Consolidated Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the years ended August 31, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Unique Broadband Systems, Inc. (the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Company's financial position, results of operations and cash flows. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements.

Management of the Company is responsible for the internal controls that provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of consolidated financial statements and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit and Corporate Governance Committee (the "Audit Committee").

The Audit Committee meets periodically with management, as well as with external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton LLP has full and free access to the Audit Committee.

(Signed) – *Daniel S. Marks*	(Signed) – *Henry J. Kloepper*
Director and Interim Chief Executive Officer	Director and Interim Chief Financial Officer

December 23, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Unique Broadband Systems, Inc.

We have audited the accompanying consolidated financial statements of Unique Broadband Systems, Inc., which comprise the consolidated statements of financial position as at August 31, 2015 and 2014, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years ended August 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Unique Broadband Systems, Inc. as at August 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended August 31, 2015 and 2014, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
December 23, 2015

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

As at August 31,

	2015	2014
Assets		
Current assets		
Cash (note 4)	**$ 341**	$ 338
Short-term investments (note 4)	**-**	1,704
Accounts receivable and other receivables (note 5)	**1,396**	1,604
Prepaid expenses and deposits (note 6)	**53**	292
	1,790	3,938
Restricted cash (notes 4 and 17(c))	**50**	50
Investment in ONEnergy Inc. (note 7)	**2,043**	2,281
	$ 3,883	$ 6,269
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	**$ 299**	$ 446
Accrued liabilities (note 8)	**373**	737
Accrued restructuring liabilities due to related parties (note 12(a))	**-**	1,037
Provisions (note 14(a))	**-**	150
	672	2,370
Shareholders' equity		
Share capital (note 9)	**58,139**	58,139
Share option reserve	**-**	3,235
Accumulated other comprehensive loss	**(1,111)**	(1,144)
Deficit	**(53,817)**	(56,331)
	3,211	3,899
	$ 3,883	$ 6,269

Subsequent events (note 17)

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

Approved by the Board of Directors:

(Signed) – *Daniel S. Marks*
Director and Interim Chief Executive Officer

(Signed) – *Henry J. Kloepper*
Director and Interim Chief Financial Officer

UNIQUE BROADBAND SYSTEMS, INC.

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

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

For the years ended August 31,

	2015	2014
Revenue	**$ -**	$ -
Expense (recovery)		
Compensation	**169**	165
General and administrative (note 11)	**979**	(512)
Restructuring (note 12(a))	**(512)**	(2,837)
	636	(3,184)
Income (loss) for the year before the undernoted	**(636)**	3,184
Interest income	**21**	25
Loss on sale of ONEnergy Inc. shares	**(106)**	-
Income (loss) before comprehensive income (loss)	**(721)**	3,209
Fair value adjustment in ONEnergy Inc. (note 7)	**33**	(492)
Income (loss) and comprehensive income (loss) for the year	**$ (688)**	$ 2,717
Income (loss) per share Basic and diluted	**$ (0.007)**	$ 0.026
Weighted average number of shares outstanding Basic and diluted	**102,748**	102,748

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

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Share Capital (note 9)		Share Option		Other Comprehensive	Total Shareholders'
	Shares	**Amount**	**Reserve**	**Deficit**	**Income (loss)**	**Equity**
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 year	-	-	-	3,209	(492)	2,717
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 year	-	-	-	(721)	33	(688)
Expiry of share options (note 9)	-	-	(3,235)	3,235	-	-
Balance, as at August 31, 2015	**102,748**	**$ 58,139**	**$ -**	**$ (53,817)**	**$ (1,111)**	**$ 3,211**

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

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

For the years ended August 31,

	2015	2014
Cash flows from operating activities		
Income (loss) before comprehensive income (loss) for the year	**$ (721)**	$ 3,209
Items not affecting cash		
Loss on sale of ONEnergy Inc. shares	**106**	-
Interest earned on short-term investments	**(13)**	(4)
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	**208**	(1,387)
Prepaid expenses and deposits	**239**	11
Accounts payable and accrued liabilities	**(511)**	177
Accrued restructuring liabilities due to related party	**(1,037)**	(2,837)
Provisions	**(150)**	-
Cash used in operating activities	**(1,879)**	(831)
Cash provided by (used in) investing activities		
Cash received on sale of ONEnergy Inc. shares	**165**	-
Purchase of short-term investments	**1,700**	(1,700)
Interest received on short-term investments	**17**	-
Cash provided by (used in) investing activities	**1,882**	(1,700)
Increase (decrease) in cash and cash equivalents	**3**	(2,531)
Cash, beginning of year	**338**	2,869
Cash, end of year	**$ 341**	$ 338

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

1. Nature of operation and going concern

Unique Broadband Systems, Inc. is a publicly listed Canadian company. 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"). The Company trades on the NEX, which is a separate board of the TSX Venture Exchange, under the symbol UBS.H.

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 August 31, 2015, the Company remained under the *Companies' Creditors Arrangement Act* ("CCAA") (note 17(a)). 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 about 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. As at August 31, 2015, KSV Advisory Inc. (the "Monitor") acted as the Monitor of UBS.

UBS 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 to May 15, 2015 and directed that the proceedings were to be terminated, upon the satisfaction of certain conditions, by way of filing a certificate (the "Termination Certificate") by the Monitor (note 17(a)).

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, its counsel and the Company's counsel, rendered in connection with the CCAA proceedings. As at August 31, 2015, the stay of proceedings had expired but the fee payment condition was not satisfied and the Termination Certificate was not filed (note 17(a)).

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.ksvadvisory.com.

These audited condensed consolidated financial statements were approved for issue by the Board of Directors on December 23, 2015.

2. Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements are consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), effective August 31, 2015.

(b) Basis of presentation

These consolidated 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.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and, from time to time, highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition.

(d) Restricted cash

Restricted cash is held in a fully cashable interest-bearing certificate with maturity of 18 months from the original date of acquisition, currently with an interest rate of 1.8%. Funds are restricted to secure the Company's credit card (note 17(c)).

(e) Financial instruments

<u>Financial assets</u>

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), or available for sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when its contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Accounts receivable are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statements of income (loss) and comprehensive income (loss) when the receivables are derecognized or impaired, as well as through the amortization process. The Company classifies cash and cash equivalents, short-term investments and restricted cash as loans and receivables. Effective February 20, 2013, the Company's investment in ONEnergy has been classified as AFS.

Available For Sale financial assets

Investments in publically traded securities which are included in long term investments, have been classed as Available for Sale and are carried at fair market value. The unrealized gains and losses on those securities are recorded in other comprehensive income.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Accounts receivable and associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously allowed for are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of income (loss) and comprehensive income (loss).

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts or disbursements over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income or expense is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables, accrued restructuring liabilities, and accrued liabilities.

Financial instruments carried at fair value

Financial instruments carried at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. Summary of significant accounting policies (continued)

(f) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute deferred tax assets and liabilities are measured at future anticipated tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

With certain exceptions, deferred tax assets and liabilities are provided on all qualifying temporary differences at the end of the reporting period between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(g) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

2. Summary of significant accounting policies (continued)

(h) Basic and diluted income (loss) per share

Basic income (loss) per share is computed by dividing the net income (loss) applicable by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

(i) Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the fair value of the goods and services on the date when the goods or services are received and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the fair value of the goods or services received from non-employees in exchange for the share-based payment cannot be reliably estimated, the fair value of the shares issued is measured by use of a Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. No share-based payments were made during fiscal 2015 and 2014.

2. Summary of significant accounting policies (continued)

(j) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant management estimation is required in determining accrued liabilities and accrued restructuring liabilities due to related parties.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Factors considered in the assessment of the likelihood and value of the realizable deferred tax assets include the Company’s forecast of the amount and timing of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred tax assets and the remaining period of loss carry forwards. Significant judgment and estimates are also required in assessing the carrying value of accounts receivable and other receivables. Factors considered in assessment of carrying value included the ability of the counterparty to pay and the actions available to the Company to enforce collection. Estimation uncertainty relating to the receivable from the Jolian Parties is disclosed in note 5(a).

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.

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

4. Cash

(a) Cash

As at August 31, 2015, the Company held $341 of cash (August 31, 2014 - $338) and no cash equivalents.

(b) Short-term investments

As at August 31, 2015, UBS held nil in short-term investments (August 31, 2014 – $1,704). The fair value of short-term investments was valued using Level 1 inputs.

(c) Restricted cash

As at August 31, 2015 and 2014, UBS had restricted cash of $50 which was held in interest-bearing certificates at 1.8% (note 17(c)).

5. Accounts receivable and other receivables

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

	August 31, 2015	August 31, 2014
Recoveries – Jolian Parties	**$ 1,184**	$ 1,584
Insurance recovery (note 17(b))	**160**	-
Other receivables	**15**	15
GST/HST receivable	**37**	5
Total	**$ 1,396**	$ 1,604

(a) Recoveries – Jolian Parties

During June and July, 2010, the former Board of Directors of the Company advanced $200 to a professional firm as a retainer for future services 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)).

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.

The Company is seeking to recover, from the Jolian Parties, cost orders totaling $1,384 and the $200 disgorgement order. The Company believes that it will recover the amount of $1,584 from the Jolian Parties. However, there may be costs incurred to collect the debt and risk in amount and timing of the cash flows.

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

5. Accounts receivable and other receivables (continued)

(a) Recoveries – Jolian Parties (continued)

Accordingly, the Company has made an estimate at this time of this impact in the amount of $400. If the amount is fully recovered, the difference between the proceeds and the carrying value will be credited to net income.

Estimation Uncertainty

To collect the amount of $1,584, it is anticipated that there will be legal costs for collection. The amount of ultimate net cash flows from the recovery could vary, according to amount, timing and related costs, as the process of collection unfolds.

6. Prepaid expenses and deposits

The Company's prepaid expenses and deposits, as at August 31, 2015 and 2014, are summarized in the following table:

	August 31, 2015	August 31, 2014
2010 legal retainers[1]	**$ -**	$ 116
Monitor retainer[2]	**35**	50
Legal retainers[3]	**11**	119
Other	**7**	7
Total	**$ 53**	$ 292

[1] During June and July, 2010, the former Board of Directors of the Company advanced $120 on behalf of a former director (the "Former Director") to a professional firm, 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 the Former Director. This included a partial repayment of $50 to the Company, of which $15 was paid on February 27, 2015 and $35 was paid on April 30, 2015. $10 was 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 (note 14(b)(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.

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

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.

During the fourth quarter of fiscal 2015, UBS sold 220 shares in ONEnergy and, as at August 31, 2015, the economic and voting interest of ONEnergy was 10.6%.

The value of the Company's shares of ONEnergy, based on the bid prices of its common shares (TSXV: OEG) as at August 31, 2015, of $0.80, was $2,043 (August 31, 2014 – MVS (TSXV: OEG) $0.085 and SVS (TSXV: OEG.A) $0.08 - $2,281) (note 17(d)). 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 August 31, 2015 and 2014, are summarized in the following table:

	August 31, 2015	August 31, 2014
HST on cost recoveries[1]	$ **152**	$ 152
Professional expenses[2]	**134**	134
Board fees[3]	**23**	11
Compensation accruals[4]	**34**	200
Legal expenses	**$ 30**	$ 237
Other	**-**	3
Total	**$ 373**	$ 737

[1] Refer to note 14(b).
[2] Includes costs associated with the Company's audit, tax reporting and Annual General Meeting requirements.
[3] On February 26, 2015, the Company settled all claims brought by the Former Director which resulted in, among other things, the reversal of accrued board fees totaling $11 to general and administrative expenses. During the year ended August 31, 2015, the Company accrued $23 in director fees for the board appointed May 4, 2015.
[4] 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 former CEO's employment contract and the February 26 Order. During the year ended August 31, 2015, $34 in consulting fees was accrued for services rendered by the CEO who was appointed May 4, 2015.

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

9. Share capital

(a) Authorized

Unlimited common shares – No par value. Entitled to one vote for each share.

Unlimited Class A non-voting shares – Class A shares can be converted into common shares on a one-for-one basis in accordance with the Articles of the Company. The Class A shares are identical to the common shares in all material respects with the exception of the right to vote at meetings of the Company's shareholders.

(b) Issued and outstanding

As at August 31, 2015 and 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 year ended August 31, 2015	(3,000)	$ 0.15
Balance as at August 31, 2015	**-**	

During the year ended August 31, 2015, no stock options were granted and 3,000 stock options were recognized as expired (August 31, 2014 - no stock options were granted and 3,200 stock options expired).

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

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

10. Segment disclosure

There were no recorded revenues for the years ended August 31, 2015 and 2014.

11. General and administrative expense (recovery)

During the year ended August 31, 2015, the Company recorded general and administrative expenses totaling $979.

During the year ended August 31, 2014, the Company recorded general and administrative expenses totaling $720, offset by the recovery of legal costs from the Jolian Parties as ordered by the Ontario Court of Appeal (notes 14(b)(i)), resulting in a reversal of $1,232 to general and administrative expense (recovery).

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 August 31, 2015**
Jolian Parties[1]	$ 2,853	$ -	$ (2,853)	**$ -**	$ -	$ -	$ -	**$ -**
Dolgonos Parties[2]	500	-	-	**500**	-	-	(500)	**-**
Former Director[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 expense (recovery).

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

12. Related party transactions (continued)

(a) Accrued restructuring liabilities due to related parties (continued)

	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 August 31, 2015**
Jolian Parties[1]	$ 2,853	$ -	$ (2,853)	**$ -**	$ -	$ -	$ -	**$ -**
Dolgonos Parties[2]	500	-	-	**500**	-	-	(500)	**-**
Former Director[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) 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 year ended August 31, 2015 totaled $385 (2014 - $189) which included the release of the CEO termination accrual of $200 (note 8), and $92 paid to directors (2014 - $105).

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

13. Income taxes

The effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income (loss) before income taxes. These differences result from the following items for the tax year ended May 31 of each year:

	2015	2014
Income (loss) before income taxes	**$ (623)**	$ 3,427
Combined basic federal and provincial tax rates	**26.50%**	26.50%
Computed expected tax recovery	**(165)**	908
Increase resulting from:		
Impact due to change in future tax rates	**-**	-
Current year loss and other differences not recognized	**(313)**	(2,512)
Loss expiration	**265**	1,625
Non-deductible items	**213**	(21)
	$ -	$ -

The amount of deductible temporary differences and unused tax losses, as at May 31, for which no deferred income tax assets have been recognized are as follows:

	2015	2014
Non-capital loss carryforwards	**$ 18,530**	$ 17,476
SRED pool carryforwards	**11,545**	11,545
Capital loss carryforwards	**23,294**	23,400
Non-tax deductible reserves	**384**	1,475
	$ 53,753	$ 53,896

Non-capital loss carry forwards expire between 2027 and 2035 while SRED pool and capital loss carry forwards do not expire.

In assessing deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, the character of the deferred income tax assets and available tax planning strategies in making this assessment.

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:

2027	2,215
2028	423
2029	1,626
2030	1,656
2031	5,134
2032	1,791
2033	2,423
2034	1,174
2035	2,088
	$ 18,530

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.

(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 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 totaling $1,384. 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, pursuant to a disgorgement order.

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) Director claims

On February 26, 2015, the Company settled all claims brought by the Former Director, 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 the Former Director's behalf during fiscal 2010. This included a partial repayment of $50 to the Company, of which $15 was paid on February 27, 2015 and $35 was paid on April 30, 2015. $10 was applied against expenses from the Company's former legal counsel, and the balance of $56 was expensed to restructuring expense (recovery) during the quarter ended February 28, 2015.

14. Provisions and contingencies (continued)

(b) Contingencies (continued)

(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.

(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 successfully determined all of the claims of its creditors within the CCAA proceedings.

By Order of the Court made on February 26, 2015, the Court extended the stay of proceedings to May 15, 2015 and directed that the proceedings were to be terminated, upon the satisfaction of certain conditions, by way of filing the Termination Certificate by the Monitor (note 17(a)).

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, its counsel and the Company's counsel, rendered in connection with the CCAA proceedings. The stay of proceedings has now expired but as at August 31, 2015 the fee payment condition was not satisfied and the Termination Certificate was not filed (note 17(a)).

Detailed information with respect to the CCAA proceedings, including all court orders in their entirety, can be found on the Monitor's website at www.ksvadvisory.com.

(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.

15. Management of capital

The Company determines capital to include shareholders' equity. 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 on 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 relates to the management of cash.

Interest rate risk

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

16. Financial instruments and risk management (continued)

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.

17. Subsequent events

(a) Termination of CCAA Proceedings

In accordance with the February 26 Order, on December 22, 2015, the Company settled all professional fees and expenses, of the Monitor, its counsel and the Company's counsel, rendered in connection with the CCAA proceedings. The Termination Certificate was subsequently filed on December 23, 2015 and the CCAA proceedings were terminated.

(b) Insurance recovery

On December 18, 2015, the Company reached a settlement with its insurance provider for all claims submitted, which resulted in a reimbursement of $160 to the Company.

(c) Cancellation of credit card

On November 15, 2015, the Company's credit card was cancelled, reducing restricted cash to nil (August 31, 2015 - $50).

(d) Value of ONEnergy shares

As of the reporting date, the value of the Company's investment in ONEnergy had declined to $894.