
Interim Unaudited Consolidated Financial Statements

UNIQUE BROADBAND SYSTEMS, INC.

Three and nine months ended May 31, 2007 and 2006

Unique Broadband Systems, Inc.

**8250 Lawson Road
Milton, Ontario
L9T 5C6**

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company for the interim period ending May 31, 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 Canadian dollars)

As at

| | May 31, 2007 | August 31, 2006 |
|---|------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 10,808 | \$ 8,481 |
| Restricted cash (note 3) | 514 | 511 |
| Accounts receivable | 731 | 1,389 |
| Inventory | 92 | 174 |
| Prepaid expenses and deposits | 532 | 637 |
| | <u>12,677</u> | <u>11,192</u> |
| Capital assets | 14,702 | 18,091 |
| Deferred charges | 142 | 196 |
| | <u>\$ 27,521</u> | <u>\$ 29,479</u> |
| Liabilities and Shareholders' Equity/Deficiency | | |
| Current liabilities: | | |
| Accounts payable | \$ 13,188 | \$ 10,522 |
| Accrued liabilities | 5,193 | 4,098 |
| Unearned revenue | 966 | 956 |
| Current portion of long-term debt | 22 | 39 |
| Current portion of liability component of convertible debenture | 64 | 28 |
| | <u>19,433</u> | <u>15,643</u> |
| Long-term debt | 1,800 | 1,814 |
| Liability component of convertible debenture | 769 | 793 |
| Non-controlling interest (note 4) | 5,681 | 7,752 |
| Shareholders' (deficiency)/equity: | | |
| Share capital (note 5) | 58,139 | 58,139 |
| Contributed surplus | 1,947 | 1,041 |
| Deficit | (60,248) | (55,703) |
| | <u>(162)</u> | <u>3,477</u> |
| Basis of presentation (note 1) | | |
| | <u>\$ 27,521</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 Canadian dollars, except shares and per share amounts)

Three and nine months ended May 31, 2007 and 2006

| | Three months ended | | Nine months ended | |
|---|--------------------|-------------|-------------------|-------------|
| | May 31 | | May 31 | |
| | 2007 | 2006 | 2007 | 2006 |
| Service and sales revenue (note 8) | \$ 6,013 | \$ 7,063 | \$ 18,995 | \$ 23,272 |
| Carrier charges and cost of sales (note 8) | 2,975 | 3,344 | 9,136 | 10,516 |
| Gross margin | 3,038 | 3,719 | 9,859 | 12,756 |
| Expenses: | | | | |
| Marketing and sales | 38 | 152 | 107 | 553 |
| Customer care | 501 | 770 | 1,540 | 2,469 |
| Engineering and operations | 778 | 1,211 | 2,536 | 3,701 |
| General and administration | 2,545 | 2,081 | 7,943 | 6,187 |
| Amortization of capital assets | 1,178 | 1,184 | 3,487 | 3,756 |
| Amortization of deferred charges | 14 | 29 | 54 | 76 |
| | 5,054 | 5,427 | 15,667 | 16,742 |
| | (2,016) | (1,708) | (5,808) | (3,986) |
| Accretion on liability component of convertible debenture | (39) | (48) | (119) | (104) |
| Interest expense | (53) | (38) | (155) | (142) |
| Interest income | 102 | 83 | 295 | 174 |
| Loss on disposal of capital assets | (14) | - | (14) | - |
| Loss before income taxes and non-controlling interest | (2,020) | (1,711) | (5,801) | (4,058) |
| Income taxes recovery | - | - | - | 2 |
| Non-controlling interest | 913 | 893 | 2,256 | 2,248 |
| Loss from continuing operations | (1,107) | (818) | (3,545) | (1,808) |
| Income/(Loss) from discontinued operations (note 6) | - | - | (1,000) | 2,423 |
| Income/(Loss) for the period | (1,107) | (818) | (4,545) | 615 |
| Deficit, beginning of period | (59,141) | (51,858) | (55,703) | (53,291) |
| Deficit, end of period | \$ (60,248) | \$ (52,676) | \$ (60,248) | \$ (52,676) |
| Basic and diluted loss per share – continuing operations: | \$ (0.01) | \$ (0.01) | \$ (0.03) | \$ (0.02) |
| Basic and diluted income/(loss) per share | \$ (0.01) | \$ (0.01) | \$ (0.04) | \$ 0.01 |

See accompanying notes to consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

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

Three and nine months ended May 31, 2007 and 2006

| | Three months ended May 31 | | Nine months ended May 31 | |
|---|------------------------------|----------|-----------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| <u>Cash flows from/(used in) operating activities:</u> | | | | |
| Loss from continuing operations | \$ (1,107) | \$ (818) | \$ (3,545) | \$ (1,808) |
| Non-controlling interest | (913) | (893) | (2,256) | (2,248) |
| Amortization of capital assets | 1,178 | 1,184 | 3,487 | 3,756 |
| Amortization of deferred charges | 14 | 29 | 54 | 76 |
| Amortization of stock based compensation | 260 | 97 | 985 | 328 |
| Accretion on liability component of convertible debenture | 39 | 48 | 119 | 104 |
| Loss on disposal of capital assets | 14 | - | 14 | - |
| Change in non-cash operating working capital (note 7) | 1,097 | 281 | 3,966 | (870) |
| Cash flows from/(used in) continued operations | 582 | (72) | 2,824 | (662) |
| Cash flows (used in) discontinued operations | - | (4) | (350) | (202) |
| Cash flows from/(used in) operating activities | 582 | (76) | 2,474 | (864) |
| <u>Cash flows from/(used in) financing activities:</u> | | | | |
| Interest on convertible debentures | - | (5) | (1) | (9) |
| Repayment of obligations under capital leases | (8) | (8) | (31) | (31) |
| Cash flows used in financing activities | (8) | (13) | (32) | (40) |
| <u>Cash flows from/(used in) investing activities:</u> | | | | |
| Proceeds from the repayment of loan receivable | - | - | - | 2,423 |
| Restricted cash | (21) | 591 | (3) | 650 |
| Purchase of capital assets | (5) | (253) | (136) | (454) |
| Proceeds of disposition of capital assets | 24 | - | 24 | - |
| Cash flows from/(used in) investing activities | (2) | 338 | (115) | 2,619 |
| Increase in cash and cash equivalents | 572 | 249 | 2,327 | 1,715 |
| Cash and cash equivalents, beginning of period | 10,236 | 8,986 | 8,481 | 7,520 |
| Cash and cash equivalents, end of period | \$10,808 | \$ 9,235 | \$10,808 | \$ 9,235 |

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 Canadian 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 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 \$6,756 as at May 31, 2007 (August 31, 2006 - \$4,451).

The Company's ability to continue as a going concern is dependent upon the outcome of Look's dispute with Bell Canada, (see note 11(b) "Claims for damages" and note 13 "Subsequent events" below), achieving and maintaining profitable operations and the successful implementation of the Company's business strategy. The outcome of these matters cannot be predicted at this time. The unaudited interim 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 unaudited Consolidated Financial Statements
(In thousands of Canadian dollars, except shares and per share amounts)

2. Shareholding in Look:

At May 31, 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 May 31, 2007, Look pledged \$514 (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.

| | May 31, 2007 | August 31, 2006 |
|--|-----------------|--------------------|
| Common shares and equity | \$ 5,257 | \$ 7,315 |
| Equity component of convertible debentures | 424 | 437 |
| | <hr/> | <hr/> |
| | \$ 5,681 | \$ 7,752 |

5. Share capital:

(a) Authorized:

Unlimited common shares
Unlimited Class A non-voting shares

(b) Issued:

At May 31, 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 Canadian 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 nine months ended May 31, 2007, UBS recorded stock based compensation expense of \$96 and \$122 respectively (2006 - \$70 and \$255) related to options issued to employees and \$131 and \$785 (2006 - \$20 and \$71) related to options issued to non-employees, which has been recorded in contributed surplus.

During the quarter ended May 31, 2007, 600,000 options expired and 620,000 options were granted at an average exercise price of \$0.40. As at May 31, 2007 there were 15,974,000 options outstanding to purchase common shares of UBS at a weighted average exercise price of \$0.28.

The following table reflects activity under the stock option plan during the nine month period ended May 31, 2007 and the year ended August 31, 2006:

| | Nine months ended May 31, 2007 | | Year ended August 31, 2006 | |
|----------------------------------|-----------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 15,954,000 | \$0.28 | 13,976,000 | \$0.31 |
| Granted | 620,000 | \$0.40 | 2,008,000 | \$0.13 |
| Cancelled | (600,000) | \$0.48 | (30,000) | \$1.89 |
| Outstanding, end of period | 15,974,000 | \$0.28 | 15,954,000 | \$0.28 |

UNIQUE BROADBAND SYSTEMS, INC.

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

5. Share capital (continued):

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 nine months ended May 31, 2007 and 2006 and basic and diluted loss per share would have been increased to the pro forma amounts as follows:

| | Three months ended May 31 | | Nine months ended May 31 | |
|---|------------------------------|-----------------|-----------------------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| Income/(Loss) for the period, as reported | \$ (1,107) | \$ (818) | \$ (4,545) | \$ 615 |
| Stock compensation expense | - | (29) | - | (87) |
| Pro forma income/(loss) for the period | \$ (1,107) | \$ (847) | \$ (4,545) | \$ 528 |
| Basic and diluted income/(loss) per share, as reported | \$ (0.01) | \$ (0.01) | \$ (0.04) | \$ 0.01 |
| Pro forma basic and diluted income/(loss) per share | \$ (0.01) | \$ (0.01) | \$ (0.04) | \$ 0.01 |

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 is 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.

UNIQUE BROADBAND SYSTEMS, INC.

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

5. Share capital (continued):

During the quarter ended May 31, 2007, the Board of Directors awarded 2,000,000 SAR units at a weighted average grant price of \$0.31 based on the market values of the Company's common shares on the date of the awards. The awards are subject to specific market conditions being fulfilled. No charge has been recorded in the financial statements for the three and nine month periods ended May 31, 2007. As at May 31, 2007, there were 8,000,000 SAR units outstanding at a weighted average grant price of \$0.15 (August 31, 2006 – nil).

6. Discontinued operations:

The loss from discontinued operations in the nine months ended May 31, 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:

| | May 31, 2007 | August 31, 2006 |
|--|-----------------|--------------------|
| Accrued liabilities | (1,871) | (1,220) |
| Liabilities of discontinued operations | \$ (1,871) | \$ (1,220) |

7. Consolidated statement of cash flows:

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

| | Three months ended May 31, | | Nine months ended May 31, | |
|--|-------------------------------|--------|------------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Accounts receivable | \$ 337 | \$ 310 | \$ 658 | \$ (510) |
| Inventory | 60 | 14 | 82 | 13 |
| Prepaid expenses and other assets | (162) | (295) | 105 | (227) |
| Accounts payable and accrued liabilities | 945 | 334 | 3,111 | 160 |
| Unearned revenue | (83) | (82) | 10 | (306) |
| | \$ 1,097 | \$ 281 | \$ 3,966 | \$ (870) |

UNIQUE BROADBAND SYSTEMS, INC.

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

7. Consolidated statement of cash flows (continued):

(b) Supplemental cash flow information:

| | Three months ended May 31, | | Nine months ended May 31, | |
|--|-------------------------------|---------|------------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Accretion on liability component of convertible debentures | \$ (39) | \$ (48) | \$ (119) | \$ (104) |
| Interest paid | (53) | (38) | (155) | (142) |
| Interest received | 102 | 83 | 295 | 174 |
| Income taxes received | - | - | - | 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 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, cost of sales and gross margin percentages are as follows:

| Service | Three months ended May 31, 2007 | | | Three months ended May 31, 2006 | | |
|-------------------------|------------------------------------|---------------|--------------|------------------------------------|---------------|--------------|
| | Revenues | Cost of Sales | Gross Margin | Revenues | Cost of Sales | Gross Margin |
| Broadcast distribution | \$ 2,653 | \$ 1,513 | 43.0% | \$ 3,075 | \$ 1,466 | 52.3% |
| Internet services | 2,269 | 965 | 57.5% | 2,807 | 1,293 | 53.9% |
| Other services | 995 | 383 | 61.5% | 1,053 | 393 | 62.7% |
| Total | 5,917 | 2,861 | 51.6% | 6,935 | 3,152 | 54.5% |
| Sales and Installations | 96 | 114 | | 128 | 192 | |
| Total service and sales | \$ 6,013 | \$ 2,975 | | \$ 7,063 | \$ 3,344 | |

UNIQUE BROADBAND SYSTEMS, INC.

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

8. Segment disclosure (continued):

| Service | Nine months ended May 31, 2007 | | | Nine months ended May 31, 2006 | | |
|-------------------------|-----------------------------------|------------------|-----------------|-----------------------------------|------------------|-----------------|
| | Revenues | Cost of Sales | Gross Margin | Revenues | Cost of Sales | Gross Margin |
| Broadcast distribution | \$ 8,433 | \$ 4,662 | 44.7% | \$ 9,860 | \$ 4,788 | 51.4% |
| Internet services | 7,212 | 3,035 | 57.9% | 9,300 | 3,902 | 58.0% |
| Other services | 3,034 | 1,144 | 62.3% | 3,609 | 1,238 | 65.7% |
| Total | 18,679 | 8,841 | 52.7% | 22,769 | 9,928 | 56.4% |
| Sales and Installations | 316 | 295 | | 503 | 588 | |
| Total service and sales | \$18,995 | \$ 9,136 | | \$23,272 | \$10,516 | |

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. Economic dependence:

Look purchases a significant portion of its telecommunications needs from Bell Canada. 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 11(b) "Claims for damages" and note 13 "Subsequent events" below).

10. 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. ("Jolian"), which is controlled by the Chairman and CEO of the Company, amounted to \$125 and \$374 for the three and nine months ended May 31, 2007 (2006 – \$104 and \$173).

(b) Alex Dolgonos, Former President and CEO:

Consulting fees, pursuant to a consulting agreement entered into with Mr. Dolgonos in 2003, amounted to \$103 and \$309 for the three and nine months ended May 31, 2007 (2006 - \$85 and \$261).

UNIQUE BROADBAND SYSTEMS, INC.

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

11. Claims for damages:

(a) Inukshuk claim

On January 16, 2003, UBS 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.

During the quarter ended May 31, 2007 the Company commenced proceedings to bring a motion to add the Inukshuk Wireless Partnership 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 Canadian dollars, except shares and per share amounts)

11. Claims for damages (continued):**(b) Bell Canada claim**

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 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, damages in the amount of \$2,300 for credit notes improperly issued by Bell Canada, and \$1,000 in aggravated and/or punitive damages.

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

12. 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 (refer to note 6 for more information).

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

13. Subsequent events:

On May 8, 2007, Look filed a Notice of Motion seeking Interim and Interlocutory 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 Interim and Interlocutory Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007, the outcome of which is not known at this time.

UNIQUE BROADBAND SYSTEMS, INC.

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

13. Subsequent events (continued):

If the Ontario Superior Court of Justice denies the Interim and Interlocutory Injunctions sought by Look and Bell Canada chooses to disconnect all telecommunication services it provides to Look, substantially all of Look's revenues will be impacted and as a result, the Company will review the carrying values of all of its assets and liabilities.

If, however, the Ontario Superior Court of Justice grants the Interim and Interlocutory Injunctions sought by Look, Look may be able to carry on business in the normal course of operations.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to the unaudited Consolidated Financial Statements
(In thousands of Canadian 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
Toronto, Ontario
M2P 2H3

Shareholder Inquiries

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

e-mail: irinfo@uniquebroadband.com

Transfer Agent

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

e-mail: irinfo@equitytransfer.com

Common Shares

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