

Unaudited Condensed Consolidated Interim Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the three months ended November 30, 2014 and 2013

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company 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 standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

UNIQUE BROADBAND SYSTEMS, INC.

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

As at

	November 30, 2014	August 31, 2014
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 510	\$ 338
Short-term investments (note 4)	1,405	1,704
Accounts receivable and other receivables (note 5)	1,609	1,604
Prepaid expenses and deposits (note 6)	350	292
	3,874	3,938
Restricted cash (note 4)	50	50
Investment in ONEnergy Inc. (note 7)	1,789	2,281
	\$ 5,713	\$ 6,269
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 758	\$ 446
Accrued liabilities (note 8)	526	737
Accrued restructuring liabilities due to related parties (note 11(a))	1,041	1,037
Provisions (note 13(a))	150	150
	2,475	2,370
Shareholders' equity		
Share capital (note 9)	58,139	58,139
Share option reserve	3,235	3,235
Accumulated other comprehensive loss	(1,636)	(1,144)
Deficit	(56,500)	(56,331)
	3,238	3,899
	\$ 5,713	\$ 6,269

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Approved by the Board of Directors:

(Signed) – Robert J. Morrison _____

Director

(Signed) – Victor Wells _____

Director

UNIQUE BROADBAND SYSTEMS, INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)

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

(Unaudited)

For the three months ended November 30,

	2014	2013
Revenue	\$ -	\$ -
Expenses		
Compensation	40	42
General and administrative	137	196
Restructuring charges (note 11(a))	4	4
	181	242
Loss for the period before the undernoted	(181)	(242)
Interest income	12	8
Loss before comprehensive income (loss)	(169)	(234)
Fair value adjustment in ONEnergy (note 7)	(492)	277
Income (loss) and comprehensive income (loss) for the period	\$ (661)	\$ 43
Income (loss) per share		
Basic and diluted	\$ (0.006)	\$ 0.000
Weighted average number of shares outstanding		
Basic and diluted	102,748	102,748

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

	Share Capital (note 9)		Share Option Reserve	Deficit	Other Comprehensive Income (loss)	Total Shareholders' Equity
	Shares	Amount				
Balance, as at September 1, 2013	102,748	\$ 58,139	\$ 3,235	\$(59,540)	\$ (652)	\$ 1,182
Income (loss) and comprehensive Income (loss) for the period	-	-	-	(234)	277	43
Balance, as at November 30, 2013	102,748	\$ 58,139	\$ 3,235	\$(59,774)	\$ (375)	\$ 1,225
Balance, as at August 31, 2014	102,748	\$ 58,139	\$ 3,235	\$(56,331)	\$ (1,144)	\$ 3,899
Loss and comprehensive loss for the period	-	-	-	(169)	(492)	(661)
Balance, as at November 30, 2014	102,748	\$ 58,139	\$ 3,235	\$(56,500)	\$ (1,636)	\$ 3,238

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

For the three months ended November 30,

	2014	2013
Cash flows from operating activities		
Loss before comprehensive loss for the period	\$ (169)	\$ (234)
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	(5)	(31)
Interest earned on short-term investments	(6)	(1)
Prepaid expenses and deposits	(58)	(32)
Accounts payable and accrued liabilities	101	81
Accrued restructuring liabilities due to related party	4	4
Cash used in operating activities	(133)	(213)
Cash provided by (used in) investing activities		
Redemption (purchase) of short-term investments	300	(300)
Interest received on short-term investments	5	-
Cash provided by (used in) investing activities	305	(300)
Increase (decrease) in cash and cash equivalents	172	(513)
Cash and cash equivalents, beginning of period	338	2,869
Cash and cash equivalents, end of period	\$ 510	\$ 2,356

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

1. Nature of operation and going concern

Unique Broadband Systems, Inc. is a publicly listed Canadian company, trading on the NEX under the symbol UBS.H. References to "UBS" and the "Company" include the legal entity Unique Broadband Systems, Inc. and its wholly owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless").

Going concern

The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about UBS' use of the going concern assumption because, as at November 30, 2014, there is uncertainty regarding the outcome of certain litigation (note 13(b)) and the Company remains under the protection of the *Companies' Creditors Arrangement Act* ("CCAA"). UBS may need to raise cash and/or monetize assets, and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt UBS' use of the going concern assumption.

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

CCAA proceedings

On July 5, 2011, UBS and UBS Wireless commenced proceedings under CCAA. The court has made an order staying all proceedings against UBS and its directors until February 27, 2015, and Duff & Phelps Canada Limited (the "Monitor") has been appointed as the Monitor of UBS. Further information with respect to the CCAA proceedings can be found on the Monitor's website at www.duffandphelps.com.

The CCAA proceeding continues to, among other things:

- (i) facilitate the determination and compromise or arrangement of creditor claims against UBS;
- (ii) permit UBS to propose a plan to realize value from its accumulated tax losses, public listing and other assets;
- (iii) avert an imminent liquidity crisis being caused by litigation-related expenses that will prevent UBS from continuing to carry on business for the benefit of its stakeholders and defending the proceedings brought by former director and Chief Executive Officer Mr. Gerald McGoey ("Mr. McGoey") and his personal service company Jolian Investments Ltd. ("Jolian"), (together referred to as the "Jolian Parties") (note 13(b)(i)), and former director Mr. Douglas Reeson ("Mr. Reeson") (note 13(b)(ii));
- (iv) stay all payables owing by UBS; and
- (v) provide a process to determine the claim being asserted against UBS by Mr. Reeson in a more cost effective and expeditious manner.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

1. Nature of operation and going concern (continued)

UBS views the CCAA claims process as the best course of action to settle the remaining claims and preserve its assets.

While under protection from its creditors, UBS' board of directors will continue to manage UBS. Should the stay period in the CCAA proceedings and any subsequent extensions thereof not be sufficient in duration or scope to allow UBS to complete its tasks as outlined above under the CCAA, and should UBS lose the protection of the stay of proceedings, creditors may immediately enforce their rights and remedies against UBS and its assets which would in all likelihood lead to liquidation proceedings.

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on January 23, 2015.

2. Summary of significant accounting policies

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Accounting policies and methods of their application followed in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual audited financial statements for the year ended August 31, 2014.

(b) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the investment in ONEnergy Inc. ("ONEnergy"), and include the accounts of Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. All intercompany transactions are eliminated on consolidation.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

3. Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective under IFRS, and determined that the following may have an impact on the Company:

The IASB published IFRS 9, "*Financial instruments*" ("IFRS 9"), which replaces IAS 39 Financial instruments: Recognition and measurement. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the impact on its financial statements.

4. Cash

(a) Cash and cash equivalents

As at November 30, 2014, the Company held \$510 of cash (August 31, 2014 - \$338) and no cash equivalents.

(b) Short-term investments

As at November 30, 2014, UBS held \$1,405 in short-term investments (August 31, 2014 – 1,704), which included 90-day cashable guaranteed investment certificates ("GICs") with original maturities of one year. As at November 30, 2014, the effective annual interest rate on the GICs was 1.35%. The fair value of short-term investments has been valued using Level 1 inputs.

(c) Restricted cash

As at November 30, 2014 and August 31, 2014, UBS had restricted cash of \$50 which was held in interest-bearing certificates at 1.8%.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

5. Accounts receivable and other receivables

Accounts receivable and other receivables balances, as at November 30, 2014 and August 31, 2014, are set out in the following table:

	November 30, 2014	August 31, 2014
GST/HST receivable	\$ 10	\$ 5
2010 legal retainers receivable ^(a)	200	200
Trial and appeal cost recovery ^(b)	1,384	1,384
Other receivables	15	15
Total	\$ 1,609	\$ 1,604

(a) 2010 legal retainers receivable

During June and July, 2010, the former Board of Directors of the Company advanced funds to various professional firms as retainers for future services for the then directors, officers and consultants, which included \$200 on behalf of the Jolian Parties.

On May 21, 2013, Madam Justice Mesbur made a disgorgement order against the Jolian Parties to repay to the Company the funds advanced on their behalf totaling \$200 (note 13(b)(i)).

The advance to Mr. Reeson, totaling \$116, is reflected in prepaid expenses and deposits and will be determined in the CCAA claims process.

(b) Trial and appeal cost recovery

On July 10, 2014, the Court of Appeal ordered the Jolian Parties to pay the costs of the trial held in February and March 2013 (the "Jolian Trial") totaling \$1,324 on a substantial indemnity scale (note 13(b)(i)), and also ordered costs of the appeal heard on June 17, 2014 totaling \$60.

6. Prepaid expenses and deposits

The Company's prepaid expenses and deposits, as at November 30, 2014 and August 31, 2014, are summarized in the following table:

	November 30, 2014	August 31, 2014
2010 legal retainers ⁽¹⁾	\$ 116	\$ 116
CCAA retainers ⁽²⁾	50	50
Other	184	126
Total	\$ 350	\$ 292

⁽¹⁾ Refer to note 5(a).

⁽²⁾ Funds were placed on retainer with legal firms on June 27, 2011 for, among other things, legal advice with regard to the CCAA claims process.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

7. Investment in ONEnergy Inc.

As at November 30, 2014 and August 31, 2014, the Company held 12,434 multiple voting shares and 15,291 subordinate voting shares in ONEnergy and accounts for its investment using the fair value method. This asset is classified as Available For Sale (“AFS”).

On November 18, 2014, ONEnergy announced the acquisition of the assets of 2289274 Ontario Limited, operating as Avacos Clean Energy (“AVACOS”), for \$1,726. The purchase consideration was satisfied by the issuance of 10,966 multiple voting shares and 15,425 subordinate voting shares which decreased the Company’s holdings to an 11.7% economic interest and a 11.2% voting interest in ONEnergy.

The Company’s share of ONEnergy’s market capitalization, based on the bid prices of its 12,434 multiple voting shares (TSXV: OEG) and 15,291 subordinate voting shares (TSXV: OEG.A), as at November 30, 2014, of \$0.07 and \$0.06 respectively, was \$1,789 (August 31, 2014 - \$0.085 and \$0.08 respectively - \$2,281).

8. Accrued liabilities

The Company’s accrued liabilities, as at November 30, 2014 and August 31, 2014, are summarized in the following table:

	August 31, 2014	August 31, 2014
Legal expenses	\$ 50	\$ 237
Compensation accruals ⁽¹⁾	200	200
HST on cost recoveries ⁽²⁾	152	152
Professional expenses ⁽³⁾	111	134
Board fees ⁽⁴⁾	11	11
Other	2	3
Total	\$ 526	\$ 737

⁽¹⁾ Refer to note 11(b).

⁽²⁾ Refer to note 13(b)(i).

⁽³⁾ Includes costs associated with the Company’s audit, tax reporting and Annual General Meeting requirements.

⁽⁴⁾ Includes accrued board fees payable to Mr. Reeson which is subject to determination in the CCAA claims process.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

9. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at November 30, 2014 and August 31, 2014, UBS had 102,748 common shares and no Class A non-voting shares issued and outstanding, totaling \$58,139.

(c) Stock option incentive 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 common shares may be issued from treasury. The exercise price of the options is determined by the Board of Directors at the time of the grant of an option, but cannot be lower than the closing market price of UBS' shares on the NEX on the business day immediately preceding the day on which an option is granted. In the absence of terms specifying otherwise, options vest annually over a three-year period and are exercisable during a period not to exceed 10 years from such grant.

The following table reflects activity under the Option Plan:

	Number of options	Weighted average exercise price
Outstanding as at September 1, 2013	6,200	\$ 0.24
Expired during the year ended August 31, 2014	(3,200)	0.33
Balance as at August 31, 2014 and November 30, 2014	3,000	\$ 0.15

A summary of the status of the Option Plan, as at November 30, 2014, is as follows:

Exercise price	Options outstanding and exercisable as at November 30, 2014 (in thousands)	Weighted average remaining contractual life
\$ 0.15	1,000	4.75 years
\$ 0.15	2,000	4.75 years
	3,000	4.75 years

During the three months ended November 30, 2014, no stock options were granted or expired (November 30, 2013 no stock options were granted and 200 stock options expired).

10. Segment disclosure

There were no recorded revenues for the three months ended November 30, 2014 and 2013.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

11. Related party transactions

(a) Accrued restructuring liabilities due to related parties

UBS recorded related party transactions as follows:

	Accrued Restructuring Liabilities					
	Balance as at August 31, 2013	Interest accrued fiscal 2014 ⁽⁴⁾	Jolian enhanced severance reversal 2014	Balance as at August 31, 2014	Interest accrued fiscal 2015 ⁽⁴⁾	Balance as at November 30, 2014
Jolian Parties ⁽¹⁾	\$ 2,853	\$ -	\$ (2,853)	\$ -	\$ -	\$ -
Dolgonos Parties ⁽²⁾	500	-	-	500	-	500
Mr. Reeson ⁽³⁾	521	16	-	537	4	541
Total	\$ 3,874	\$ 16	\$ (2,853)	\$ 1,037	\$ 4	\$ 1,041

⁽¹⁾ During fiscal 2014, UBS was granted leave to appeal the judgment of the Honourable Madam Justice Mesbur released on May 21, 2013, in which she found that, pursuant to its management services agreement with UBS (the "Jolian MSA"), Jolian was entitled to an enhanced severance as a result of the termination of its contract with UBS, which the Company calculated to be approximately \$2,853. The appeal was heard on June 17, 2014 and the Court of Appeal of Ontario released its decision on July 10, 2014, granting the Company's appeal. The Court of Appeal upheld the Trial Judge's findings that Mr. McGoey breached his fiduciary duties owed to the Company and shareholders and held that under the correct interpretation of the Jolian MSA, Jolian is not entitled to receive any enhanced severance as a result of Mr. McGoey's wrongful conduct, as it constituted "cause" under the Jolian MSA. The enhanced severance accrual was reversed during fiscal 2014.

⁽²⁾ Note 13(b)(iii)

⁽³⁾ Note 13(b)(ii)

⁽⁴⁾ The interest on accrued restructuring liabilities due to related parties was charged to restructuring charges.

(b) CEO termination clause

On January 3, 2012, 2064818 Ontario Inc., which is a corporation controlled by Mr. Dolgonos, acquired additional shares with the effect of increasing the indirect holdings of UBS over which Mr. Dolgonos exercised control and direction to greater than 20%. This triggered a "deemed" termination clause in the current CEO's employment agreement, triggering a lump sum payment of \$200 in lieu of notice of termination and has been recorded in accrued liabilities.

(c) Compensation of key management personnel

The Company's key management personnel include members of the executive team and the board of directors of the Company and its wholly owned subsidiaries.

Key management compensation for the three months ended November 30, 2014 totaled \$45 (November 30, 2013 - \$47) which includes \$26 paid to directors (November 30, 2013 - \$26).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

12. Income taxes

UBS has the following federal non-capital income tax losses, which may be carried forward to reduce future year's taxable income. These losses will expire in the fiscal years ending May 31 as follows:

2015	1,001
2027	2,215
2028	423
2029	1,626
2030	1,656
2031	5,134
2032	1,791
2033	2,423
2034	1,207
	<u>\$ 17,476</u>

13. Provisions and contingencies

(a) Provisions

Leased premises

On May 24, 2011, UBS settled the action that was brought against UBS in respect of certain repairs to premises under a lease entered into by UBS in 1999. Under the terms of the settlement, \$150 remains payable by UBS, and is subject to the claims process to be determined under CCAA.

(b) Contingencies

(i) Jolian claims

The Company has been successful in defending all claims brought by the Jolian Parties in respect of certain contingent payments approved by the previous directors in 2009, and the claims were dismissed by the Ontario Court of Appeal on July 10, 2014.

The Company was awarded costs for both the Jolian Trial heard in February and March 2013 and the appeal and cross-appeal heard on June 17, 2014. Costs of the appeal were set at \$60 and costs of the Jolian Trial were determined on a substantial indemnity scale to be \$1,324. Costs were recorded as a receivable owed by the Jolian Parties and offset to general and administrative expense (recovery) during fiscal 2014.

The Jolian Parties' claim for indemnification was disallowed during the Jolian Trial and the Jolian Parties were ordered to repay UBS the \$200 previously advanced to them in the nature of indemnification.

Accordingly, the total owed to UBS by the Jolian Parties is \$1,584. The Company is seeking recovery of the cost awards and disgorgement and has recorded the amounts in accounts receivable and other receivables.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

13. Provisions and contingencies (continued)

(b) Contingencies (continued)

(ii) Reeson claims

Former director, Mr. Douglas Reeson, served a statement of claim on UBS seeking approximately \$465 plus interest in respect of the contingent award approved and allocated to him by the previous directors of UBS during fiscal 2009 (the "Reeson Claims").

Subsequent to the commencement of the CCAA claims process, the Monitor received proofs of claims from Mr. Reeson, totaling \$585.

The Reeson Claims continue to be disputed and will be determined in the CCAA claims proceedings.

(iii) Dolgonos Parties claims

On July 6, 2012, the Dolgonos Parties claims of approximately \$8,000 were settled for a claim of \$500, the payment of which will be determined in the CCAA proceedings.

(iv) CCAA

On July 5, 2011, the Ontario Superior Court made an Order under the CCAA and a subsequent Order on August 4, 2011 which, amongst other things, provided for a comprehensive stay of proceedings against UBS and that all disputed claims are to be determined in the CCAA proceedings.

Reference is made to the website of the Court Appointed Monitor supervising the CCAA proceedings www.duffandphelps.com (see "restructuring cases").

(v) In the normal course of its operations, the Company may be subject to other litigation and claims.

(vi) The Company indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

14. Management of capital

The Company determines capital to include shareholders' equity. While the Company remains under CCAA, the Company's overall strategy with respect to management of capital is to hold low-risk highly-liquid cash accounts and short-term investments.

The Company currently does not use other sources of financing that require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company invests its capital in short-term investments to obtain adequate cash returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

15. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee, under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk, at the end of the reporting period under its financial instruments, is summarized as follows:

	November 30, 2014	August 31, 2014
<u>Accounts and other receivables</u>		
Currently due	\$ 25	\$ 1,404
Past due by 90 days or less and not impaired	1,384	-
Past due by greater than 90 days and not impaired	200	200
	\$ 1,609	\$ 1,604

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at November 30, 2014 and August 31, 2014.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2014 and 2013

(Unaudited)

15. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 14, in normal circumstances.

The Company's financial liabilities are comprised of its accounts payable, accrued liabilities, and accrued restructuring liabilities due to related parties, the contractual maturities of which are not determinable, because it depends on the outcome of the CCAA claims process.

Other price risk

The Company is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of the investment.

16. Subsequent events

Effective December 31, 2014, Mr. Robert Ulicki resigned as a director of the Company, and Mr. Victor Wells assumed the role of Chairman of the Board.

On January 7, 2015 the board of directors appointed Mr. Robert J. Morrison as a director, filling the vacancy on the board. Mr. Morrison is a private investor and Chartered Financial Analyst and, according to public records, the Company's largest shareholder. Mr. Morrison brings to the board a wealth of investment experience as well as past Canadian public company board experience.

On January 2, 2015, trading was halted by the NEX during this transition and trading resumed on January 13, 2015.