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Interim Unaudited Consolidated Financial Statements

**UNIQUE BROADBAND SYSTEMS, INC.**

Three and six months ended February 29, 2008 and February 28, 2007

# **Unique Broadband Systems, Inc.**

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## **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 29, 2008 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.

# UNIQUE BROADBAND SYSTEMS, INC.

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

As at

	February 29, 2008	August 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 6,321	\$ 9,650
Restricted cash (note 3)	485	500
Accounts and other receivables	714	714
Inventory	69	62
Prepaid expenses and deposits	254	440
	<u>7,843</u>	<u>11,366</u>
Capital assets	9,966	12,508
Deferred charges	82	129
	<u>\$ 17,891</u>	<u>\$ 24,003</u>
<b>Liabilities and Shareholders' Equity/(Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 11,670	\$ 12,489
Accrued liabilities and provisions	4,240	5,572
Unearned revenue	872	819
Current portion of long-term debt	-	14
Current portion of liability component of convertible debentures	24	27
	<u>16,806</u>	<u>18,921</u>
Long-term debt	1,780	1,800
Liability component of convertible debentures	765	769
Non-controlling interest (note 4)	573	2,202
Shareholders' equity/(deficit):		
Share capital (note 5)	58,139	58,139
Contributed surplus	2,281	2,056
Deficit	<u>(62,453)</u>	<u>(59,884)</u>
	(2,033)	311
Basis of presentation - going concern (note 1)		
Commitments and contingencies (note 10)		
	<u>\$ 17,891</u>	<u>\$ 24,003</u>

See accompanying notes to interim unaudited consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

	Three months ended		Six months ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
Service and sales revenue (note 8)	\$ 5,244	\$ 6,346	\$ 10,663	\$ 12,982
Carrier charges and cost of sales (note 8)	2,661	3,019	5,352	6,161
Gross margin	2,583	3,327	5,311	6,821
Expenses:				
Marketing and sales	1	28	19	69
Customer care	369	482	771	1,039
Engineering and operations	741	792	1,474	1,758
General and administration	2,329	3,125	4,822	5,398
Amortization of capital assets	1,328	1,149	2,590	2,309
Amortization of deferred charges	14	16	27	40
	4,782	5,592	9,703	10,613
	(2,199)	(2,265)	(4,392)	(3,792)
Accretion on liability component of convertible debentures	(39)	(41)	(78)	(80)
Interest expense	(50)	(51)	(100)	(102)
Interest income	76	90	174	193
Gain on disposal of capital assets	8	-	8	-
Loss before income taxes and non-controlling interest	(2,204)	(2,267)	(4,388)	(3,781)
Non-controlling interest	930	667	1,819	1,343
Loss from continuing operations	(1,274)	(1,600)	(2,569)	(2,438)
Loss from discontinued operations (note 6)	-	-	-	(1,000)
Loss and comprehensive loss for the period	(1,274)	(1,600)	(2,569)	(3,438)
Deficit, beginning of period	(61,179)	(57,541)	(59,884)	(55,703)
Deficit, end of period	\$ (62,453)	\$ (59,141)	\$ (62,453)	\$ (59,141)
Loss per share from continuing operations:				
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)
Loss per share from discontinued operations:				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Loss per share:				
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.03)
Weighted average number of outstanding shares in thousands:				
Basic and diluted (note 5)	102,748	102,748	102,748	102,748

See accompanying notes to interim unaudited consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

	Three months ended		Six months ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
<b>Cash flows from/(used in) operating activities:</b>				
Loss from continuing operations	\$ (1,274)	\$(1,600)	\$ (2,569)	\$ (2,438)
Non-controlling interest	(930)	(667)	(1,819)	(1,343)
Amortization of capital assets	1,328	1,149	2,590	2,309
Amortization of deferred charges	14	16	27	40
Amortization of stock based compensation	70	575	330	725
Accretion on liability component of convertible debentures	39	41	78	80
Gain on disposal of capital assets	(8)	-	(8)	-
Change in non-cash operating working capital (note 7)	(355)	1,259	(195)	2,869
Cash flows from/(used in) continued operations	(1,116)	773	(1,566)	2,242
Cash flows used in discontinued operations (note 6)	-	(350)	(1,724)	(350)
Cash flows from/(used in) operating activities	(1,116)	423	(3,290)	1,892
<b>Cash flows used in financing activities:</b>				
Interest on convertible debentures	-	(1)	-	(1)
Repayment of obligations under capital leases	(6)	(8)	(14)	(23)
Cash flows used in financing activities	(6)	(9)	(14)	(24)
<b>Cash flows from/(used in) investing activities:</b>				
Restricted cash	7	5	15	18
Purchase of capital assets	(40)	(6)	(48)	(131)
Proceeds of disposition of capital assets	8	-	8	-
Cash flows used in investing activities	(25)	(1)	(25)	(113)
(Decrease)/Increase in cash and cash equivalents	(1,147)	413	(3,329)	1,755
Cash and cash equivalents, beginning of period	7,468	9,823	9,650	8,481
Cash and cash equivalents, end of period	\$ 6,321	\$ 10,236	\$ 6,321	\$ 10,236

Supplemental cash flow information (note 7)

See accompanying notes to interim unaudited consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to the Consolidated Financial Statements

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

Three and six months ended February 29, 2008 and February 28, 2007

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Unique Broadband Systems, Inc. (the "Company") is a publicly listed Canadian company that has a 51.7% fully diluted equity interest in Look Communications Inc. ("Look") and other assets. With its spectrum and broadcast licenses 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. ("UBS Wireless"). 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 and recorded as discontinued operations in the consolidated financial statements. During 2003, UBS completed certain transactions to acquire a controlling interest in Look.

## 1. Basis of presentation:

### (a) Going concern

These interim unaudited consolidated financial statements have been prepared by management, on a going concern basis, in accordance with Canadian generally accepted accounting principles with respect to the preparation of interim financial information. 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 commitments in the normal course of business.

There is doubt about the Company's ability to continue as a going concern as it has incurred significant operating losses in recent years and has a working capital deficiency of \$8,963 as at February 29, 2008 (August 31, 2007 - \$7,555).

The Company's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations, the successful implementation of the Company's business strategy, the availability of financing alternatives, and an acceptable outcome to the Company's contingencies (see notes 9 and 10 (b)). 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 reflect any adjustments to the amounts and classifications of the assets and liabilities and reported revenues 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 the Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 1. Basis of presentation (continued):

### (b) Basis of consolidation

These consolidated financial statements include the accounts of the Company's controlled subsidiary, Look, and its wholly owned subsidiary UBS Wireless. All significant inter-company transactions and balances have been eliminated upon consolidation. In accordance with the CICA Handbook Section 1600, *Consolidated Financial Statements*, when the losses applicable to the non-controlling interest in Look exceed the non-controlling interest's carrying value in Look, the excess and any further losses should be fully absorbed by the Company. Subsequent earnings, if any, recorded by Look, should be allocated entirely to the Company's interest until such previously fully absorbed losses are recovered.

### (c) Significant accounting policies

These interim unaudited consolidated financial statements should be read in conjunction with the recent annual audited consolidated financial statements and notes thereto, as at, and for the year ended August 31, 2007. 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 most recent annual audited consolidated financial statements, except as described below.

#### (i) Changes in accounting policies

In 2006, the CICA issued Handbook Section 1506, *Accounting Changes* ("CICA 1506"). CICA 1506 prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and correction of errors. This new standard was adopted by the Company on September 1, 2007.

#### (ii) Financial instruments

Effective September 1, 2007, the Company adopted CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, and Handbook Section 1530, *Comprehensive Income*. Handbook Section 3855 prescribes criteria for the classification of financial assets and liabilities and treatment of derivatives and embedded derivatives. Handbook Section 1530 prescribes the presentation and treatment of "other comprehensive income or loss" and "accumulated other comprehensive income or loss".

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to the Consolidated Financial Statements (continued)

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 1. Basis of presentation (continued):

Under these standards, the Company's financial assets are classified as available-for-sale or loans and receivables. Financial assets classified as available-for-sale are carried on the balance sheet at fair value with changes in fair value recorded in "other comprehensive income or loss". Loans and receivables and all financial liabilities are carried at amortized cost using the effective interest method.

The Company has historically capitalized and amortized deferred financing charges. Effective September 1, 2007, the Company will net these costs against the liabilities they were incurred to establish. The impact of this application at September 1, 2007 is to decrease deferred financing charges by \$20, the unamortized financing costs related to the mortgage, and to correspondingly decrease the long-term debt by \$20. In accordance with Section 3855, comparative financial information was not restated.

The Company reviewed significant contracts and determined that there are no significant non-financial derivatives that require separate fair value recognition in the interim unaudited consolidated financial statements at February 29, 2008.

The Company has determined that it has no "other comprehensive income or loss" transactions during the period and no opening or closing balances in "accumulated other comprehensive income or loss".

### (iii) Recent accounting pronouncements

The CICA recently issued Handbook Section 3031 – Inventories, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. Handbook Section 3031, replacing Section 3030, which also dealt with inventory, revises the determination of cost and subsequent measurement of inventory. Handbook Sections 3862 and 3863 carry forward the existing presentation requirements and expand the disclosure requirements to complement the changes in accounting policy made in accordance with Section 3855. All three sections will be adopted by the Company on September 1, 2008.



# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 2. Investment in Look:

At February 29, 2008, UBS held 24,864,478 Multiple Voting Shares and 28,863,642 Subordinate Voting Shares in Look (August 31, 2007 - 24,864,478 Multiple Voting Shares and 28,614,442 Subordinate Voting Shares). In addition, UBS is the holder of a convertible debenture in the principal amount of \$3,000, which may be converted into 20,000,000 Multiple Voting Shares and 20,000,000 Subordinate Voting Shares. On a fully diluted basis, UBS holds 51.7% of Look.

## 3. Cash:

### (a) Cash and cash equivalents

Cash and cash equivalents consist of all bank balances and highly liquid short-term guaranteed investment certificates and bankers acceptances with original maturities of less than 90 days. At February 29, 2008, the Company had cash and cash equivalents of \$6,321 (August 31, 2007 - \$9,650).

### (b) Restricted cash

At February 29, 2008, Look pledged \$485 (August 31, 2007 - \$500) of cash to its bank as collateral for the processing of credit card transactions. Of this amount, \$300 is held in interest bearing certificates at 3.93%.

## 4. Non-controlling interest:

The non-controlling interest in the consolidated balance sheets of the Company is based on the outside shareholders' interest in the equity of Look and the equity component of convertible debentures as set out in the table below.

	February 29, 2008	August 31, 2007
Shares and equity	\$ 151	\$ 1,778
Equity component of convertible debentures	422	424
Non-controlling interest in Look	\$ 573	\$ 2,202

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# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 5. Share capital:

### (a) Authorized

Unlimited common shares  
Unlimited Class A non-voting shares

### (b) Issued

At February 29, 2008, UBS had issued 91,442,522 common shares (August 31, 2007 - 91,442,522) and 11,305,332 Class A non-voting shares (August 31, 2007 - 11,305,332).

### (c) Stock option plan

UBS' stock option plan (the "Option Plan") provides for the granting of stock options to employees, directors and consultants of UBS. Under the Option 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 such grant.

During the three and six months ended February 29, 2008, UBS recorded stock-based compensation expense of nil and nil respectively (February 28, 2007 - \$5 and \$26) related to options issued to employees and nil and \$225 respectively (February 28, 2007 - \$545 and \$653) related to options issued to non-employees, which has been recorded in contributed surplus. During the quarter ended November 30, 2007, 1,000,000 options to purchase common shares of the Company were granted to a non-employee at an exercise price of \$0.32. The fair value for these options at the date of grant was determined using the Black-Scholes option pricing model with the following assumptions: an average risk free interest rate of 4.2%, a dividend yield of 0%, a volatility factor of the expected market price of UBS shares of 103% and an expected option life of five years. The option has vesting terms based on share price performance and expires on the earlier of (a) the fifth anniversary of the vesting date and (b) October 19, 2017. No options to purchase common shares of UBS were granted during the quarter ended February 29, 2008.

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 5. Share capital (continued):

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 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.

### (d) Share Appreciation Rights Plan

On October 12, 2006, the Board of Directors approved a Share Appreciation Rights ("SAR") Plan (the "SAR Plan") for UBS. Pursuant to the SAR Plan, directors, employees and consultants may be awarded units from time to time that are subject to conditions set by the Board of Directors. The value of a SAR unit is equivalent to the market value at the date when all the conditions attached to the SAR unit are met, less the market value on the date of the award of the unit.

As at February 29, 2008, the Board of Directors had awarded 8,000,000 SAR units at a weighted average grant price of \$0.15 based on the market values of UBS' common shares on the date of the awards. The awards are subject to specific terms and conditions being fulfilled. No SAR units have been awarded and no charge has been recorded in the financial statements for the three and six months ended February 29, 2008 (February 28, 2007 - nil).

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

## 6. Discontinued operations:

The charge to discontinued operations in fiscal 2007 related to the provision for the settlement of a claim against UBS in respect of leased premises used by UBS Technologies A/S, its Danish subsidiary that was petitioned into bankruptcy in 2003. During October 2007, UBS made the final payment in the settlement of this claim. The consolidated balance sheets include the following amounts related to discontinued operations:

	February 29, 2008	August 31, 2007
Accrued liabilities	\$ 147	\$ 1,871

## 7. Supplemental cash flow information:

The change in non-cash operating working capital in respect of continuing operations consists of the following:

	Three months ended		Six months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Accounts receivable	\$ 32	\$ (203)	\$ -	\$ 321
Inventory	7	(7)	(7)	22
Prepaid expenses and deposits	95	95	186	267
Accounts payable and accrued liabilities	(523)	1,296	(427)	2,166
Unearned revenue	34	78	53	93
	\$ (355)	\$ 1,259	\$ (195)	\$ 2,869

## 8. Segment disclosure:

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

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to the Consolidated Financial Statements (continued)

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

Three and six months ended February 29, 2008 and February 28, 2007

## 8. Segment disclosure (continued):

Service and sales revenue consists of Broadcast Services, Internet Services, Other Services and equipment sales and installation revenue. Broadcast Services revenue is earned from the provision of television services to residential and commercial customers. Internet Services revenue is earned from monthly and annual subscriptions from individuals and businesses for access to the internet. Other revenues are earned from web-hosting, domain name registrations and web-server co-location. Equipment and installation revenue is derived from the sale of equipment to customers and the installation of wireless services.

The service and sales revenues and cost of sales are as follows:

	Three months ended			
	February 29, 2008		February 28, 2007	
	Revenue	Cost of sales	Revenue	Cost of sales
Broadcast Services	\$ 2,258	\$ 1,373	\$ 2,827	\$ 1,562
Internet Services	2,003	902	2,404	989
Other Services	912	326	1,020	388
Total Service Revenue	5,173	2,601	6,251	2,939
Sales and Installations	71	60	95	80
Total Service and Sales	\$ 5,244	\$ 2,661	\$ 6,346	\$ 3,019

	Six months ended			
	February 29, 2008		February 28, 2007	
	Revenue	Cost of sales	Revenue	Cost of sales
Broadcast Services	\$ 4,614	\$ 2,744	\$ 5,779	\$ 3,148
Internet Services	4,075	1,817	4,944	2,070
Other Services	1,828	666	2,039	762
Total Service Revenue	10,517	5,227	12,762	5,980
Sales and Installations	146	125	220	181
Total Service and Sales	\$ 10,663	\$ 5,352	\$ 12,982	\$ 6,161

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.

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 9. Economic dependence:

Look purchases a significant portion of its telecommunications services from Bell Canada. These telecommunication services are not available from other service providers and as a result, the provision of many of Look's service offerings to its subscribers and the revenue generated therefrom are dependent upon Bell Canada continuing to provision its network services to Look (see note 10 b(ii)).

## 10. Commitments and contingencies:

### (a) Commitments

Pursuant to CRTC regulation, Look is required to make annual contributions to the Canadian Television Fund ("CTF"), which is a cable industry fund designed to foster the production of Canadian television programming. Contributions to the CTF are based on a formula, including gross broadcast revenue and the number of subscribers. Look may elect to spend a portion of the above amount for local television programming and may also elect to contribute a portion to another CRTC approved independent production fund. Look estimates that its total contributions to the CTF and CRTC for fiscal 2008 will amount to approximately \$450.

### (b) Contingencies

#### (i) Claim for damages against Inukshuk

On January 16, 2003, UBS Wireless entered into a signed Right of Use Agreement (the "Agreement") with Inukshuk Internet Inc. ("Inukshuk"), a subsidiary of Microcell Telecommunications Inc. ("Microcell"), which would allow UBS to use the Multipoint Communications Systems ("MCS") spectrum licenses held by Inukshuk within certain license service areas. In addition, the Agreement gave UBS Wireless the right to match any binding, written irrevocable offer that Inukshuk was prepared to accept for the remaining MCS spectrum licensed to Inukshuk.

On November 19, 2003, Allstream Inc., Inukshuk and a USA company, NR Communications, LLC announced a joint venture for the use and development of 60 MHz of MCS spectrum. This MCS spectrum is part of the 98 MHz of spectrum licensed to Inukshuk, which is the subject matter of the Agreement.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to the Consolidated Financial Statements (continued)

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 10. Commitments and contingencies (continued):

On April 21, 2004, after attempting unsuccessfully to resolve issues related to the Agreement, UBS Wireless commenced legal action against Allstream Inc. (now MTS Allstream Inc.), Microcell Telecommunications Inc., Microcell Solutions Inc. and Inukshuk (wholly-owned subsidiaries of Microcell and now of Rogers Communications Inc. ("Rogers") following its acquisition of Microcell in September 2004). The damages claimed are for, amongst other things, specific performance, breach of contract, breach of confidence and breach of fiduciary duty. Damages totaling \$160,000 and disgorgement of profits are claimed against each of the defendants as a result of their actions involving the Inukshuk spectrum. Statements of Defence have been filed by the defendants.

On September 16, 2005, Rogers and Bell Canada announced an agreement to jointly build and manage a Canada-wide wireless broadband network using the Inukshuk spectrum. Pursuant to this agreement, Rogers and Bell Canada were to transfer, amongst other things, the Inukshuk spectrum in the 2.5GHz frequency range to the Inukshuk Wireless Partnership (the "Inukshuk Partnership").

On March 30, 2006, Industry Canada confirmed in a letter to Rogers and Bell Canada that barring unforeseen circumstances approval would be given to transfer the MCS licences from Inukshuk to the Inukshuk Partnership.

During fiscal 2007, UBS Wireless commenced proceedings to bring a motion to add the Inukshuk Partnership as a defendant to the original lawsuit. This motion was withdrawn and on August 22, 2007 UBS Wireless filed a Statement of Claim directly against the Inukshuk Partnership. The Statement of Claim seeks, amongst other things, a mandatory order requiring the Inukshuk Partnership to return to Fido Solutions Inc. ("Fido", formerly Microcell Telecommunications Inc.) any and all rights or licences to use or exploit the MCS spectrum and such other, interim, interlocutory or final relief as may be necessary to enable Fido to comply with any order requiring the specific performance of certain obligations to UBS Wireless.

On April 3 and 4, 2008, the Ontario Superior Court of Justice heard a motion brought by the Inukshuk Partnership, with Fido intervening in support, to dismiss the action against the Inukshuk Partnership filed by UBS Wireless on August 22, 2007. The decision from this hearing is pending and the outcome of this motion cannot be predicted at this time.

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 10. Commitments and contingencies (continued):

On April 15, 2008, UBS Wireless notified the Defendants to the original claim that it intended to amend the damages claimed on April 21, 2004, against each of the Defendants, from \$160 million to \$537 million, based on the opening bids for the Canadian AWS auction. On April 22, the Defendants refused consent to the amendment and, accordingly, UBS Wireless will be seeking leave by the Ontario Superior Court of Justice to amend the claim.

The assets and rights pursuant to the Agreement are significant to the Company's shareholders and as such UBS intends to vigorously pursue its rights.

### (ii) Bell Canada

In response to Bell Canada's "Notice of Intent to Disconnect" Look's services, on April 27, 2007, Look filed a Statement of Claim with the Ontario Superior Court of Justice against Bell Canada. Look claims damages in the aggregate amount of \$25,000 plus interest, costs, and any applicable taxes for, amongst other things, Bell Canada's breach of contract, misrepresentation, and unlawful interference with economic relations. Look is also seeking \$10,000 in aggravated and/or punitive damages.

On May 8, 2007, Look filed a Notice of Motion seeking Interim and Interlocutory Injunctions (the "Injunctions") preventing Bell Canada from terminating, reducing, restricting, or in any way interfering with the telecommunications services provided by Bell Canada to Look, pending the final determination of the motion or until such other time as the Court may direct. The Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007 and granted on July 31, 2007. In light of the Injunctions granted, Look believes it will be able to carry on business in the normal course of operations.

The major Terms and Conditions of the Injunctions are as follows:

1. Look will pay Bell Canada \$360 per month from May 1, 2007;
2. Look may not encumber or transfer its spectrum licence without the consent of the Court; and
3. Bell Canada will pay Look's costs of the Injunctions.

Look is fully complying with the Terms and Conditions set forth by the Ontario Superior Court of Justice. In addition, Look will expeditiously continue to vigorously pursue its aforementioned Statement of Claim against Bell Canada.

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# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 10. Commitments and contingencies (continued):

On July 5, 2007, Bell Canada filed its Statement of Defence and Counterclaim against Look claiming, amongst other things, and in addition to damages for trade payables in the amount of \$13,689, damages in the amount of \$2,300 for credit notes improperly issued by Bell Canada, and \$1,000 in aggravated and/or punitive damages.

On March 18, 2008 Look was granted an Order from the Ontario Superior Court of Justice compelling Bell Canada to, amongst other things, deliver its Affidavit of Documents to Look by no later than October 1, 2008 (the "deadline"). Despite agreeing to a Court imposed timetable on August 13, 2007 to exchange an Affidavit of Documents with Look by November 16, 2007, Bell Canada has failed to adhere to its obligations before the Ontario Superior Court of Justice prompting the action initiated by Look.

As such, Look obtained an Order from the Honourable Justice Spence that granted the following:

1. The Defendant, Bell Canada, deliver its sworn Affidavit of Documents by no later than the deadline;
2. Bell Canada is to continue reporting to the Ontario Superior Court of Justice on a monthly basis as to its progress in preparing its Affidavit of Documents, and that Bell Canada will provide Look with a written report in advance of this monthly attendance outlining:
  - i. The number of people who are reviewing the Bell Canada documents; and
  - ii. The number of documents reviewed during the month and the number of documents remaining to review; and
3. In the event that Bell Canada fails to deliver its Affidavit of Documents by the deadline, or if, in advance of the deadline, it is shown that the efforts Bell Canada is making will not likely allow it to meet the deadline, Look may seek an order to reduce the \$360 per month payment to Bell Canada, or seek an order for such other relief as the Court may permit, after July 1, 2008 based on the reports from Bell Canada to that date and any other relevant material.

The hearing date for these actions has yet to be determined and the outcome of these actions cannot be predicted at this time.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to the Consolidated Financial Statements (continued)

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 10. Commitments and contingencies (continued):

These claims are significant to the Company's shareholders. In the Company's opinion, Bell Canada's Counterclaim is without merit and Look intends to vigorously pursue its rights.

### (iii) Craig Wireless

On February 19, 2004, Craig Wireless International Inc. ("Craig Wireless") filed a statement of claim against the Company before the Ontario Superior Court of Justice. In its action, Craig Wireless seeks numerous sanctions against the Company and other parties.

On May 4, 2004, the Company obtained an order from the Ontario Superior Court of Justice dismissing with prejudice the motion brought by Craig Wireless for, amongst other things, an injunction that would prevent UBS from voting its shares of Look and converting into common shares its convertible debentures pursuant to Look's February 2004 rights offering. At the same time, Craig Wireless also withdrew its challenge to the CRTC approval of UBS acquiring a controlling interest in Look. Craig Wireless is still pursuing its claim that Look conducted its affairs in a manner that was oppressive and unfairly prejudicial to Craig Wireless and requests damages in the aggregate amount of \$12,000.

On October 27, 2006, the Ontario Superior Court of Justice heard a motion brought by Craig Wireless to amend its claim so as to add additional defendants. The Court denied Craig Wireless' motion on January 24, 2007 and awarded costs in favour of the Company.

The Company has been advised that Craig Wireless does not intend to further amend its claim and consequently the Company will be filing a Statement of Defence. The Company believes that the entire claim is unfounded and intends to vigorously defend itself. Accordingly, no accrual has been recorded in the accounts for this claim.

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 10. Commitments and contingencies (continued):

(iv) Border Broadcasters Inc. et al.

On December 27, 2007, Border Broadcasters Inc. et al. ("Border Broadcasters") served a statement of claim against Look filed before the Federal Court. In its action, Border Broadcasters is seeking, amongst other things:

1. Payment of royalties due in the amount of \$4,500 for the retransmission of distant television signals pursuant to:
  - i. The Statement of Royalties to be Collected for the Retransmission of Distant Radio and Television Signals in Canada in 1998 through to 2003 as certified by the Copyright Board of Canada, and
  - ii. The Interim Tariffs for the Retransmission of Distant Radio and Television Signals in Canada for the period commencing January 1, 2004.
2. Pre-judgment interest on unpaid royalties in the amount of \$2,500.

The Company believes that all debts, including any royalties due up to and including February 11, 2002, were extinguished by virtue of the Plan of Implementation approved by the Court under the Plan of Arrangement effective February 11, 2002. In addition, the Company notes that the Interim Tariffs referred to above for the period commencing January 1, 2004 remain uncertified by the Copyright Board of Canada.

Look intends to vigorously defend itself and the outcome of this action cannot be predicted at this time.

(v) Danish claim

Certain claims have been filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies A/S), its Danish subsidiary that was petitioned into bankruptcy in early 2003. In fiscal 2007, UBS settled a claim related to leased premises used by UBS Technologies A/S in Denmark. The final payment in respect of this settlement was made in the first quarter of fiscal 2008 (refer to note 6). A second claim for approximately \$450, which relies on an alleged guarantee by UBS in respect to a subcontracting agreement for the manufacture of electronic products, is proceeding through the Danish courts. Management believes it has a good defence against the remaining claim and continues to vigorously defend its position.

# UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 29, 2008 and February 28, 2007

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## 10. Commitments and contingencies (continued):

### (vi) Other claims

The Company continues to defend itself against the other litigation detailed in the Company's 2007 annual audited financial statements.

## 11. Related party transactions:

### (a) Management Service Agreement with Jolian Investments Ltd.

Management service fees pursuant to the Management Service Agreement between UBS and Jolian Investments Ltd., which is controlled by the Chairman and CEO of the Company, amounted to \$143 and \$285 for the three and six months ended February 29, 2008 respectively (February 28, 2007 - \$125 and \$249).

### (b) Consulting Agreement

Consulting fees, pursuant to a consulting agreement entered into in 2002 with Mr. Dolgonos, former President and CEO of UBS, amounted to \$119 and \$238 for the three and six months ended February 29, 2008 (February 28, 2007 - \$105 and \$207).

# UNIQUE BROADBAND SYSTEMS, INC.

## Shareholder Information

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### 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

### Investor Relations

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

e-mail: [irinfo@uniquebroadband.com](mailto:irinfo@uniquebroadband.com)

### Transfer Agent and Registrar

Equity Transfer & Trust Company  
200 University Avenue, Suite 400  
Toronto, Ontario  
M5H 4H1  
Tel: (416) 361-0152  
Fax: (416) 361-0470

e-mail: [irinfo@equitytransfer.com](mailto:irinfo@equitytransfer.com)

### Stock Exchange Listing

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