

Unaudited Condensed Consolidated Interim Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the three and six months ended February 28, 2015 and 2014

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated 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

	February 28, 2015	August 31, 2014
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 227	\$ 338
Short-term investments (note 4)	1,210	1,704
Accounts receivable and other receivables (note 5)	1,662	1,604
Prepaid expenses and deposits (note 6)	215	292
	3,314	3,938
Restricted cash (note 4)	50	50
Investment in ONEnergy Inc. (note 7)	2,037	2,281
	\$ 5,401	\$ 6,269
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 522	\$ 446
Accrued liabilities (note 8)	511	737
Accrued restructuring liabilities due to related parties (notes 11(a) and 13(b)(ii))	500	1,037
Provisions (note 13(a))	150	150
	1,683	2,370
Shareholders' equity		
Share capital (note 9)	58,139	58,139
Share option reserve	3,235	3,235
Accumulated other comprehensive loss	(1,388)	(1,144)
Deficit	(56,268)	(56,331)
	3,718	3,899
	\$ 5,401	\$ 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 February 28,		Six months ended February 28,	
	2015	2014	2015	2014
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses				
Compensation	42	43	82	85
General and administrative	216	188	353	384
Restructuring charges (recovery) (note 11(a))	(485)	4	(481)	8
	(227)	235	(46)	477
Income (loss) before the undernoted	227	(235)	46	(477)
Interest income	5	7	17	15
Income (loss) before comprehensive income (loss)	232	(228)	63	(462)
Fair value adjustment in ONEnergy (note 7)	248	(832)	(244)	(555)
Income (loss) and comprehensive income (loss) for the period	\$ 480	\$ (1,060)	\$ (181)	\$ (1,017)
Income (loss) per share:				
Basic and diluted	0.004	(0.010)	(0.002)	(0.010)
Weighted average number of shares outstanding				
Basic and diluted	102,748	102,748	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
Loss and comprehensive loss for the period	-	-	-	(462)	(555)	(1,017)
Balance, as at February 28, 2014	102,748	\$ 58,139	\$ 3,235	\$ (60,002)	\$ (1,207)	\$ 165
Balance, as at August 31, 2014	102,748	\$ 58,139	\$ 3,235	\$ (56,331)	\$ (1,144)	\$ 3,899
Income (loss) and comprehensive Income (loss) for the period	-	-	-	63	(244)	(181)
Balance, as at February 28, 2015	102,748	\$ 58,139	\$ 3,235	\$ (56,268)	\$ (1,388)	\$ 3,718

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 February 28,		Six months ended February 28,	
	2015	2014	2015	2014
Cash flows from operating activities				
Income (loss) before comprehensive income (loss) for the period	\$ 232	\$ (228)	\$ 63	\$ (462)
Change in non-cash operating assets and liabilities				
Accounts receivable and other receivables	(53)	20	(58)	(11)
Prepaid expenses and deposits	135	9	77	(23)
Accounts payable and accrued liabilities	(251)	(249)	(150)	(168)
Interest earned on investments	(5)	-	(11)	-
Accrued restructuring liabilities due to related party	(541)	4	(537)	8
Cash used in operating activities	(483)	(444)	(616)	(656)
Investing activities				
Redemption of short-term investments	200	-	500	(300)
Interest received on short-term investments	-	-	5	(1)
Cash provided by (used in) investing activities	200	-	505	(301)
Decrease in cash and cash equivalents	(283)	(444)	(111)	(957)
Cash and cash equivalents, beginning of period	510	2,356	338	2,869
Cash and cash equivalents, end of period	\$ 227	\$ 1,912	\$ 227	\$ 1,912

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 and six months ended February 28, 2015 and 2014

(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 February 28, 2015, 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 May 15, 2015, and Duff & Phelps Canada Limited (the "Monitor") has been appointed as the Monitor of UBS.

The CCAA proceeding has, among other things:

- (i) facilitated the determination and compromise or arrangement of creditor claims against UBS;
- (ii) averted an imminent liquidity crisis being caused by litigation-related expenses that would have prevented UBS from continuing to carry on business for the benefit of its stakeholders; and
- (iii) stayed all payables owing by UBS.

UBS has now successfully determined all of the claims of its creditors within the CCAA proceedings. Pursuant to a court order dated February 26, 2015, UBS is, amongst other things, authorized and directed to call a meeting of shareholders for May 4, 2015, at which time shareholders will be asked to elect a new board of directors. The order also authorizes and directs UBS, on or before May 4, 2015, to pay claims of approximately \$1,042.

Further information with respect to the CCAA proceedings, including the court order of February 26, 2015 in its entirety, can be found on the Monitor's website at www.duffandphelps.com (see restructuring cases).

Refer to the Company's website at www.uniquebroadband.com for further details regarding the upcoming meeting of shareholders.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

1. Nature of operation and going concern (continued)

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. It is expected, however, that UBS will emerge from CCAA on or before May 15, 2015 in accordance with the February 26, 2015 Court Order.

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 24, 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.

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.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

4. Cash

(a) Cash and cash equivalents

As at February 28, 2015, the Company held \$227 of cash (August 31, 2014 - \$338) and no cash equivalents.

(b) Short-term investments

As at February 28, 2015, UBS held \$1,210 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 February 28, 2015, 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 February 28, 2015 and August 31, 2014, UBS had restricted cash of \$50 which was held in interest-bearing certificates at 1.8%.

5. Accounts receivable and other receivables

Accounts receivable and other receivables balances, as at February 28, 2015 and August 31, 2014, are set out in the following table:

	February 28, 2015	August 31, 2014
GST/HST receivable	\$ 28	\$ 5
2010 legal retainers receivable ^(a)	235	200
Trial and appeal cost recovery ^(b)	1,384	1,384
Other receivables	15	15
Total	\$ 1,662	\$ 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)).

\$120 was also advanced on behalf of former director, Mr. Douglas Reeson (“Mr. Reeson”) of which \$4 was expensed during fiscal 2010 and \$116 was reflected in prepaid expenses and deposits. On February 26, 2015, the Company settled all claims with Mr. Reeson, which included a repayment of funds advanced by the Company on his behalf totaling \$50. \$15 was paid to UBS by Mr. Reeson on February 27, 2015, \$35 is to be paid on or before April 30, 2015, \$10 was reallocated to accrued liabilities (note 8), and the balance of \$56 was expensed to restructuring charges (recovery) during the quarter ended February 28, 2015 (note 13(b)(ii)).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

5. Accounts receivable and other receivables (continued)

(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 February 28, 2015 and August 31, 2014, are summarized in the following table:

	February 28, 2015	August 31, 2014
2010 legal retainers ⁽¹⁾	\$ -	\$ 116
CCAA retainers ⁽²⁾	50	50
Other	165	126
Total	\$ 215	\$ 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.

7. Investment in ONEnergy Inc.

As at February 28, 2015 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 February 28, 2015, of \$0.09 and \$0.06 respectively, was \$2,037 (August 31, 2014 - \$0.085 and \$0.08 respectively - \$2,281).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

8. Accrued liabilities

The Company's accrued liabilities, as at February 28, 2015 and August 31, 2014, include:

	February 28, 2015	August 31, 2014
Legal expenses ⁽¹⁾	\$ 45	\$ 237
Compensation accruals ⁽²⁾	200	200
HST on cost recoveries ⁽³⁾	152	152
Professional expenses ⁽⁴⁾	109	134
Board fees ⁽⁵⁾	2	11
Other	3	3
Total	\$ 511	\$ 737

⁽¹⁾ Includes, amongst other things, a (\$10) reallocation from prepaid expenses, pursuant to the settlement with Mr. Reeson (note 13(b)(ii)).

⁽²⁾ Refer to note 11(b).

⁽³⁾ Refer to note 13(b)(i).

⁽⁴⁾ Includes costs associated with the Company's audit, tax reporting and shareholder meeting requirements.

⁽⁵⁾ Refer to note 13(b)(ii).

9. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at February 28, 2015 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 February 28, 2015	3,000	\$ 0.15

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

9. Share capital (continued)

(c) Stock option incentive plan (continued)

A summary of the status of the Option Plan, as at February 28, 2015, is as follows:

Exercise price	Options outstanding and exercisable as at February 28, 2015 (in thousands)	Weighted average remaining contractual life
\$ 0.15	3,000	4.5 years
	3,000	4.5 years

During the six months ended February 28, 2015, no stock options were granted or expired (February 28, 2014 - no stock options were granted and 200 stock options expired).

10. Segment disclosure

There were no recorded revenues for the three months ended February 28, 2015 and 2014.

11. Related party transactions

(a) Accrued restructuring liabilities due to related parties

UBS recorded related party transactions as follows:

Accrued restructuring liabilities due to related parties							
	Balance as at September 1, 2013	Interest accrued fiscal 2014 ⁽⁴⁾	Jolian enhanced severance reversal 2014	Balance as at August 31, 2014	Interest accrued fiscal 2015 ⁽⁴⁾	Awards and interest reversed fiscal 2015	Balance as at February 28, 2015
Jolian Parties ⁽¹⁾	\$ 2,853	\$ -	\$ (2,853)	\$ -	\$ -	\$ -	\$ -
Dolgonos Parties ⁽²⁾	500	-	-	500	-	-	500
Mr. Reeson ⁽³⁾	521	16	-	537	8	(545)	-
Total	\$ 3,874	\$ 16	\$ (2,853)	\$ 1,037	\$ 8	\$ (545)	\$ 500

⁽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.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

11. Related party transactions (continued)

(b) CEO termination clause

In accordance with the CEO's employment contract, and as a result of a deemed change of control during fiscal 2012, \$200 will be paid by UBS on or before May 4, 2015, in accordance with the February 26, 2015 court order.

(c) Compensation of key management personnel

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

Key management compensation for the three and six months ended February 28, 2015 totaled \$45 and \$90 respectively (February 28, 2014 - \$49 and \$97) which includes \$24 and \$50 respectively paid to directors (February 28, 2014 - \$27 and \$53).

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
	<hr/>
	\$ 17,476

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 and, in accordance with the February 26, 2015 court order, will be paid by UBS on or before May 4, 2015.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

13. Provisions and contingencies (continued)

(b) Contingencies

(i) Jolian claims

The Company has been successful in defending, at trial and on appeal, all claims brought by the Jolian Parties in respect of certain contingent awards approved by the previous directors in 2009 and claims for enhanced severance. The Superior Court of Ontario released its decision on May 21, 2013 and 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 during fiscal 2014.

The Jolian Parties' claim for indemnification was disallowed during the Jolian Trial, which decision was upheld on appeal, and the Jolian Parties were ordered to repay UBS the \$200 legal retainer advanced to their counsel 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.

(ii) Reeson claims

On February 26, 2015, the Company settled all claims brought by former director, Mr. Douglas Reeson, which resulted in the reversal of a contingent award approved by the previous directors in 2009 in the amount of \$465, and accrued interest of \$80, to restructuring charges (recovery).

Accrued board fees of \$11 were reversed during the quarter ended February 28, 2015 to general and administrative expenses.

The parties reached a settlement regarding the \$116 advanced to a professional firm on Mr. Reeson's behalf during fiscal 2010 by the former board of directors. \$15 was paid to UBS by Mr. Reeson on February 27, 2015, \$35 is to be paid on or before April 30, 2015, \$10 was reallocated to accrued liabilities (note 8), and the balance of \$56 was expensed to restructuring charges (recovery) during the quarter ended February 28, 2015.

(iii) Dolgonos Parties claims

On July 6, 2012, the Dolgonos Parties claims of approximately \$8,000 were settled for a claim of \$500, payable by UBS on or before May 4, 2015, in accordance with the February 26, 2015 court order.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

13. Provisions and contingencies (continued)

(b) Contingencies (continued)

(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.

UBS has now successfully determined all of the claims of its creditors within the CCAA proceedings. Pursuant to a court order dated February 26, 2015, UBS is, amongst other things, authorized and directed to call a meeting of shareholders for May 4, 2015, at which time shareholders will be asked to elect a new board of directors. The order also authorizes and directs UBS, on or before May 4, 2015, to pay claims of approximately \$1,042.

It is expected that UBS will emerge from CCAA on or before May 15, 2015 in accordance with the February 26, 2015 Court Order.

- (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.

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.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and six months ended February 28, 2015 and 2014

(Unaudited)

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:

	February 28, 2015	August 31, 2014
<u>Accounts and other receivables</u>		
Currently due	\$ 78	\$ 1,404
Past due by greater than 90 days and not impaired	1,584	200
	\$ 1,662	\$ 1,604

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at February 28, 2015 and August 31, 2014.

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.