

Consolidated Financial Statements of

**UNIQUE BROADBAND
SYSTEMS, INC.**

Three months ended November 30, 2010 and 2009

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 interim unaudited consolidated financial statements of the Company for the interim periods ended November 30, 2010 and 2009 have been prepared by and are the responsibility of the management of Unique Broadband Systems Inc ("UBS").

UBS' 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.

UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Balance Sheets
(In thousands of dollars)

As at

	November 30, 2010	August 31, 2010
Assets		
Current assets:		
Cash and cash equivalents (note 6)	\$ 4,237	\$ 4,332
Accounts receivable and other receivables	236	3
Prepaid expenses and deposits (note 7)	608	608
	5,081	4,943
Restricted cash (note 6)	50	50
Investment in Look (note 5)	12,118	12,564
	\$ 17,249	\$ 17,557

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable	\$ 155	\$ 30
Accrued restructuring liabilities (note 4)	773	696
Accrued restructuring liabilities due to related parties (notes 4 and 12)	5,410	5,369
Accrued liabilities and provisions	359	434
Deferred revenue (note 12)	2,400	2,400
	9,097	8,929
Shareholders' equity:		
Share capital (note 10)	58,139	58,139
Contributed surplus	3,244	3,235
Deficit	(53,231)	(52,746)
	8,152	8,628
Basis of presentation and going concern (note 1)		
Contingencies (note 14)		
Subsequent events (note 18)		
	\$ 17,249	\$ 17,557

See accompanying notes to interim unaudited consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Statements of Operations, Comprehensive Income and Deficit
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

	2010	2009
Service and sales revenue (notes 11 and 12)	\$ 600	\$ 434
Carrier charges and cost of sales (note 11)	-	425
Gross margin from continuing operations	600	9
Expenses:		
Customer care	-	231
Engineering and operations	-	615
General and administration	442	1,706
Amortization of property and equipment	-	115
Restructuring charges (note 4)	202	433
	644	3,100
Loss from continuing operations before the under noted	(44)	(3,091)
Accretion on liability component of convertible debentures (note 8)	-	(31)
Interest and finance charges	-	(50)
Interest income	5	39
Loss on sale of spectrum and broadcast licence (note 3)	-	(61)
Equity interest in Look's losses (note 5)	(446)	-
Loss for the period from continuing operations before income taxes	(485)	(3,194)
Income taxes	-	-
Loss for the period from continuing operations before non-controlling interest	(485)	(3,194)
Non-controlling interests (note 9)	-	1,519
Loss for the period from continuing operations	(485)	(1,675)
Income for the period from discontinued operations (note 13)	-	40
Loss and comprehensive loss for the period	(485)	(1,635)
Deficit, beginning of period	(52,746)	(46,744)
Deficit, end of period	\$ (53,231)	\$ (48,379)
Continuing operations:		
Basic income (loss) per share	\$ 0.00	\$ (0.02)
Diluted income (loss) per share	0.00	(0.02)
Discontinued operations:		
Basic income per share	\$ 0.00	\$ 0.00
Diluted income per share	0.00	0.00
Income (loss) per share:		
Basic	\$ 0.00	\$ (0.02)
Diluted	0.00	(0.02)
Weighted average of number of shares outstanding (note 10):		
Basic	102,748	102,748
Diluted	102,748	102,748

See accompanying notes to interim unaudited consolidated financial statements.

Fiscal 2010 comparatives include Look on a consolidated basis.

UNIQUE BROADBAND SYSTEMS, INC.

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

Three months ended November 30, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (485)	\$ (1,635)
Less: Income for the period from discontinued operations	-	(40)
Non-controlling interest	-	(1,519)
Equity interest in Look's losses	446	-
Amortization of property and equipment	-	115
Interest earned on short-term investments	-	(38)
Interest and finance charges	-	4
Amortization of stock-based compensation	9	37
Accretion on liability component of convertible debentures	-	31
Adjustment to gain on sale of spectrum and broadcast licence	-	61
Change in non-cash operating assets and liabilities (note 15)	(65)	(22,292)
Cash used in continuing operations	(95)	(25,276)
Cash provided by discontinued operations	-	78
	(95)	(25,198)
Financing activities:		
	-	-
Investing activities:		
Purchase of property and equipment	-	(21)
Proceeds on sale of spectrum and broadcast licence (note 3)	-	50,000
Purchase of short-term investments	-	(36,000)
Transaction costs on sale of spectrum and broadcast licence (note 3)	-	(61)
Cash provided by continuing operations	-	13,918
Cash provided by discontinued operations	-	-
	-	13,918
Net cash used in continuing operations	(95)	(11,358)
Net cash provided by discontinued operations	-	78
Decrease in cash and cash equivalents	(95)	(11,280)
Cash and cash equivalents, beginning of period	4,332	17,389
Cash and cash equivalents, end of period	\$ 4,237	\$ 6,109

See accompanying notes to interim unaudited consolidated financial statements.

Fiscal 2010 comparatives include Look on a consolidated basis.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

Introduction:

Unique Broadband Systems, Inc. is a publicly listed Canadian company that, effective May 25, 2010, has a 39.2% fully diluted equity interest in Look Communications Inc. ("Look") and other financial assets. References to "UBS" include the legal entity Unique Broadband Systems, Inc. and its wholly owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless"). References to the Company mean UBS and Look.

In 2003, UBS transitioned from a technology company that designed, developed and manufactured broadband wireless equipment to a holding company when it acquired a controlling interest in Look, through share transactions and 7% secured convertible debentures issued by Look ("Debentures"), and sold its manufacturing business. This holding in Look's securities gave UBS a controlling 51.8% share of Look.

Following the announcement by Look in April 2010 that it intended to redeem all outstanding Debentures on May 25, 2010, the Debenture held by UBS Wireless was redeemed by Look and, as a result, effective May 25, 2010, UBS has a non-controlling 37.6% voting interest and a 39.2% economic interest in Look (notes 5 and 8).

1. Basis of presentation and going concern:

These interim unaudited consolidated financial statements have been prepared, on a going concern basis, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with respect to the preparation of financial statements. The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about UBS' use of the going concern assumption because as at November 30, 2010, UBS has a working capital deficiency of \$4,016 (August 31, 2010 - \$3,986). Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions by Look to its shareholders, including UBS, and the outcomes of certain litigation (2010 annual financial statements and note 14). UBS will need to raise cash and/or monetize assets, and/or receive cash distributions from Look and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments giving rise to doubt about UBS' use of the going concern assumption.

Notwithstanding the above, the interim unaudited consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying value and balance sheet classifications of assets and liabilities and reported revenue and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

1. Basis of presentation and going concern (continued):

UBS' actual share ownership in Look has fluctuated as Debentures previously issued by Look were converted into multiple and subordinate voting shares and interest obligations in connection with these Debentures were settled in subordinate voting shares. If all Debentures were converted, UBS would have had the ability to control at least 51% of Look by the conversion of its Debentures. As UBS had the ability to maintain control by converting these Debentures at any time, UBS consolidated its interest in Look.

However, following the redemption of Debentures by Look, UBS no longer has the ability to convert its Debentures and as from the effective date of the redemption of Look's Debentures, May 25, 2010, UBS will account for its 39.2% interest in Look using the equity method that reports UBS' equity participation in Look through the "equity interest in Look's income or loss" in the statement of operations.

2. Significant accounting policies:

Accounting policies and methods of their application followed in the preparation of these interim unaudited consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended August 31, 2010.

(a) Principles of consolidation:

These interim unaudited consolidated financial statements include the accounts of UBS' wholly owned subsidiary, UBS Wireless for the quarters ended November 30, 2010 and 2009, and UBS' investment in Look, consolidated for the quarter ended November 30, 2009 at 51% and accounted for using the equity method for the quarter ended November 30, 2010 at 39.2%. All significant intercompany balances and transactions have been eliminated upon consolidation.

In accordance with the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1600, Consolidated Financial Statements ("Section 1600"), when the losses applicable to the non-controlling interest in Look exceeded the non-controlling interest's carrying value in Look, which occurred during the third quarter of fiscal 2008, the excess and any further losses were fully absorbed by the Company. Subsequent earnings recorded by Look were allocated entirely to the Company's interest until such previously absorbed losses were recovered, which occurred during the third quarter of fiscal 2009 (note 9).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

2. Significant accounting policies (continued):

(b) Recent accounting pronouncements:

(i) International Financial Reporting Standards ("IFRS"):

The CICA plans to adopt IFRS as Canadian standards for publicly accountable enterprises. UBS will be required to adopt IFRS effective September 1, 2011. The impact of the transition to IFRS on UBS' consolidated financial statements is in the process of being evaluated and is not yet determinable as both UBS and Look are currently evaluating their plans for future operations. UBS' first reporting period under IFRS will be for the first interim period of the year ending August 31, 2012.

(ii) Business Combinations:

In October 2008, the CICA issued Handbook Section 1582, Business Combinations ("CICA 1582"), concurrently with Handbook Sections 1601, Consolidated Financial Statements ("CICA 1601"), and 1602, Non-Controlling Interests ("CICA 1602"). CICA 1582, which replaces Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination.

These new standards are effective for UBS' interim and annual consolidated financial statements commencing on September 1, 2011. UBS is assessing the impact of the new standards on its consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

3. Sale of spectrum and broadcast licence:

On September 11, 2009, following the receipt of regulatory approval of the transaction by Industry Canada and the satisfaction of all remaining conditions precedent to the consummation of the transactions contemplated in the Agreement of Purchase and Sale between Look and Inukshuk Wireless Partnership (“Inukshuk”) (through joint partners Rogers Communications and Bell Canada) for the sale of its spectrum and broadcast licence (“Agreement”), Look received the final \$50,000 of the full consideration of \$80,000 due from Inukshuk. In accordance with the Agreement, Inukshuk requested that Look support an application by Inukshuk to the CRTC for the grant of a licence under the *Broadcasting Act*. On June 17, 2010 following advice from Inukshuk, Look directed the Court-appointed monitor to surrender Look’s CRTC decisions and related licences to the CRTC and, as such, Look has no further obligations with respect to the Agreement.

Look recorded transaction charges of \$61 during the quarter ended November 30, 2009 related to the sale of the spectrum and broadcast licence to Inukshuk.

4. Restructuring:

As a result of the sale of its spectrum and broadcast licence to Inukshuk and the resulting restructuring of its business, UBS has recorded and paid restructuring amounts during the quarter as set out in the following tables:

Accrued restructuring liabilities	Site restoration, contract termination, special meeting, and legal and consulting charges	Human resource restructuring charges	Total restructuring amounts
Balance at August 31, 2010	\$ 664	\$ 32	\$ 696
Expensed in first quarter of fiscal 2011	154	-	154
Paid in first quarter of fiscal 2011	(70)	(7)	(77)
Balance at November 30, 2010	\$ 748	\$ 25	\$ 773

Accrued restructuring liabilities due to related parties⁽¹⁾	Site restoration, contract termination, special meeting, and legal and consulting charges	Human resource restructuring charges	Total restructuring amounts
Balance at August 31, 2010	\$ -	\$ 5,369	\$ 5,369
Expensed in first quarter of fiscal 2011	7	41	48
Paid in first quarter of fiscal 2011	(7)	-	(7)
Balance at November 30, 2010	\$ -	\$ 5,410	\$ 5,410

⁽¹⁾ see note 12.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

4. Restructuring (continued):

During the quarter ended November 30, 2010, UBS expensed \$202 and paid \$84 of restructuring charges as noted above. Of the \$202 expensed in the quarter, \$161 related to professional fees and consulting expenses and the balance related primarily to accrued interest.

As of November 15, 2009, Look no longer offers service to any subscribers and as of December 31, 2009, Look decommissioned its wireless network. Look is continuing to pursue opportunities to realize the value of its remaining two material non-cash assets, which include:

- (a) Tax Attributes – Approximately \$190,000 in tax attributes; and
- (b) Milton Property – Look's network operating centre and infrastructure in Milton, Ontario.

5. Investment in Look:

At November 30, 2010, UBS Wireless held 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares in Look representing a 39.2% economic interest and a 37.6% voting interest in Look.

UBS acquired its shareholding in Look through a series of transactions and the receipt of shares in lieu of interest on its Debentures as set out in the table below. UBS' 39.2% interest in Look's equity of \$30,913 at November 30, 2010 amounted to \$12,118 (August 31, 2010 - \$12,564).

	November 30, 2010
Investment in shares of Look at cost	11,929
Cumulative equity interest in Look's income	189
Investment in Look	\$ 12,118

An analysis of UBS' interest in the post acquisition income and losses of Look is as follows:

Cumulative equity interest in Look's income as at August 31, 2010	\$ 635
Equity interest in Look's losses for the quarter ended November 30, 2010	(446)
Cumulative equity interest in Look's income as at November 30, 2010	\$ 189

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

5. Investment in Look (continued):

Look's loss for the quarter ended November 30, 2010 was \$1,140, compared with a loss of \$3,023 for the quarter ended November 30, 2009 and its summarised balance sheets as at November 30, 2010 and August 31, 2010 are set out below:

	November 30, 2010	August 31, 2010
ASSETS		
Total current assets	\$ 30,815	\$ 31,505
Property and equipment	1,693	1,738
	<u>\$ 32,508</u>	<u>\$ 33,243</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Total current liabilities	\$ 1,595	\$ 1,190
Shareholders' equity		
Share capital	34,484	34,484
Contributed surplus	11,934	11,934
Deficit	(15,505)	(14,365)
Total shareholders' equity	<u>30,913</u>	<u>32,053</u>
	<u>\$ 32,508</u>	<u>\$ 33,243</u>

Look's market capitalization, based on the closing share prices of its multiple and subordinate voting shares at November 30, 2010 of \$0.16 and \$0.17 respectively, was approximately \$23,100.

6. Cash:

(a) Cash and cash equivalents:

At November 30, 2010, UBS held cash and cash equivalents of \$4,237, of which \$2,205 was held in a bankers' acceptance note, compared with cash and cash equivalents of \$4,332 at August 31, 2010 of which \$2,202 was held in a bankers' acceptance note.

(b) Restricted cash:

At November 30, 2010 and August 31, 2010, UBS had restricted cash of \$50, which was held in an interest-bearing certificate at 0.05%.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

7. Prepaid expenses and deposits:

A summary of prepaid expenses and deposits is tabled below:

	November 30, 2010	August 31, 2010
Indemnification advances ⁽ⁱ⁾	\$ 557	\$ 564
Other	51	44
Prepaid expenses and deposits	\$ 608	\$ 608

⁽ⁱ⁾ On June 16, 2010, the former Board of Directors of UBS received a letter signed by each of UBS' directors, officers and consultants (the "Indemnitees") advising UBS that the Indemnitees seek, and are entitled to, indemnification under the Indemnity Agreements and article 7 of the By-Laws of UBS for, among other things, ongoing legal expenses for lawyers that have been or will be retained to advise Indemnitees on indemnity matters. The former Board of Directors resolved that each Indemnitee was entitled to retain legal counsel pursuant to their Indemnity Agreements and, accordingly, \$557 has been advanced by UBS to various legal firms for future services.

8. Convertible debentures:

Look's Debentures bore interest at a rate of 7% per annum. Look paid interest on the Debentures, which were scheduled to mature on December 30, 2013, semi-annually in arrears, on June 30 and December 30 of each year, which commenced on June 30, 2004. Look carried the Debentures at amortized cost using an effective interest rate of 13.6%. The Debentures were convertible at the option of the holder into Multiple Voting and Subordinate Voting Shares of Look at a conversion price of \$0.075 per each Multiple Voting and Subordinate Voting Share, representing 6,667 Multiple Voting Shares and 6,667 Subordinate Voting Shares per \$1 debenture. Look has had the option to settle its obligation to pay interest and repay the principal by issuing shares of Look. The Debentures were direct obligations of Look and ranked *pari passu* with all other subordinated, secured obligations of Look.

Since January 1, 2007, Look has had the right to redeem the Debentures. On April 22, 2010 Look's Board of Directors announced that it would redeem all of its principal amount of \$4,158 of outstanding Debentures for cash on May 25, 2010. By May 11, 2010 5:00pm (Eastern Time), the deadline for Debenture-holders to elect to convert their Debentures into shares, Debenture-holders with \$916 of Debentures had elected to convert their Debentures into shares at May 25, 2010. The remaining \$3,242 of Debentures, including \$3,000 of Debentures held by UBS Wireless that could have been converted into 20,000 Multiple Voting Shares and 20,000 Subordinate Voting Shares, were redeemed by Look at a price equal to the principal amount of the Debentures plus accrued and unpaid interest to May 24, 2010.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

9. Non-controlling interest:

Non-controlling interest in the consolidated balance sheets of the Company represented the non-controlling interest in both the equity in Look and equity component of convertible debentures in Look. Reported operating losses of Look were allocated to the non-controlling interest at 49% but were limited to the extent of any remaining non-controlling interest in the equity of Look.

As a result of the redemption of the Debentures held by UBS, effective May 25, 2010, UBS has a 39.2% economic interest in Look and as of that date no longer consolidates Look. Future income or losses of Look will be accounted for by UBS using the equity method that reports UBS' equity participation in Look through the "equity interest in Look's income or loss" in the statement of operations (note 1).

10. Share capital:

(a) Authorized:

Unlimited common shares
Unlimited Class A non-voting shares

(b) Issued and outstanding:

As at November 30, 2010 and August 31, 2010, UBS had 102,748 common shares and no Class A non-voting shares issued and outstanding.

(c) Stock option incentive plan:

There were no options granted in the quarter ended November 30, 2010 and as of that date there were 12,616 options outstanding to acquire common shares of UBS.

(d) Share appreciation rights plan ("SAR Plan"):

As a result of the restructuring process, there were no SAR units outstanding at August 31, 2010 and on November 24, 2010, UBS' Board of Directors cancelled the SAR Plan.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

11. Segment disclosure:

Look sold its web hosting and domain name business, spectrum and broadcast licence, and its Internet business during the first, third, and fourth quarters of fiscal 2009 respectively. In accordance with Section 3475 of the CICA Handbook, the operations and cash flows of the web hosting and domain name business are presented as discontinued operations while the broadcast, Internet, and certain other operations, which do not meet the definition of discontinued operations, are shown as continuing operations.

The revenue, carrier charges, and cost of sales and gross margin for the three months ended November 30, 2010 and 2009 from continuing operations and the management service fees from the Look MSA are as follows:

Services	Three months ended November 30, 2010			Three months ended November 30, 2009 ⁽¹⁾		
	Revenue	Carrier charges and cost of sales	Gross margin	Revenue	Carrier charges and cost of sales	Gross margin
Broadcast services	\$ -	\$ -	\$ -	\$ 434	\$ 425	\$ 9
Look MSA fees	600	-	600	-	-	-
Total	\$ 600	\$ -	\$ 600	\$ 434	\$ 425	\$ 9

⁽¹⁾ November 30, 2009 comparatives include Look on a consolidated basis.

All of the Company's revenue was generated in Canada and all of its assets are located in Canada.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

12. Related party transactions:

Related party transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not in the normal course of operations, such as the Company's accrued human resource restructuring contingent payments, have been measured at the carrying amount which is the amount of an item transferred or the cost of services provided.

(a) Management Services Agreement with Look ("Look MSA"):

Under the terms of the Management Service Agreement entered into between UBS and Look on May 19, 2004, Look has been required to pay an annual fee of \$2,400 to UBS. Look paid, in September 2007, in advance, an annual fee of \$2,400, which is included in deferred revenue. On a 12-month rolling basis, Look has maintained this pre-paid annual fee.

On April 22, 2010, Look's Board of Directors notified UBS that it will not be recommencing the term of the MSA on May 19, 2010 such that the Look MSA will expire at the end of its current term being May 19, 2012 or such earlier date that is mutually agreed to by Look and UBS. As a result of this notification, Look would continue to maintain the prepaid annual fee of \$2,400 by paying \$200 per month until May 2011, after which the prepaid annual fee of \$2,400 would be drawn down at \$200 per month for the final twelve months of the Look MSA.

As a result of the sale of its spectrum and broadcast licence and the resulting restructuring of its business, Look no longer requires the same level of CEO Services and Other Services (as defined in the LOOK MSA) from UBS, particularly as they relate to annual business planning and budgeting, human resources, engineering, updating of broadcast and information technology, the management of regulatory requirements, and managing Look's fixed and variable costs to maximize Look's profits. Accordingly, on December 3, 2010, Look and UBS agreed that, with effect from January 1, 2011, Look will no longer maintain the prepaid annual fee of \$2,400 on a monthly basis and that this amount will be drawn down at approximately \$145 per month over the remaining term of the Look MSA, being January 1, 2011 through May 19, 2012, in lieu of the annual fee that would otherwise be payable to UBS under the Look MSA. UBS will continue to provide services to Look, where still applicable pursuant to the Look MSA, and all other terms and conditions of the Look MSA will remain in effect until May 19, 2012. The cash flow impact of this amendment is a reduction of approximately \$900 in fees from Look to UBS over the remaining term of the Look MSA.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

12. Related party transactions (continued):

The base fee pursuant to the Look MSA received by UBS during the quarter ended November 30, 2010 amounted to \$600 and is included in Service and Sales Revenue (note 11).

(b) Interest on Debentures:

Following the redemption of the Debentures in May 2010, no interest was earned by UBS during the quarter ended November 30, 2010 (2009 - \$53).

(c) Rent of Milton premises:

UBS has subleased a portion of Look's premises in Milton for a five-year term at an annual rent of \$78 (2009 - \$77). The initial five-year term of the lease with Look expired on April 1, 2010 and the lease is now extended on a month-to-month basis. During the quarter ended November 30, 2010, UBS paid Look \$19 in rent.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

12. Related party transactions (continued):

(d) Accrued restructuring liabilities:

The Company recorded the following related party transactions in the quarter ended November 30, 2010, as follows:

	Accrued Restructuring Liabilities			Balance at November 30, 2010 ⁽⁵⁾
	Balance at August 31, 2010	Interest accrued ⁽³⁾	Awards reversed ⁽⁴⁾	
Jolian Investments Ltd. ⁽¹⁾ / McGoey	\$ 1,843	\$ 14	\$ -	\$ 1,857 ⁽⁶⁾
DOL Technologies Inc. ⁽²⁾ / Dolgonos	1,566	12	-	1,578 ⁽⁶⁾
Former UBS directors and management	1,960	15	-	1,975
Total	\$ 5,369	\$ 41	\$ -	\$ 5,410

⁽¹⁾ Jolian Investments Ltd. ("Jolian") is a company controlled by Mr. McGoey, the former Chairman of the Board of Directors and former CEO of UBS. Fees charged to general and administration expenses in the three months ended November 30, 2009 amounted to \$141. No options or SAR units were granted to Mr. McGoey or Jolian during the three months ended November 30, 2009.

On July 5, 2010, the former Board of Directors, including Mr. McGoey, was not elected by shareholders at a special meeting, which resulted in Jolian alleging a Company Default pursuant to the Jolian Management Services Agreement with UBS ("Jolian MSA") and a subsequent claim for, among other things, payment for termination of services and the outstanding accrued restructuring liability to Jolian. Details of the litigation against UBS commenced by Jolian on July 12, 2010 are set out in the 2010 annual financial statements.

⁽²⁾ DOL Technologies Inc. ("DOL") is a company controlled by Mr. Dolgonos, the former Chief Technology Consultant of UBS. Fees charged to general and administration expenses in the three months ended November 30, 2009 amounted to \$119. No options or SAR units were granted to Mr. Dolgonos or DOL during the three months ended November 30, 2009.

On July 5, 2010, the former Board of Directors was not elected by shareholders at a special meeting, which resulted in DOL alleging that its agreement with UBS ("Technology Agreement") had been terminated for "Good Reason following Change-in-Control" and a subsequent claim for, among other things, payment for termination of services and the outstanding accrued restructuring liability to DOL. Details of the litigation against UBS commenced by DOL on July 12, 2010 are set out in the 2010 annual financial statements.

⁽³⁾ The interest on accrued restructuring liabilities payable by UBS is charged to restructuring charges.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

12. Related party transactions (continued):

⁽⁴⁾ On January 6, 2011, UBS agreed to settle the accrued restructuring award granted to Malcolm Buxton-Forman by the former Board of Directors and any other amount due under his employment agreement, for \$330, which will result in a reversal of \$831 to restructuring charges in the second quarter of fiscal 2011.

⁽⁵⁾ The accrued restructuring liabilities payable by UBS at November 30, 2010 are payable upon, among other things, adequate cash resources being received by UBS.

⁽⁶⁾ These amounts, among others, are included in the claims filed against UBS by Jolian and DOL on July 12, 2010. Counterclaims filed by UBS against Jolian, Mr. McGoey and certain former directors and against DOL, Mr. Dolgonos, Mr. McGoey and certain former directors are detailed in the 2010 annual financial statements.

(e) General security interest:

On November 26, 2003, Look granted a security interest in all of its personal property to UBS for any liabilities owing by Look to UBS.

(f) Indemnity Agreements:

The former Board of Directors resolved that the Indemnitees were entitled to retain legal counsel pursuant to their Indemnity Agreements and as a result \$7 was expensed during the three months ended November 30, 2010 pursuant to the Indemnity Agreements and \$557 has been advanced by UBS to various legal firms for future services (note 7).

(g) Special shareholders meeting:

It was stated in the information circular prepared in connection with the July 5, 2010 special meeting of shareholders that the costs incurred in the preparation and mailing of the circular and the solicitation will be borne by certain concerned shareholders who would seek reimbursement from UBS of its out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with the meeting. In this regard, UBS has paid \$259 to service providers engaged by the concerned shareholders and as at November 30, 2010 and August 31, 2010, UBS has accrued \$274 which is payable to the concerned shareholders, some of whom are directors of UBS.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

13. Discontinued operations:

During the quarter ended November 30, 2009, the Company recorded an adjustment of \$40, net of non-controlling interest, related to the sale of the web hosting and domain name business.

The consolidated balance sheets include the following amounts related to discontinued operations:

	November 30, 2010	August 31, 2010
Accrued liabilities and provisions	\$ 147	\$ 297

14. Contingencies:

- For details on the Statements of Claim and Defences and Counterclaims involving the former CEO and Chief Technology Consultant and other litigation, refer to the 2010 annual financial statements.
- In the normal course of its operations, UBS may be subject to other litigation and claims.
- The Company indemnifies its directors, officers, consultants and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

15. Supplemental cash flow information:

- The change in non-cash operating assets and liabilities in respect of continuing operations consists of the following:

	November 30, 2010	November 30, 2009 ⁽¹⁾
Accounts receivable	\$ (233)	\$ (847)
Inventory	-	40
Prepaid expenses and deposits	-	153
Accounts payable, accrued liabilities and provisions	50	(2,331)
Accrued restructuring liabilities	77	(2,145)
Accrued restructuring liabilities due to related parties	41	(17,192)
Restricted cash	-	30
	\$ (65)	\$ (22,292)

⁽¹⁾ November 30, 2009 comparatives include Look on a consolidated basis.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

15. Supplemental cash flow information (continued):

(b) Interest paid and received:

	November 30, 2010	November 30, 2009 ⁽¹⁾
Interest paid	\$ -	\$ 50
Interest received	5	39

⁽¹⁾ November 30, 2009 comparatives include Look on a consolidated basis.

16. Capital risk management:

The Company manages its capital to maximize value to shareholders and other stakeholders. Up until May 25, 2010, the Company's capital structure included cash and cash equivalents, short-term investments, accounts receivable and other receivables, Debentures, and equity consisting of share capital, contributed surplus and deficit.

As of November 30, 2010, UBS' capital structure includes cash and cash equivalents, accounts receivable and other receivables and equity consisting of share capital, contributed surplus and deficit. UBS is not subject to externally-imposed capital requirements. UBS's overall strategy with respect to capital risk management is to hold low-risk highly-liquid cash and cash equivalents.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

17. Financial risk management:

(a) Overview:

UBS may have exposure to credit risk, liquidity risk and market risk. UBS' Board of Directors has overall responsibility for the establishment and oversight of UBS' risk management framework. The Audit and Corporate Governance Committee of the Board of Directors reviews UBS' risk management policies from time to time on an as needed basis.

(b) Credit risk:

Credit risk is the risk of financial loss to UBS if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from UBS' cash and cash equivalents, restricted cash, and accounts receivable and other receivables. The carrying amount of financial assets represents UBS' estimate of its maximum credit exposure.

Cash and cash equivalents, restricted cash, and short-term investments (in the case of Look) consist of cash and variable rate guaranteed investment certificates and bankers acceptances with reputable Canadian financial institutions, from which the Company believes the risk of loss to be minimal.

(c) Liquidity risk:

Liquidity risk is the risk that UBS will not be able to meet its financial obligations as they become due. UBS' approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due.

UBS has incurred operating losses and negative cash flows from operations in recent years and at November 30, 2010, UBS had a working capital deficiency of \$4,016. Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions to Look's shareholders and the outcomes of certain litigation detailed in the 2010 annual financial statements. UBS will need to raise cash and/or monetize assets and/or receive cash distributions from Look and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments giving rise to doubt about UBS' use of the going concern assumption (note 1).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

17. Financial risk management (continued):

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect UBS' income or the value of its financial instruments. Prior to Look's restructuring process, Look's products and services were available solely in Canada and substantially all of the Company's financial assets and liabilities originated in Canadian dollars. The Company believed this risk was minimal and did not enter into any currency hedging transactions.

UBS is subject to interest rate risk on its cash and cash equivalents and restricted cash (note 6). UBS estimates that for each 1% change in the interest rate earned on its cash holdings at November 30, 2010, interest income will increase or decrease by approximately \$42 per annum.

(e) Fair value of financial instruments:

The fair values of financial assets and financial liabilities are determined as follows:

- (i) For cash and cash equivalents, short-term investments, restricted cash, accounts receivable and other receivables, short-term receivable due from Inukshuk, accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties and accrued liabilities and provisions carrying amounts approximate fair value due to the short-term nature of the assets and liabilities;
- (ii) The long-term debt, due within one year has been carried at amortized cost, which approximates fair value; and
- (iii) Prior to their redemption and conversion, the liability component of the convertible debentures was carried at amortized cost, which approximated fair value.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

17. Financial risk management (continued):

- (f) Classification of financial instruments:
 - (i) Short-term investments, accounts receivable and other receivables, short-term receivable due from Inukshuk and restricted cash have been classified as financial assets held for trading and are measured at fair value;
 - (ii) Accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties and accrued liabilities and provisions have been classified as financial liabilities held for trading; and
 - (iii) Prior to their redemption and conversion, the liability component of the convertible debentures was carried at amortized cost, which approximated fair value (note 8).

The Company has not classified any assets as available-for-sale or held-to-maturity during the years ended August 31, 2010 and 2009. The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash and cash equivalents and restricted cash. The Company does not have Level 2 or Level 3 inputs.

18. Subsequent events:

- (a) Amendment to Look MSA:

As a result of the sale of its spectrum and broadcast licence and the resulting restructuring of its business, Look no longer requires the same level of CEO Services and Other Services (as defined in the LOOK MSA) from UBS, particularly as they relate to annual business planning and budgeting, human resources, engineering, updating of broadcast and information technology, the management of regulatory requirements, and managing Look's fixed and variable costs to maximize Look's profits. Accordingly, on December 3, 2010, Look and UBS agreed that, with effect from January 1, 2011, Look will no longer maintain the prepaid annual fee of \$2,400 on a monthly basis and that this amount will be drawn down at approximately \$145 per month over the remaining term of the Look MSA, being January 1, 2011 through May 19, 2012, in lieu of the annual fee that would otherwise be payable to UBS under the Look MSA. UBS will continue to provide services to Look, where still applicable pursuant to the Look MSA, and all other terms and conditions of the Look MSA will remain in effect until May 19, 2012. The cash flow impact of this amendment is a reduction of approximately \$900 in fees from Look to UBS over the remaining term of the Look MSA. (note 12).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)
(In thousands, except per share amounts)

Three months ended November 30, 2010 and 2009

18. Subsequent events (continued):

(b) Statement of Claim served on UBS and its directors by 2064818 Ontario Inc.:

On December 23, 2010, a registered shareholder of UBS, 2064818 Ontario Inc., which is a corporation controlled by UBS' former Chief Technology Consultant, Alex Dolgonos, served a statement of claim (the "Statement of Claim") on UBS and each of Grant McCutcheon, Robert Ulicki and Henry Eaton.

Among other things, 2064818 Ontario Inc. alleges that (i) the directors of UBS are exercising their powers as directors in a manner that is oppressive, unfairly prejudicial and unfairly disregards the interests of UBS shareholders; and (ii) the existing directors have failed to act honestly and in good faith with a view to the best interests of UBS. The allegations are made, among other things, in respect of the amendment of Look MSA. It is also alleged that the new directors of UBS intentionally triggered a change-in-control in the Jolian MSA by failing to re-elect the former CEO as a director.

The Statement of Claim seeks various relief, including among other things, (i) the removal of the directors of UBS from its board of directors, (ii) the setting aside of the amendment to the Look MSA or, in lieu thereof, damages in the amount of \$900, and (iii) an order restraining UBS from obtaining any dilutive financing unless existing shareholders are entitled to participate in such financing on a pro rata basis.

(c) Appointment of new Chief Financial Officer

On January 6, 2011, UBS announced that C. Fraser Elliott has been appointed Chief Financial Officer to replace Malcolm Buxton-Forman who departed UBS on January 7, 2011 in order to pursue other opportunities.

Also on January 6, 2011, UBS agreed to settle the accrued restructuring award granted to Malcolm Buxton-Forman by the former Board of Directors and any other amounts due under his employment agreement, for \$330, resulting in a reversal of \$831 to restructuring charges.

UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

Board of Directors

Henry Eaton
Grant McCutcheon
Robert Ulicki (Chairman of the Board)

Officers

Grant McCutcheon
Chief Executive Officer

C. Fraser Elliott
Chief Financial Officer

Auditors

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Suite 401
Mississauga, Ontario
L5B 3J1

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Common shares

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