primarily responsible for the management, growth and protection of the business of the Corporation. Under the 2013 Plan, the Board may grant options provided that the total number of shares issued under the 2013 Plan does not exceed 21,113,009. The total number of shares that may be issued under the 2013 Plan represents 10% of the Corporation's currently issued and outstanding shares. The exercise price of the options is determined by the Board at the time of the grant of an option, but cannot be lower than the market price of the Corporation's shares on the TSX Venture Exchange ("Exchange") on the business day immediately preceding the day on which an option is granted, less any permissible discount under the policies of the Exchange. The options vest over a four- or five-year period and the maximum period during which an option may be exercised is 10 years from the date on which it is granted.

In July 2013, the Corporation granted 17,537,410 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, 2023.

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 July 8, 2013		-	\$ -
Granted		17,537,410	0.14
Forfeited		(15,000)	0.14
Outstanding as at August 31, 2013	9.88	17,522,410	\$ 0.14
Exercisable as at August 31, 2013	9.88	286,873	\$ 0.14

### 12. Segment disclosure

The Corporation operates as a provider of natural gas and electricity products and services to residential and commercial customers in Ontario, Canada. All of its revenue in fiscal 2013 was derived from this business. The Corporation is not considered to have any key customers. For the three and twelve months ended August 31, 2013, the Corporation had only one segment.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 13. Expenses

	For the three months ended August 31,		For the twelve months ended August 31,	
	2013	2012	2013	2012
Cost of gas and electricity	\$ 78	\$ -	\$ 78	\$ -
Selling cost	194	-	194	-
Personnel	560	101	718	267
Professional fees	375	148	1,342	371
Litigation costs	283	1,159	996	2,528
Occupancy <sup>(1)</sup>	42	6	51	24
Office and other expenses	170	5	466	61
Depreciation and amortization	62	-	62	-
Management services income <sup>(2)</sup>	(37)	-	(37)	-
Management services agreement <sup>(3)</sup>	-	-	-	1,244
	<b>\$ 1,727</b>	<b>\$ 1,419</b>	<b>\$ 3,870</b>	<b>\$ 4,495</b>

<sup>(1)</sup> Note 14(a) and 14(d)(ii)

<sup>(2)</sup> Note 14(c)

<sup>(3)</sup> Note 14(d)(i)

Reported as	For the three months ended August 31,		For the twelve months ended August 31,	
	2013	2012	2013	2012
Cost of sales	\$ 78	\$ -	\$ 78	\$ -
Selling	218	-	218	-
General and administrative	1,431	1,419	3,574	4,495
	<b>\$ 1,727</b>	<b>\$ 1,419</b>	<b>\$ 3,870</b>	<b>\$ 4,495</b>

### 14. 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 a period from July 2013 to November 2017. For the three and twelve months ended August 31, 2013, \$51 and \$51 respectively was charged to the Corporation (2012 - \$Nil and \$Nil respectively). No amounts are currently outstanding.

#### (b) Electricity revenue

For the three and twelve months ended August 31, 2013, the Corporation supplied electricity totaling \$5 and \$5, respectively, 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 August 31, 2013 was \$2 (August 31, 2012 - Nil).

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 14. Related party transactions (continued)

#### (c) Management services income

The Corporation provides 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 during three months ending August 31, 2013, for which the Corporation reimbursed RiteRate. For the three and twelve months ending August 31, 2013, the Corporation charged RiteRate \$37 and \$37, respectively. As at August 31, 2013, \$19 is outstanding from RiteRate.

#### (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:

	Three months ended		Twelve months ended	
	August 31,		August 31,	
	2013	2012	2013	2012
Management fees expense	\$ -	\$ -	\$ -	\$ 1,244
Rent revenue	-	(6)	(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.



# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 14. Related party transactions (continued)

#### (e) 2010 legal advances

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

The Corporation is seeking recovery of these 2010 legal advances.

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

The Court denied the advances sought by certain of the former officers and directors and the personal service companies, but held that the former chief technology consultant (but not his personal service company) is entitled to advances for his defense of the claims made against him. On June 18, 2013, the Corporation advanced \$150 to the former chief technology consultant.

#### (f) Support agreement regarding share purchase ("Support Agreement")

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

#### (g) 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 August 31,		For the twelve months ended August 31,	
	2013	2012	2013	2012
Salaries, fees, and short-term employee benefits	\$ 278	\$ 86	\$ 507	\$ 225
Stock based compensation	24	-	24	-
	\$ 302	\$ 86	\$ 531	\$ 225

Concurrently with the Transaction, the Corporation's former chief executive officer resigned and was awarded \$100 in termination payments. These payments are included in the table above.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and twelve months ended August 31, 2013 and 2012

(Unaudited)

### 15. Income taxes

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

Deferred taxes have not been recognized in respect of the Corporation's loss carryforwards. The Corporation has the following federal non-capital income tax losses, which may be carried forward to reduce future years' taxable income. These losses will expire in the taxation years ending December 31 as follows:

Year	Amount
2014	\$ 12,588
2015	55
2026	403
2027	1
2028	8,987
2029	115,583
2030	5,748
2031	19,992
2032	3,457
2033	3,583
	\$ 170,397

The Corporation's tax attributes may be utilized by the Corporation in its future operations to offset future income.

### 16. Commitments and contingencies

#### (a) Commitments

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

	August 31, 2013	August 31, 2012
Less than one year	\$ 147	\$ -
Between one and five years	434	-
	\$ 581	\$ -

#### (b) Contingencies

- (i) In the normal course of its operations, the Corporation may be subject to litigation and claims.
- (ii) 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.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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### 17. 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 has contractual obligations related to leased equipment and premises of \$147 that are due in less than one year.

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

On March 13, 2012, the Corporation paid a distribution of \$6,985 to the holders of its multiple voting shares and subordinate voting shares, as a return of capital (note 11(b)).

### 18. 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. Further details regarding these policies are set out below.

#### Risk management

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

#### Commodity pricing and mark-to-market risk

The Corporation purchases both physical energy commodities and financially settled energy instruments such as electricity 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.

#### 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. Of these natural gas purchases, for the three and twelve months ended August 31, 2013, 100% were with one supplier (2012 – Nil). Sunwave also has supply agreements with two other major commodity wholesalers.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

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(Unaudited)

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

#### Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its obligations. Financial instruments, which are potentially subject to credit risk for the Corporation, consist primarily of cash, short-term investments, accounts receivable and other receivables.

Credit risk associated with cash and short-term investments 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. 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.

Other receivables are comprised primarily of refundable taxes receivable from the taxing authority of the Government of Canada ("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:

	August 31, 2013	August 31, 2012
<u>Accounts and other receivables</u>		
Currently due	\$ 188	\$ 108
Past due by 90 days or less not impaired	71	116
Past due by greater than 90 days not impaired	703	404
	<b>\$ 962</b>	<b>\$ 628</b>

All of the Corporation's cash is held with major financial institutions in Canada, and management believes the exposure to credit risk with these institutions is not significant. The Corporation's maximum assessed exposure to credit risk, as at August 31, 2013 and 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 senior management to ensure a sufficient continuity of funding exists.

# ONEnergy Inc.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

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(Unaudited)

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

#### 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 August 31, 2013, 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	\$ 1,123	\$ -	\$ -	\$ 1,123
Payments received in advance of consumption	121	-	-	121
Non-cancellable leases	147	434	-	581
Finance lease obligation	28	51	-	79
	\$ 1,419	\$ 485	\$ -	\$ 1,904

#### Interest rate risk

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

#### Currency risk

The Corporation's operations are currently in Ontario and as such there is no exposure to fluctuations in foreign currency rates.

#### Fair Values

IFRS 7 Financial Instruments: Disclosures 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, accounts receivable, deposits, due from related party, accounts payable and accrued liabilities, loans and advances as presented in the Condensed Consolidated Interim Statements of Financial Position approximate their carrying amounts due to the short period to maturity of these financial instruments.

### 19. Comparative interim condensed consolidated financial statements

In conjunction with the acquisition of Sunwave, certain figures from the comparative condensed consolidated interim financial statements have been reclassified from statements previously presented to conform to the presentation adopted by Sunwave.