

Consolidated Financial Statements of

**UNIQUE BROADBAND
SYSTEMS, INC**

Second Quarter, 2005

Three months and six months ended February 28, 2005

Unique Broadband Systems, Inc.

8250 Lawson Road

Milton, Ontario

L9T 5C6

Tel: (905) 660-8100 Fax: (905) 669-0785

NOTICE OF NO AUDITOR 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 company for the interim period ending February 28, 2005 have been prepared by and are the responsibility of the company's management.

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

(Signed) – GT McGoey

(Signed) – M Buxton-Forman

Gerald T. McGoey
Chairman and Chief Executive Officer

Malcolm Buxton-Forman
Chief Financial Officer

Date: April 22, 2005

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Balance Sheets
(Unaudited) (In thousands of dollars)

	February 28, 2005	August 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,083	\$ 4,920
Short-term investments	2,000	2,510
Restricted cash	510	492
Accounts receivable	3,347	2,809
Inventory	166	274
Prepaid expenses and deposits	729	2,035
	<hr/>	<hr/>
	10,835	13,040
Capital assets	24,333	26,864
Deferred charges	289	342
	<hr/>	<hr/>
	\$ 35,457	\$ 40,246
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,492	\$ 12,557
Income taxes payable	-	40
Unearned revenue	1,845	1,571
Current portion of long-term debt	69	31
	<hr/>	<hr/>
	14,406	14,199
Long-term debt	1,285	1,242
Non-controlling interest	12,650	15,109
Shareholders' equity:		
Share capital (note 2)	58,139	58,139
Contributed surplus	537	375
Deficit	(51,560)	(48,818)
	<hr/>	<hr/>
	7,116	9,696
	<hr/>	<hr/>
	\$ 35,457	\$ 40,246

See accompanying notes to financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Operations and Deficit
(Unaudited) (In thousands of dollars, except shares and per share amounts)

	Three months ended		Six months ended	
	February 28 2005	February 29 2004	February 28 2005	February 29 2004
Service and sales revenue	\$ 9,671	\$ 11,989	\$ 19,737	\$ 11,989
Carrier charges and cost of sales	4,794	5,558	10,124	5,558
Gross margin	4,877	6,431	9,613	6,431
Expenses:				
Marketing and sales	606	365	1,846	365
Customer care	899	1,059	2,042	1,059
Engineering and operations	1,308	1,565	2,800	1,565
General and administration	2,778	3,821	4,745	4,379
Amortization of capital assets	1,966	1,479	3,300	1,479
Amortization of deferred charges	26	16	53	16
	7,583	8,305	14,786	8,863
	(2,706)	(1,874)	(5,173)	(2,432)
Equity interest in Look	-	-	-	171
Interest expense	43	25	91	25
Interest income	42	98	74	98
Loss from continuing operations before income taxes and non-controlling interest	(2,707)	(1,801)	(5,190)	(2,188)
Income taxes	13	27	28	15
Loss from continuing operations before non-controlling interest	(2,720)	(1,828)	(5,218)	(2,203)
Non-controlling interest	1,182	834	2,476	834
Loss from continuing operations	(1,538)	(994)	(2,742)	(1,369)
Loss from discontinued operations	-	-	-	(7,001)
Loss for the period	(1,538)	(994)	(2,742)	(8,370)
Deficit, beginning of period	(50,022)	(45,505)	(48,818)	(38,129)
Deficit, end of period	\$ (51,560)	\$ (46,499)	\$ (51,560)	\$ (46,499)
Loss per share from continuing operations:				
Basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Loss per share:				
Basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.08)
Weighted average number of outstanding shares in thousands:				
Basic and diluted (note 2)	102,748	102,748	102,748	102,748

See accompanying notes to consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Cash Flows
(Unaudited) (In thousands of dollars)

	Three months ended		Six months ended	
	February 28 2005	February 29 2004	February 28 2005	February 29 2004
Cash flows from operating activities:				
Loss from continuing operations	\$ (1,538)	\$ (994)	\$ (2,742)	\$ (1,369)
Non-controlling interest	(1,182)	(834)	(2,476)	(834)
Equity interest in Look	-	-	-	(171)
Amortization of capital assets	1,966	1,479	3,300	1,479
Amortization of deferred charges	26	16	53	16
Loss on disposal of capital assets	-	3	-	3
Amortization of stock based compensation	135	-	190	-
Change in non-cash working capital (note 4)	(411)	1,061	1,669	1,049
Cash flows from/(used in) continued operations	(1,004)	731	(6)	173
Cash flows used in discontinued operations	(97)	(1,008)	(603)	(3,180)
Cash flows used in operating activities	(1,101)	(277)	(609)	(3,007)
Cash flows from financing activities:				
Interest on convertible debentures	(27)	-	(32)	-
Repayment of obligations under capital leases	(14)	(3)	(21)	(3)
Proceeds from rights offering	-	5,218	-	5,218
Deferred financing charges	-	(200)	-	(200)
Proceeds from re-financing term debt	-	200	-	200
Repayment of term loans	-	(136)	-	(136)
Cash flows from/(used in) financing activities	(41)	5,079	(53)	5,079
Cash flows from investing activities:				
Restricted cash	-	(3)	(18)	(3)
Redemption of short-term investments	1,000	-	510	-
Cash acquired on consolidation of Look	-	-	-	1,896
Purchase of capital assets	(436)	(1,478)	(667)	(1,478)
Deferred charges	-	(187)	-	(187)
Cash flows from/(used in) investing activities	564	(1,668)	(175)	228
Increase/(decrease) in cash and cash equivalents	(578)	3,134	(837)	2,300
Cash and cash equivalents, beginning of period	4,661	9,519	4,920	10,353
Cash and cash equivalents, end of period	\$ 4,083	\$ 12,653	\$ 4,083	\$ 12,653

See accompanying notes to consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except shares and per share amounts)

Quarter 2 ended February 28, 2005

Unique Broadband Systems, Inc. (the "Company") is a publicly listed Canadian company that has investments in broadband assets and a 51.06% fully diluted equity interest in Look Communications Inc. ("Look"). With its licensed spectrum through Look, the Company is a Canadian digital television broadcaster and broadband wireless service provider. References to "UBS" include Unique Broadband Systems, Inc. and its wholly owned subsidiary UBS Wireless Services Inc. References to the Company include UBS and Look.

The Company's origin in the wireless industry was that of a technology company that designed, developed and manufactured broadband wireless access, wireless transport and digital audio and video broadcasting solutions (the "Engineering and Manufacturing Business" or "E&M Business"). On October 8, 2003, this E&M Business was sold. Effective November 30, 2003, UBS received the necessary regulatory approvals to permit the exercise of its fully funded option to purchase a further 21.16% of Look, and, accordingly on December 30, 2003 UBS exercised this option and acquired control (51.06%) of Look.

UBS and Look have changed their year-ends to August 31 in order to standardize their financial reporting periods. This change resulted in the Annual Report for 2004 of the Company covering a period representing 15 months to August 31, 2004. The financial statements for Quarter 2 ended February 28, 2005 should be read in conjunction with the 2004 Annual Reports of UBS and Look and the Quarter 2 financial statements of Look ended February 28, 2005.

1. Basis of presentation:

The accompanying unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed to include only the notes related to elements which have significantly changed in the interim period. As a result, these interim consolidated financial statements do not contain all disclosures required to be included in the annual financial statements. These consolidated condensed financial statements are prepared following accounting policies consistent with the Company's audited annual consolidated financial statements and notes thereto for the year ended August 31, 2004.

The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and contingencies.

There is doubt about the Company's ability to continue as a going concern as it has incurred significant operating losses over the past two years and has a working capital deficiency of \$3,571 as at February 28, 2005.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except shares and per share amounts)

Quarter 2 ended February 28, 2005

The Company and Look's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations and successful implementation of the Company's business strategy. The outcome of these matters cannot be predicted at this time. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

These consolidated financial statements include the accounts of UBS and Look, a company in which UBS has a 51.06% fully diluted interest. All significant inter-company transactions and balances have been eliminated. UBS and Look have changed their year-ends to August 31 in order to standardize their financial reporting periods. For the period from June 1, 2003 to November 30, 2003, the operations of Look were accounted for by UBS using the equity method. From December 1, 2003 the financial statements of the Company consolidate the financial position and the results of operations of Look.

2. Share capital:

(a) Authorized:

Unlimited common shares
Unlimited Class A non-voting shares

(b) Issued:

At February 28, 2005, the Company had issued 91,442,522 common shares (August 31, 2004 – 91,442,522) and 11,305,332 Class A non-voting shares (August 31, 2004 – 11,305,332) for total issued shares of 102,747,854 (August 31, 2004 - 102,747,854).

(c) Stock option plan:

The UBS stock option plan (the "Plan") provides for the granting of stock options to employees, directors and consultants of UBS. Under the Plan, up to 19,765,396 common shares may be issued from treasury. Options are granted at prices equal to or greater than the market value on the date of grant, and in the absence of terms specifying otherwise, vest annually over a three-year period and are exercisable during a period not to exceed 10 years from the date of grant. Options to purchase 688,000 common shares were granted during the quarter at a weighted average exercise price of \$0.20, resulting in 12,276,000 options being outstanding at February 28, 2005 (August 31, 2004 – 11,588,000).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except shares and per share amounts)

Quarter 2 ended February 28, 2005

During the three-month and six-month periods ended February 28, 2005, the Company recorded stock-based compensation expense of \$114 and \$160 respectively (three month and six-month periods ended February 29, 2004 - \$nil) related to options issued to employees and \$21 and \$30 respectively (three month and six-month periods ended February 29, 2004 - \$nil and \$33 respectively) related to options issued to non-employees, which has been recorded in contributed surplus. The fair value for the UBS options granted during the period was determined using the Black-Scholes pricing model with the following assumptions: an average risk free interest rate of 3.02%, a dividend yield of 0%, a volatility factor of the expected market price of UBS shares of 70%, and a weighted-average expected option life of three and a half years.

CICA Handbook Section 3870 requires the disclosure of pro forma loss and basic and diluted loss per share information for those options issued prior to June 1, 2003. Had compensation cost for options granted prior to June 1, 2003 been determined based on the fair value method of accounting for stock-based compensation, the Company's loss for the quarter ended February 28, 2005 and basic and diluted loss per share would have been increased to the pro forma amounts as follows:

	Three months ended		Six months ended	
	February 28	February 29	February 28	February 29
	2005	2004	2005	2004
Loss for the period, as reported	\$ 1,538	\$ 994	\$ 2,742	\$ 8,370
Stock compensation expense	29	(30)	58	68
Pro forma loss for the period	\$ 1,567	\$ 964	\$ 2,800	\$ 8,438
Basic and diluted loss per share, as reported	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.08)
Pro forma basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.08)

The fair value of these options was determined using the Black-Scholes pricing model.

Under generally accepted accounting principles, the fair value of stock-based awards to employees is calculated through the use of option pricing models, such as the Black-Scholes model, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. Because the Company's stock-based awards have characteristics significantly different from those of freely traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based awards.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except shares and per share amounts)

Quarter 2 ended February 28, 2005

3. Segment Disclosure:

The Company, through Look, currently operates in a single segment as a wireless broadband carrier, delivering a full range of communications services including wireless digital television distribution, dial-up and high speed Internet access and web-related services including web-hosting and domain name registration.

Service and sales revenue consists of data services, broadcast distribution, storage revenues and equipment sales revenue. Data services revenue is earned from monthly and annual subscriptions from individuals and businesses for access to the Internet. Broadcast distribution revenue is earned from the provision of digital television services to residential and commercial customers. Storage revenues include hosting services, web-server co-location services and domain names. Equipment sales and installations revenue is earned from the sale of equipment for both Internet and broadcast distribution services and the installations of such services.

Carrier charges and cost of sales include the costs of data distribution on common carriers (telephone companies) for Internet services, programming for video services, Web-related services costs and customer premise equipment for re-sale to customers. Programming costs include the service fees paid to networks and other distributors to obtain the video and audio signals for distribution to subscribers. While the costs of data distribution and web related services vary with the number of subscribers, programming costs vary directly with the number of channels carried and the number of subscribers.

Revenues and Cost of Sales by major category are as follows:

Major category	<u>Three months ended</u>		<u>Three months ended</u>	
	<u>February 28, 2005</u>		<u>February 29, 2004</u>	
	Revenues	Cost of Sales	Revenues	Cost of Sales
Data services	3,984	1,776	4,774	1,848
Broadcast distribution	4,266	2,490	5,625	3,046
Storage revenues	1,253	439	1,255	596
Services revenue	9,503	4,705	11,654	5,490
Sales and Installations	168	89	335	68
Total service and sales revenue	\$9,671	\$4,794	\$11,989	\$5,558

Major category	<u>Six months ended</u>		<u>Six months ended</u>	
	<u>February 28, 2005</u>		<u>February 29, 2004</u>	
	Revenues	Cost of Sales	Revenues	Cost of Sales
Data services	\$7,975	\$3,688	4,774	1,848
Broadcast distribution	\$8,800	\$4,991	5,625	3,046
Storage revenues	\$2,524	\$935	1,255	596
Services revenue	\$19,299	\$9,614	11,654	5,490
Sales and Installations	\$438	\$510	335	68
Total service and sales revenue	\$19,737	\$10,124	\$11,989	\$5,558

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except shares and per share amounts)

Quarter 2 ended February 28, 2005

The comparative figures for 2004 represent Look's results for the period after its operations were consolidated from December 1, 2003. For the preceding three months there was no reported revenue because of Look being accounted for using the equity method and the divestiture of the Engineering and Manufacturing Business, that resulted in the re-classification of this business as discontinued operations.

All of the Company's revenue is generated in Canada and all of its assets are located in Canada. No one customer accounts for more than 10% of revenues or accounts receivable.

4. Supplemental cash flow information:

(a) Change in non cash operating working capital

	Three months ended		Six months ended	
	February 28 2005	February 29 2004	February 28 2005	February 29 2004
Accounts receivable	\$ (372)	\$ (287)	\$(538)	\$(287)
Inventory	155	-	108	-
Prepaid expenses and deposit	21	(23)	1,306	(23)
Accounts payable and accrued liabilities	(435)	1,027	519	1,015
Unearned revenue	220	344	274	344
Total change in non-cash working capital	\$ (411)	\$1,061	\$1,669	\$1,049

(b) Non cash investing activities

	Three months ended		Six months ended	
	February 28 2005	February 29 2004	February 28 2005	February 29 2004
Capital assets acquired under capital leases	\$102	-	\$102	\$96
Shares issued in consideration of interest payable	-	-	\$77	-

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except shares and per share amounts)

Quarter 2 ended February 28, 2005

5. Subsequent events

Look announced on February 25, 2005 that its Board of Directors had authorized management to proceed with the capital reorganization that was approved by Shareholders at Look's Annual and Special meeting held on February 16, 2005. The filing of the Articles of Amendment was made on April 4, 2005 and on April 8, 2005, each common share of Look was exchanged for one-half of a Multiple Voting Share and one-half of a Subordinate Voting Share. Both of these classes of shares will be fully participating equity shares, but the Multiple Voting Shares will carry 150 votes per share and the Subordinate Voting Shares will carry one vote per share. UBS' share of Look, on a fully diluted basis, remains at 51%.

6. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current period and the requirements related to the change of year-end to August 31.

UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

Three months ended February 28, 2005

Board of Directors

Gerald T. McGoey

Peter Minaki

Louis Mitrovich

Douglas Reeson

Officers

Gerald T. McGoey
Chairman and Chief Executive Officer

Malcolm Buxton-Forman
Chief Financial Officer

Chief Technology Consultant

Alex Dolgonos

Auditors

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto, Ontario
M2P 2H3

Shareholder Inquiries

UBS Investor Relations
8250 Lawson Road
Milton, Ontario
L9T 5C6

E-mail: irinfo@uniquebroadband.com

Transfer Agent

Equity Transfer Services Inc.
Suite 420, 120 Adelaide Street West
Toronto, Ontario M5H 4C3
Tel: (416) 361-0152
Fax: (416) 361-0470

e-mail: info@equitytransfer.com

Common Shares

The common shares of the Company are listed on the TSX Venture Exchange under the symbol UBS.