
Interim Unaudited Consolidated Financial Statements

UNIQUE BROADBAND SYSTEMS, INC.

Three and six months ended February 28, 2007 and 2006

Unique Broadband Systems, Inc.

**8250 Lawson Road
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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 28, 2007 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.

Unaudited Consolidated Balance Sheets
(In thousands of dollars)

	February 28, 2007	August 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,236	\$ 8,481
Restricted cash (note 3)	493	511
Accounts receivable	1,068	1,389
Inventory	152	174
Prepaid expenses and deposits	370	637
	<u>12,319</u>	<u>11,192</u>
Capital assets	15,913	18,091
Deferred charges	156	196
	<u>\$ 28,388</u>	<u>\$ 29,479</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 12,545	\$ 10,522
Accrued liabilities	4,891	4,098
Unearned revenue	1,049	956
Current portion of long-term debt	30	39
Current portion of liability component of convertible debenture	25	28
	<u>18,540</u>	<u>15,643</u>
Long-term debt	1,800	1,814
Liability component of convertible debenture	769	793
Non-controlling interest (note 4)	6,560	7,752
Shareholders' equity:		
Share capital (note 5)	58,139	58,139
Contributed surplus	1,721	1,041
Deficit	(59,141)	(55,703)
	<u>719</u>	<u>3,477</u>
Basis of presentation (note 1)		
	<u>\$ 28,388</u>	<u>\$ 29,479</u>

See accompanying notes to consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 28, 2007 and 2006

	Three months ended February 28		Six months ended February 28	
	2007	2006	2007	2006
Service and sales revenue (note 8)	\$ 6,346	\$ 7,850	\$ 12,982	\$ 16,210
Carrier charges and cost of sales (note 8)	3,019	3,138	6,161	7,172
Gross margin	3,327	4,712	6,821	9,038
Expenses:				
Marketing and sales	28	218	69	401
Customer care	482	830	1,039	1,699
Engineering and operations	792	1,223	1,758	2,490
General and administration	3,125	2,318	5,398	4,107
Amortization of capital assets	1,149	1,258	2,309	2,572
Amortization of deferred charges	16	23	40	47
	5,592	5,870	10,613	11,316
	(2,265)	(1,158)	(3,792)	(2,278)
Accretion on liability component of convertible debenture	(41)	(8)	(80)	(56)
Interest expense	(51)	(53)	(102)	(104)
Interest income	90	50	193	91
Loss before income taxes and non-controlling interest	(2,267)	(1,169)	(3,781)	(2,347)
Income taxes recovery/(provision)		(1)	-	2
Non-controlling interest (note 4)	667	693	1,343	1,355
Loss from continuing operations	(1,600)	(477)	(2,438)	(990)
Income/(Loss) from discontinued operations (note 6)	-	2,423	(1,000)	2,423
Income/(Loss) for the period	(1,600)	1,946	(3,438)	1,433
Deficit, beginning of period	(57,541)	(53,804)	(55,703)	(53,291)
Deficit, end of period	\$ (59,141)	\$ (51,858)	\$ (59,141)	\$ (51,858)
Basic and diluted loss per share – continuing operations:	\$ (0.02)	\$ 0.00	\$ (0.02)	\$ (0.01)
Basic and diluted income/(loss) per share	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.01

See accompanying notes to consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

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

Three and six months ended February 28, 2007 and 2006

	Three months ended February 28		Six months ended February 28	
	2007	2006	2007	2006
<u>Cash flows from/(used in) operating activities:</u>				
Loss for the period	\$ (1,600)	\$ (477)	\$ (2,438)	\$ (990)
Non-controlling interest	(667)	(693)	(1,343)	(1,355)
Amortization of capital assets	1,149	1,258	2,309	2,572
Amortization of deferred charges	16	23	40	47
Amortization of stock based compensation	575	141	725	231
Accretion on liability component of convertible debenture	41	12	80	56
Change in non-cash operating working capital (note 7)	1,259	232	2,869	(1,151)
Cash flows from/(used in) continued operations	773	496	2,242	(590)
Cash flows (used in) discontinued operations	(350)	(129)	(350)	(198)
Cash flows from/(used in) operating activities	423	367	1,892	(788)
<u>Cash flows from/(used in) financing activities:</u>				
Interest on convertible debentures	(1)	-	(1)	(4)
Repayment of obligations under capital leases	(8)	(8)	(23)	(23)
Cash flows used in financing activities	(9)	(8)	(24)	(27)
<u>Cash flows from/(used in) investing activities:</u>				
Proceeds from the repayment of loan receivable	-	2,423	-	2,423
Restricted cash	5	185	18	59
Purchase of capital assets	(6)	(92)	(131)	(201)
Cash flows from/(used in) investing activities	(1)	2,516	(113)	2,281
Increase in cash and cash equivalents	413	2,875	1,755	1,466
Cash and cash equivalents, beginning of period	9,823	6,111	8,481	7,520
Cash and cash equivalents, end of period	\$10,236	\$ 8,986	\$10,236	\$ 8,986

Supplemental cash flow information (note 7)

See accompanying notes to consolidated financial statements

UNIQUE BROADBAND SYSTEMS, INC.

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

Unique Broadband Systems, Inc. (the "Company") is a publicly listed Canadian company that has a 51.6% fully diluted equity interest in Look Communications Inc. ("Look") and other assets. 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 (see note 6). During 2003, UBS completed certain transactions to acquire a 51.6% controlling interest in Look.

1. Basis of presentation – going concern:

These unaudited interim 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.

These unaudited interim 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, 2006. Accounting policies and methods of their application followed in the preparation of these unaudited interim consolidated financial statements are consistent with those used in the most recent annual audited consolidated financial statements.

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 \$6,221 as at February 28, 2007 (August 31, 2006 - \$4,451).

The Company'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 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 unaudited Consolidated Financial Statements
(In thousands of dollars, except shares and per share amounts)

2. Shareholding in Look:

At February 28, 2007, UBS held 24,864,478 Multiple Voting Shares and 28,288,136 Subordinate Voting Shares in Look (August 31, 2006 – 24,864,478 Multiple Voting Shares and 28,089,519 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 51.6% of Look.

3. Restricted cash:

At February 28, 2007, Look pledged \$493 (August 31, 2006 - \$511) 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 3.25%.

4. Non-controlling interest:

The non-controlling interest in the consolidated balance sheet is based on the outside shareholders' interest in the equity of Look.

	February 28, 2007	August 31, 2006
Common shares and equity	\$ 6,136	\$ 7,315
Equity component of convertible debentures	424	437
	<hr/>	<hr/>
	\$ 6,560	\$ 7,752

5. Share capital:

(a) Authorized:

Unlimited common shares
Unlimited Class A non-voting shares

(b) Issued:

At February 28, 2007, the Company had issued 91,442,522 common shares (August 31, 2006 – 91,442,522) and 11,305,332 Class A non-voting shares (August 31, 2006 – 11,305,332).

UNIQUE BROADBAND SYSTEMS, INC.

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

5. Share capital (continued):

(c) Stock option plan:

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 such grant.

During the three and six months ended February 28, 2007, UBS recorded stock based compensation expense of \$5 and \$26 respectively (2006 - \$71 and \$134) related to options issued to employees and \$545 and \$653 respectively (2006 - \$46 and \$51) related to options issued to non-employees, which has been recorded in contributed surplus.

There were no options granted during the quarter ended February 28, 2007 and as at that date there were 15,954,000 options outstanding to purchase common shares of UBS at a weighted average exercise price of \$0.25.

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 three and six months ended February 28, 2007 and 2006 and basic and diluted loss per share would have been increased to the pro forma amounts as follows:

	Three months ended February 28		Six months ended February 28	
	2007	2006	2007	2006
Income/(Loss) for the period, as reported	\$ (1,600)	\$ 1,946	\$ (3,438)	\$ 1,433
Stock compensation expense	-	(29)	-	(58)
Pro forma income/(loss) for the period	\$ (1,600)	\$ 1,917	\$ (3,438)	\$ 1,375
Basic and diluted income/(loss) per share, as reported	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.01
Pro forma basic and diluted income/(loss) per share	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.01

UNIQUE BROADBAND SYSTEMS, INC.

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

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 for the Company. Pursuant to the 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 will be equivalent to the market value at the date when all the conditions attached to the SAR unit are met, less the market value at the date of the award of the unit.

On October 12, 2006, the Board of Directors awarded 6,000,000 SAR units at a grant price of \$0.10, the market value of the Company's common shares on that date. The awards are subject to specific market conditions being fulfilled. No charge has been recorded in the financial statements for the three and six month periods ended February 28, 2007.

6. Discontinued operations:

The loss from discontinued operations in the six months ended February 28, 2007 relates to additional charges for the settlement of the claim against UBS for leased premises used by UBS Technologies A/S, its Danish subsidiary that filed for bankruptcy in 2003.

The consolidated balance sheet includes the following amounts related to the discontinued operations:

	February 28, 2007	August 31, 2006
Accrued liabilities	(1,871)	(1,220)
Liabilities of discontinued operations	\$ (1,871)	\$ (1,220)

UNIQUE BROADBAND SYSTEMS, INC.

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

7. Consolidated statement of cash flows:

(a) The change in non-cash operating working capital consists of the following:

	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
Accounts receivable	\$ (203)	\$ 188	\$ 321	\$ (822)
Inventory	(7)	(1)	22	(1)
Prepaid expenses and other assets	95	59	267	68
Accounts payable and accrued liabilities	1,296	(114)	2,166	(167)
Income taxes payable	-	(5)	-	(5)
Unearned revenue	78	105	93	(224)
	\$ 1,259	\$ 232	\$ 2,869	\$ (1,151)

(b) Supplemental cash flow information:

	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
Accretion on liability component of Convertible debentures	\$ 41	\$ 12	\$ 80	\$ 56
Interest paid	(51)	(53)	(102)	(104)
Interest received	90	50	193	91
Income taxes received (paid)	-	(1)	-	2

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.

Service and sales revenue consists of Broadcast Services, Internet Services, Other Services and equipment sales and installation revenue. Broadcast distribution 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.

UNIQUE BROADBAND SYSTEMS, INC.

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

8. Segment disclosure (continued):

The service and sales revenues, cost of sales and gross margin percentages are as follows:

Service	Three months ended February 28, 2007			Three months ended February 28, 2006		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Broadcast distribution	\$2,827	\$1,562	44.7%	\$3,330	\$1,418	57.4%
Internet services	2,404	989	58.9%	3,087	1,092	64.6%
Other services	1,020	388	62.0%	1,290	441	65.8%
Total	6,251	2,939	53.0%	7,707	2,951	61.7%
Sales and Installations	95	80		143	187	
Total service and sales	\$6,346	\$3,019		\$7,850	\$3,138	

Service	Six months ended February 28, 2007			Six months ended February 28, 2006		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Broadcast distribution	\$5,779	\$3,148	45.5%	\$6,786	\$3,322	51.0%
Internet services	4,944	2,070	58.1%	6,493	2,610	59.8%
Other services	2,039	762	62.6%	2,556	845	66.9%
Total	12,762	5,980	53.1%	15,835	6,777	57.2%
Sales and Installations	220	181		375	395	
Total service and sales	\$12,982	\$6,161		\$16,210	\$7,172	

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.

9. 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 \$125 and \$249 for the three and six months ended February 28, 2007 (2006 – \$70 and \$70).

(b) Alex Dolgonos, Former President and CEO:

Consulting fees, pursuant to a consulting agreement entered into with Mr. Dolgonos in 2003, amounted to \$105 and \$207 for the three and six months ended February 28, 2007 (2006 - \$87 and \$176).

UNIQUE BROADBAND SYSTEMS, INC.

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

10. Claims for damages:

On January 16, 2003, UBS Wireless Services Inc. (UBS Wireless) entered into a signed Right of Use Agreement (Agreement) with Inukshuk Internet Inc. (Inukshuk), a subsidiary of Microcell Telecommunications Inc. (Microcell) which would allow UBS to use spectrum licenses held by Inukshuk within certain license service areas. In addition, the Agreement gave UBS 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.

On April 21, 2004, after attempting unsuccessfully to resolve issues related to the Agreement, UBS 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 totalling \$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.

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 Inukshuk MCS licences from Inukshuk to the Inukshuk Wireless Partnership.

In January 2007, UBS Wireless instructed McMillan Binch Mendelsohn to bring a motion to add the Inukshuk Wireless Partnership, owned directly or indirectly 50% by Bell Canada and 50% by Rogers, as a defendant to the original lawsuit.

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

UNIQUE BROADBAND SYSTEMS, INC.

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

11. Litigation:

On January 22, 2007, UBS settled a claim in connection with UBS Technologies A/S, (formerly ProTelevision Technologies A/S) its Danish subsidiary that filed for bankruptcy in early 2003. The claim related to leased premises used by UBS Technologies A/S in Denmark. This settlement was charged to discontinued operations.

UBS continues to defend itself against the other litigation detailed in the Company's 2006 annual financial statements and its Annual Report.

12. Subsequent events

On April 10, 2007, Bell Canada sent Look a Notice of Intent to Disconnect services effective 30 days from the date of notice. Bell Canada provides the majority of Look's telecommunications needs and Look intends to pursue all legal and regulatory remedies to ensure the continuation of its services. Look has retained the law firm of McMillan Binch Mendelsohn LLP to prepare a Statement of Claim against Bell Canada for, amongst other claims, breach of contract and misrepresentation.

UNIQUE BROADBAND SYSTEMS, INC.

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

UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

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
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Shareholder Inquiries

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Transfer Agent

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Common Shares

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