

Unaudited Condensed Consolidated Interim Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the three and nine months ended May 31, 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

| | May 31, 2015 | August 31, 2014 |
|--|-----------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (note 4) | \$ 92 | \$ 338 |
| Short-term investments (note 4) | 153 | 1,704 |
| Accounts receivable and other receivables (note 5) | 1,608 | 1,604 |
| Prepaid expenses and deposits (note 6) | 202 | 292 |
| | 2,055 | 3,938 |
| Restricted cash (note 4) | 50 | 50 |
| Investment in ONEnergy Inc. (note 7) | 2,635 | 2,281 |
| | \$ 4,740 | \$ 6,269 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 177 | \$ 446 |
| Accrued liabilities (note 8) | 510 | 737 |
| Accrued restructuring liabilities due to related parties (notes 12(a) and 14(b)) | - | 1,037 |
| Provisions (note 14(a)) | - | 150 |
| | 687 | 2,370 |
| Shareholders' equity | | |
| Share capital (note 9) | 58,139 | 58,139 |
| Share option reserve | 3,235 | 3,235 |
| Accumulated other comprehensive loss | (790) | (1,144) |
| Deficit | (56,531) | (56,331) |
| | 4,053 | 3,899 |
| | \$ 4,740 | \$ 6,269 |

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

Approved by the Board of Directors:

(Signed) – *Daniel S. Marks*

Director and Interim Chief Executive Officer

(Signed) – *Henry J. Kloeppe*

Director and Interim Chief Financial Officer

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 May 31, | | Nine months ended May 31, | |
|--|-------------------------------|----------|------------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | |
| Compensation | 42 | 41 | 124 | 126 |
| General and administrative expense (recovery) (note 11) | 281 | (1,355) | 634 | (971) |
| Restructuring recovery (note 12(a)) | (57) | (2,849) | (538) | (2,841) |
| | 266 | (4,163) | 220 | (3,686) |
| Income (loss) before the undernoted Interest income | (266) | 4,163 | (220) | 3,686 |
| | 3 | 5 | 20 | 20 |
| Income (loss) before comprehensive income (loss) | (263) | 4,168 | (200) | 3,706 |
| Fair value adjustment in ONEnergy (note 7) | 598 | (645) | 354 | (1,200) |
| Income and comprehensive income for the period | \$ 335 | \$ 3,523 | \$ 154 | \$ 2,506 |
| Income per share: Basic and diluted | 0.003 | 0.034 | 0.001 | 0.024 |
| 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 |
| Income (loss) and comprehensive Income (loss) for the period | - | - | - | 3,706 | (1,200) | 2,506 |
| Balance, as at May 31, 2014 | 102,748 | \$ 58,139 | \$ 3,235 | \$ (55,834) | \$ (1,852) | \$ 3,688 |
| 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 | - | - | - | (200) | 354 | 154 |
| Balance, as at May 31, 2015 | 102,748 | \$ 58,139 | \$ 3,235 | \$ (56,531) | \$ (790) | \$ 4,053 |

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 May 31, | | Nine months ended May 31, | |
|---|-------------------------------|----------|------------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Cash flows from operating activities | | | | |
| Income (loss) before comprehensive income (loss) for the period | \$ (263) | \$ 4,168 | \$ (200) | \$ 3,706 |
| Change in non-cash operating assets and liabilities | | | | |
| Accounts receivable and other receivables | 54 | (1,441) | (4) | (1,452) |
| Prepaid expenses and deposits | 13 | 21 | 90 | (2) |
| Accounts payable and accrued liabilities | (346) | 17 | (496) | (151) |
| Interest earned on investments | (2) | (1) | (13) | (2) |
| Accrued restructuring liabilities due to related party | (500) | (2,849) | (1,037) | (2,841) |
| Provisions | (150) | - | (150) | - |
| Cash used in operating activities | (1,194) | (85) | (1,810) | (742) |
| Investing activities | | | | |
| (Purchase) redemption of short-term investments | 1,050 | - | 1,550 | (300) |
| Interest received on short-term investments | 9 | - | 14 | - |
| Cash provided by (used in) investing activities | 1,059 | - | 1,564 | (300) |
| Decrease in cash and cash equivalents | (135) | (85) | (246) | (1,042) |
| Cash and cash equivalents, beginning of period | 227 | 1,912 | 338 | 2,869 |
| Cash and cash equivalents, end of period | \$ 92 | \$ 1,827 | \$ 92 | \$ 1,827 |

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 nine months ended May 31, 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 May 31, 2015, the Company remains under 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 made an order staying all proceedings against UBS and its directors, and Duff & Phelps Canada Limited (the "Monitor") was appointed as the Monitor of UBS.

UBS has now successfully determined all of the claims of its creditors within the CCAA proceedings.

By Order of the Court made on February 26, 2015 (the "February 26 Order"), the Court extended the stay of proceedings in respect of UBS to May 15, 2015 and directed that the proceedings were to be terminated upon the satisfaction of certain conditions by UBS by way of filing a certificate (the "Termination Certificate") by the Monitor.

In accordance with the February 26 Order, UBS paid approved claims totaling approximately \$1,042 on April 27, 2015.

The February 26 Order also authorized and directed the Company to pay the professional fees and expenses of the Monitor and its counsel, and the Company's counsel, rendered in connection with the CCAA proceedings. The stay of proceedings has now expired but the fee payment condition has not been satisfied due to certain unresolved fee issues. The Termination Certificate has not yet been filed.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2015 and 2014

(Unaudited)

1. Nature of operation and going concern (continued)

Further information with respect to the CCAA proceedings, including all court orders in their entirety, can be found on the Monitor's website at www.duffandphelps.com (see restructuring cases).

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on July 14, 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, substantially overhauls accounting requirements related to hedging and introduces a new credit loss impairment model. 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 nine months ended May 31, 2015 and 2014

(Unaudited)

4. Cash

(a) Cash and cash equivalents

As at May 31, 2015, the Company held \$92 of cash (August 31, 2014 - \$338) and no cash equivalents.

(b) Short-term investments

As at May 31, 2015, UBS held \$153 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 May 31, 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 May 31, 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 May 31, 2015 and August 31, 2014, are set out in the following table:

| | May 31, 2015 | August 31, 2014 |
|--|-----------------|--------------------|
| GST/HST receivable | \$ 9 | \$ 5 |
| 2010 legal retainers receivable ^(a) | 200 | 200 |
| Trial and appeal cost recovery ^(b) | 1,384 | 1,384 |
| Other receivables | 15 | 15 |
| Total | \$ 1,608 | \$ 1,604 |

(a) 2010 legal retainers receivable

(i) 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 Gerald McGoey and Jolian Investments Ltd, together referred to as 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 14(b)(i)).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2015 and 2014

(Unaudited)

5. Accounts receivable and other receivables (continued)

(a) 2010 legal retainers receivable (continued)

- (ii) \$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 and \$35 was paid on April 30, 2015. \$10 was designated as a prepayment to be applied against expenses from the Company's former legal counsel (note 6), and the balance of \$56 was expensed to restructuring recovery during the quarter ended February 28, 2015 (note 14(b)(ii)).

(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 14(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 May 31, 2015 and August 31, 2014, are summarized in the following table:

| | May 31, 2015 | August 31, 2014 |
|-------------------------------------|-----------------|--------------------|
| 2010 legal retainers ⁽¹⁾ | \$ - | \$ 116 |
| Monitor retainers ⁽²⁾ | 42 | 50 |
| Legal retainers ⁽³⁾ | 134 | 119 |
| Other | 26 | 7 |
| Total | \$ 202 | \$ 292 |

⁽¹⁾ Refer to note 5(a)(ii).

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

⁽³⁾ Funds are held in trust with various law firms for, among other things, legal advice with regard to the CCAA claims process, and includes \$10 pursuant to the settlement with Mr. Reeson (note 14(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 nine months ended May 31, 2015 and 2014

(Unaudited)

7. Investment in ONEnergy Inc.

As at August 31, 2014, the Company held 12,434 multiple voting shares ("MVS") and 15,291 subordinate voting shares ("SVS") in ONEnergy.

At ONEnergy's Annual and Special Meeting of Shareholders held on May 19, 2015, shareholders approved, among other things, a capital reorganization designating subordinate voting shares to common shares, exchanging multiple voting shares on a one-for-one basis into common shares, and then consolidating common shares at a ratio of up to ten to one. The capital reorganization resulted in a change in UBS holdings to 2,773 common shares as at May 28, 2015 and May 31, 2015, representing an 11.5% economic and voting interest of ONEnergy.

The value of the Company's shares of ONEnergy, based on the bid prices of its common shares (TSXV: OEG) as at May 31, 2015, of \$0.95, was \$2,635 (August 31, 2014 – MVS (TSXV: OEG) \$0.085 and SVS (TSXV: OEG.A) \$0.08 - \$2,281). The Company accounts for its investment using the fair value method, and this asset is classified as Available For Sale ("AFS").

8. Accrued liabilities

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

| | May 31, 2015 | August 31, 2014 |
|---------------------------------------|-----------------|--------------------|
| Legal expenses ⁽¹⁾ | \$ 225 | \$ 237 |
| Compensation accruals ⁽²⁾ | - | 200 |
| HST on cost recoveries ⁽³⁾ | 152 | 152 |
| Professional expenses ⁽⁴⁾ | 122 | 134 |
| Board fees ⁽⁵⁾ | 5 | 11 |
| Other | 6 | 3 |
| Total | \$ 510 | \$ 737 |

⁽¹⁾ Includes, among other things, unbilled legal accruals currently under review.

⁽²⁾ Refer to note 12(b).

⁽³⁾ Refer to note 14(b)(i).

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

⁽⁵⁾ On February 26, 2015, the Company settled all claims brought by former director, Mr. Douglas Reeson, which resulted in, among other things, the reversal of accrued board fees totaling \$11 to general and administrative expenses.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2015 and 2014

(Unaudited)

9. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at May 31, 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 | 3,000 | \$ 0.15 |
| Expired during the quarter ended May 31, 2015 | (3,000) | \$ 0.15 |
| Balance as at May 31, 2015 | - | |

During the three and nine months ended May 31, 2015, no stock options were granted and 3,000 stock options were recognized as expired (May 31, 2014 - no stock options were granted and 3,200 stock options expired).

As at May 31, 2015, no stock options were issued or outstanding.

10. Segment disclosure

There were no recorded revenues for the three and nine months ended May 31, 2015 and 2014.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2015 and 2014

(Unaudited)

11. General and administrative expense (recovery)

During the three and nine months ended May 31, 2015, the Company recorded general and administrative expenses totaling \$281 and \$634 respectively.

During the three and nine months ended May 31, 2014, the Company recorded general and administrative expenses totaling \$95 and \$479 respectively, offset by the recovery of legal costs from the Jolian Parties, as ordered by the Ontario Court of Appeal (note 14(b)(i)), estimated during the third quarter of fiscal 2014 to be \$1,450 on a substantial indemnity scale.

12. 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 Parties enhanced severance reversal 2014 | Balance as at August 31, 2014 | Interest accrued fiscal 2015 ⁽⁴⁾ | Awards and interest reversed fiscal 2015 | Settlements paid Fiscal 2015 | Balance as at May 31, 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, Jolian was entitled to an enhanced severance as a result of the termination of its contract with UBS, which the Company estimated 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 which resulted in the reversal of the enhanced severance accrual during fiscal 2014.

⁽²⁾ The "Dolgonos Parties" include Mr. Alex Dolgonos, 2064818 Ontario Inc., DOL Technologies Inc. and 6138241 Canada Inc. Refer to note 14(b)(iii)

⁽³⁾ Refer to note 14(b)(ii)

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

(b) CEO termination clause

In accordance with the former CEO's employment contract, and as a result of a deemed change of control during fiscal 2012, \$200 was paid by UBS on April 27, 2015, in accordance with the February 26 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 nine months ended May 31, 2015 and 2014

(Unaudited)

12. Related party transactions (continued)

(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 nine months ended May 31, 2015 totaled \$250 and \$340 respectively (May 31, 2014 - \$49 and \$146) which includes \$24 and \$74 respectively payable to directors (May 31, 2014 - \$26 and \$79).

13. Income taxes

The Company 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:

| | |
|------|-----------|
| 2027 | \$ 2,215 |
| 2028 | 423 |
| 2029 | 1,626 |
| 2030 | 1,656 |
| 2031 | 5,134 |
| 2032 | 1,791 |
| 2033 | 2,423 |
| 2034 | 1,207 |
| | <hr/> |
| | \$ 16,475 |

As at May 31, 2015, the Company also had SRED pool carryforwards of \$11,545, capital loss carryforwards of \$23,400, and non-tax deductible reserves of \$1,475.

14. 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. The remaining balance of \$150, originally stayed under CCAA, was paid by UBS on April 27, 2015, in accordance with the February 26 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 nine months ended May 31, 2015 and 2014

(Unaudited)

14. 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 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 was paid on April 30, 2015, \$10 was designated as a prepayment to be applied against expenses from the Company's former legal counsel, and the balance of \$56 was expensed to restructuring 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, which was paid by UBS on April 27, 2015, in accordance with the February 26 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 nine months ended May 31, 2015 and 2014

(Unaudited)

14. 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.

The February 26 Order extended the stay of proceedings in respect of UBS to May 15, 2015 and directed that the proceedings were to be terminated upon the satisfaction of certain conditions by UBS by way of filing the Termination Certificate by the Monitor.

In accordance with the February 26 Order, UBS paid approved claims totaling approximately \$1,042 on April 27, 2015.

The February 26 Order also authorized and directed the Company to pay the professional fees and expense of the Monitor and its counsel, and the Company's counsel, rendered in connection with the CCAA proceedings. The stay of proceedings has now expired but the fee payment condition has not been satisfied due to certain unresolved fee issues. The Termination Certificate has not yet been filed.

Further information with respect to the CCAA proceedings, including all court orders in their entirety, can be found on the Monitor's website at 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 and nine months ended May 31, 2015 and 2014

(Unaudited)

15. 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.

16. 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:

| | May 31, 2015 | August 31, 2014 |
|---|-------------------------|--------------------|
| <u>Accounts and other receivables</u> | | |
| Currently due | \$ 24 | \$ 1,404 |
| Past due by greater than 90 days and not impaired | 1,584 | 200 |
| | \$ 1,608 | \$ 1,604 |

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at May 31, 2015 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 and nine months ended May 31, 2015 and 2014

(Unaudited)

16. 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 15, 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.