

Unaudited Condensed Consolidated Interim Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the three months ended November 30, 2012 and 2011

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

UNIQUE BROADBAND SYSTEMS, INC.

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

As at

	November 30, 2012	August 31, 2012
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 1,350	\$ 1,635
Accounts receivable and other receivables (note 4)	234	203
Prepaid expenses and deposits (note 5)	587	675
	<u>2,171</u>	<u>2,513</u>
Restricted cash (note 3)	50	50
Investment in Look Communications Inc. (note 6)	6,889	7,011
	<u>\$ 9,110</u>	<u>\$ 9,574</u>

Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable	\$ 894	\$ 601
Accrued liabilities (note 7)	1,008	981
Accrued restructuring liabilities due to related parties (note 8)	2,980	2,962
Provisions (note 14(a))	150	150
	<u>5,032</u>	<u>4,694</u>
Shareholders' equity		
Share capital (note 9)	58,139	58,139
Share option reserve	3,235	3,235
Deficit	(57,296)	(56,494)
	<u>4,078</u>	<u>4,880</u>
	<u>\$ 9,110</u>	<u>\$ 9,574</u>

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

Approved by the Board of Directors:

(Signed) – Robert Ulicki _____

Director

(Signed) - Victor Wells _____

Director

UNIQUE BROADBAND SYSTEMS, INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

(Unaudited)

For the three months ended November 30,

	2012	2011
Revenue	\$ -	\$ 433
Expenses		
Compensation (note 10)	62	111
General and administrative	603	182
Restructuring charges (note 8)	18	30
	683	323
Income (loss) before the undernoted	(683)	110
Interest income	3	2
Equity interest in Look's losses (note 6)	(122)	(298)
Loss and comprehensive loss for the period	\$ (802)	\$ (186)
Loss per share:		
Basic and diluted loss per share	(0.008)	(0.002)
Weighted average number of shares outstanding		
Basic and diluted	102,748	102,748

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

UNIQUE BROADBAND SYSTEMS, INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

	Shares	Share Capital (note 9) Amount	Share Option Reserve	Deficit	Total Shareholders' Equity
Balance, September 1, 2011	102,748	\$ 58,139	\$ 3,235	\$(54,470)	\$ 6,904
Net loss and comprehensive loss for the period	-	-	-	(186)	(186)
Balance, November 30, 2011	102,748	\$ 58,139	\$ 3,235	\$ (54,656)	\$ 6,718
Balance, September 1, 2012	102,748	\$ 58,139	\$ 3,235	\$(56,494)	\$ 4,880
Net loss and comprehensive loss for the period	-	-	-	(802)	(802)
Balance, November 30, 2012	102,748	\$ 58,139	\$ 3,235	\$ (57,296)	\$ 4,078

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

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

For the three months ended November 30,

	2012	2011
Cash flows from operating activities		
Net loss for the period	\$ (802)	\$ (186)
Items not affecting cash		
Equity interest in Look's losses	122	298
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	(31)	158
Prepaid expenses and deposits	88	(4)
Accounts payable and accrued liabilities	320	140
Accrued restructuring liabilities due to related party	18	30
Deferred revenue	-	(433)
Increase (decrease) in cash and cash equivalents	(285)	3
Cash and cash equivalents, beginning of period	1,635	945
Cash and cash equivalents, end of period	\$ 1,350	\$ 948

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

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

1. Nature of operation

Unique Broadband Systems, Inc. is a publicly listed Canadian company. In 2003, UBS transitioned from a technology company that designed, developed and manufactured broadband wireless equipment to a holding company, when it acquired a controlling interest in Look Communications Inc. ("Look"). Effective May 25, 2010, UBS has a 39.2% fully diluted equity interest in Look (note 6), and other financial assets. 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").

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on January 23, 2013.

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, 2012.

(b) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis and include the accounts of Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. All inter-company transactions are eliminated on consolidation.

Going concern

The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about UBS' use of the going concern assumption because, as at November 30, 2012, UBS has a working capital deficiency of \$2,861 (August 31, 2012 - \$2,181).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

2. Summary of significant accounting policies (continued)

(b) Basis of presentation (continued)

Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions by Look to its shareholders, including UBS, and the outcomes of certain litigation (note 14). UBS will need to raise cash and/or monetize assets, and/or receive further cash distributions from Look 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 unaudited condensed consolidated interim financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying values and classifications 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.

Investment in Look

Effective May 25, 2010, UBS accounts for its 39.2% interest in Look using the equity method that reports UBS' equity participation in Look through the "equity interest in Look's losses" in the statement of loss and comprehensive loss.

The Company determines at each reporting date whether there is any objective evidence that the investment in Look is impaired and consequently whether it is necessary to recognize an additional impairment loss on the Company's investment in Look. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of Look and its carrying value and recognizes the amount in the consolidated statement of loss and comprehensive loss.

CCAA proceedings

On July 5, 2011, UBS and UBS Wireless commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA"). The court has made an order staying all proceedings against UBS and its directors until February 1, 2013, and Duff & Phelps Canada Limited (the "Monitor") has been appointed as the Monitor of UBS. Further information with respect to the CCAA proceedings can be found on the Monitor's website at www.duffandphelps.com.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

2. Summary of significant accounting policies (continued)

(b) Basis of presentation (continued)

The CCAA proceeding was commenced to, among other things:

- (i) facilitate the determination and compromise or arrangement of creditor claims against UBS;
- (ii) permit UBS to propose a plan to realize value from its accumulated tax losses, public listing and other assets;
- (iii) avert an imminent liquidity crisis being caused by litigation-related expenses that will prevent UBS from continuing to carry on business for the benefit of its stakeholders and defending the proceedings brought by the Plaintiff Group;
- (iv) stay all payables owing by UBS; and
- (v) provide a process to determine the claims being asserted against UBS by the Plaintiff Group in a more cost effective and expeditious manner.

UBS has been successful in obtaining the reversal of approximately \$2,925 of awards granted by UBS' prior board in 2009, settling certain claims, and significantly reducing operating expenses. However, Jolian Investments Ltd. ("Jolian"), Mr. McGoey, and Mr. Reeson (the "Plaintiff Group") continue to pursue claims against UBS for approximately \$10,000 in termination and other payments. UBS views the CCAA claims process as the best course of action to preserve its assets.

On July 6, 2012, UBS and its directors reached a settlement agreement with Mr. Dolgonos, 2064818 Ontario Inc., 6138241 Canada Inc. and DOL Technologies Inc. (the "Dolgonos Parties") (note 14(b)(ii)).

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.

3. Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents

As at November 30, 2012, the Company held \$1,350 of cash (August 31, 2012 - \$1,635) and no cash equivalents.

(b) Restricted cash

As at November 30, 2012 and August 31, 2012, UBS had restricted cash of \$50 which was held in interest-bearing certificates at 0.3%.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

4. Accounts receivable and other receivables

Accounts receivable and other receivable balances, as at November 30, 2012 and August 31, 2012, are set out in the following table:

	November 30, 2012	August 31, 2012
GST/HST receivable	\$ 184	\$ 120
Legal retainer receivable ⁽¹⁾	-	37
Indemnity claims receivable ⁽²⁾	30	30
Other receivables	20	16
Total	\$ 234	\$ 203

⁽¹⁾ During the quarter ended February 28, 2011, as a result of a settlement agreement executed between the Company and a former director, a legal retainer totaling \$37 was reallocated from prepaid expenses and deposits (note 5) to accounts receivable. During the quarter ended November 30, 2012, this retainer was expensed to professional fees.

⁽²⁾ During the quarter ended May 31, 2012, the Company's insurance providers approved claims totaling \$30.

5. Prepaid expenses and deposits

The Company's prepaid expenses and deposits, as at November 30, 2012 and August 31, 2012, are summarized in the following table:

	November 30, 2012	August 31, 2012
2010 legal retainers ⁽¹⁾	\$ 316	\$ 316
Legal retainer ⁽²⁾	50	201
CCAA retainers ⁽³⁾	50	50
Other	171	108
Total	\$ 587	\$ 675

⁽¹⁾ During June and July, 2010, the former Board of Directors of the Company approved \$570 of advances to various professional firms as retainers for future services for the then directors, officers and consultants. As at November 30, 2012, UBS has been advised that the amounts on retainer had been drawn down by a total of approximately \$235. \$19 was returned to UBS as a result of a settlement agreement executed between UBS and the former CFO. As a result, it is estimated that approximately \$316 remains on retainer as at November 30, 2012.

⁽²⁾ Funds totaling \$330 were placed on retainer with a legal firm on February 24, 2011 for, among other things, legal advice with regard to ongoing litigation. As at November 30, 2012, approximately \$131 was expensed, \$149 was returned to UBS, and \$50 remained on retainer.

⁽³⁾ Funds totaling \$100 were placed on retainer with legal firms on June 27, 2011 for, among other things, legal advice with regard to the CCAA claims process. As at November 30, 2012, approximately \$50 was expensed and \$50 remained on retainer.

6. Look investment

(a) Investment in Look

As at November 30, 2012, UBS Wireless held 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares in Look, representing a 39.2% economic interest and a 37.6% voting interest in Look. UBS acquired its shareholding in Look through a series of transactions and the receipt of shares in lieu of interest on its convertible debentures, which were redeemed by Look on May 25, 2010. Look is listed in the NEX, and the trading symbol for Look's multiple voting shares is LOK.H, and subordinate voting shares is LOK.K.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

6. Look investment (continued)

(a) Investment in Look (continued)

UBS' 39.2% interest in Look's equity of \$17,578, as at November 30, 2012, amounted to \$6,889 (August 31, 2012 - \$17,890 and \$7,011 respectively), as set out in the table below:

Investment in Look as at September 1, 2011	\$ 11,405
Return of capital from Look	(2,739)
Cumulative equity interest in Look's losses for the year ended August 31, 2012	(1,655)
Investment in Look as at August 31, 2012	7,011
Cumulative equity interest in Look's losses for the quarter ended November 30, 2012	(122)
Investment in Look as at November 30, 2012	\$ 6,889

An analysis of UBS' interest in the post acquisition income and losses of Look is as follows:

Cumulative equity interest in Look's losses at September 1, 2011	\$ (524)
Equity interest in Look's losses for fiscal 2012	(1,655)
Equity interest in Look's losses for the first quarter of fiscal 2013	(122)
Cumulative equity interest in Look's losses as at November 30, 2012	\$ (2,301)

Look's consolidated balance sheets, as at November 30, 2012 and August 31, 2012, are set out below:

	November 30, 2012	August 31, 2012
ASSETS		
Total current assets	\$ 18,184	\$ 18,805
	\$ 18,184	\$ 18,805
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Total current liabilities	\$ 606	\$ 915
Shareholders' equity		
Share capital	27,499	27,499
Deficit	(9,921)	(9,609)
Total shareholders' equity	17,578	17,890
	\$ 18,184	\$ 18,805

Look's market capitalization, based on the closing share prices of its multiple and subordinate voting shares as at November 30, 2012 of \$0.090 and \$0.100 respectively, was \$13,309 (August 31, 2012 - \$0.120 and \$0.075 respectively - \$13,455).

Look continues to pursue opportunities to realize the value of its tax attributes of approximately \$166,116.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

6. Look investment (continued)

(b) Sale of Look shares

On January 11, 2013, UBS agreed to sell 12,430 multiple voting shares and 14,630 subordinate voting shares of Look to 2092390 Ontario Inc., a corporation controlled by Mr. Andrew Kim, subject to the approval of the Court. If approved, the transaction would be for approximately half of UBS' interest in Look.

(c) Return of capital from Look

On March 13, 2012, Look paid \$6,985 to the holders of its multiple voting shares and subordinate voting shares as a return of capital equivalent to \$0.05 for each outstanding multiple voting share and subordinate voting share. UBS received \$2,739 of Look's return of capital.

7. Accrued liabilities

The Company's accrued liabilities, as at November 30, 2012 and August 31, 2012, are summarized in the following table:

	November 30, 2012	August 31, 2012
Legal expenses ⁽¹⁾	\$ 676	\$ 619
Professional expenses ⁽²⁾	111	129
Board fees ⁽³⁾	21	21
Compensation accruals ⁽⁴⁾	200	200
Other	-	12
Total	\$1,008	\$ 981

⁽¹⁾ Includes, amongst others, an estimate of the costs relating to the claims of certain members of the Plaintiff Group for payments under certain management services agreements and are subject to determination in the CCAA claims process (note 14(b)).

⁽²⁾ Includes costs associated with the Company's audit, tax reporting and Annual General Meeting requirements.

⁽³⁾ Includes accrued board fees payable to certain members of the Plaintiff Group which are subject to determination in the CCAA claims process.

⁽⁴⁾ Refer to note 12(c).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

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(Unaudited)

8. Restructuring

On May 5, 2009, UBS announced the sale of its wireless spectrum and commenced the restructuring of its operations. UBS recorded contingent awards, approved and allocated by its directors in June 2009, as human resource restructuring costs and these are set out in the following table:

Accrued restructuring liabilities due to related parties ⁽¹⁾	Total restructuring amounts
Balance as at August 31, 2011	\$ 4,003
Expensed in fiscal 2012	114
Reversal of accrual in fiscal 2012	(1,155)
Balance as at August 31, 2012	\$2,962
Expensed in first quarter of fiscal 2013	18
Balance as at November 30, 2012	\$ 2,980

⁽¹⁾ See note 12(d).

During the three months ended November 30, 2012, UBS expensed \$18 in accrued interest on the awards due to related parties (November 30, 2011 - \$30).

On July 6, 2012, UBS settled the accrued restructuring award granted to DOL Technologies Inc. ("DOL"), which resulted in, among other things, a \$1,030 reversal of the restructuring award originally granted in June 2009 and \$125 in accrued interest, totalling \$1,155 to restructuring charges. The remaining balance of \$500 will be settled under the CCAA claims process (note 14(b)).

9. Share capital

(a) Authorized

Unlimited common shares
Unlimited Class A non-voting shares

(b) Issued and outstanding

As at November 30, 2012 and August 31, 2012, UBS had 102,748 common shares and no Class A non-voting shares issued and outstanding, totaling \$58,139.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

9. Share capital (continued)

(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 TSX Venture Exchange on the business day immediately preceding the day on which an option is granted, and not less than 10 cents per share. 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, 2011	9,586	\$ 0.32
Expired during the year ended August 31, 2012	(2,300)	0.47
Balance as at August 31, 2012 and November 30, 2012	7,286	\$ 0.27

A summary of the status of the Option Plan, as at November 30, 2012, is as follows:

Exercise price	Options outstanding and exercisable as at November 30, 2012 (in thousands)	Weighted average remaining contractual life
\$ 0.44	86	0.65 years
\$ 0.16	100	0.97 years
\$ 0.16	100	0.97 years
\$ 0.15	1,000	6.75 years
\$ 0.32	1,000	1.45 years
\$ 0.44	1,000	0.65 years
\$ 0.15	2,000	6.75 years
\$ 0.34	2,000	1.45 years
	7,286	3.50 years

During the three months ended November 30, 2012 and 2011, no stock options were granted or expired.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

10. Compensation

During the three months ended November 30, 2012, the Company expensed \$62 in compensation, which included \$39 in key management compensation (November 30, 2011 - \$111 and \$68 respectively).

11. Segment disclosure

The recorded revenues for the three months ended November 30, 2011 were pursuant to the Look Management Services Agreement (note 12(a)), which expired on May 19, 2012 and were drawn down from deferred.

All of the Company's revenue was generated in Canada and all of its assets are located in Canada.

12. Related party transactions

(a) Management Services Agreement with Look

Under the original terms of the Management Service Agreement entered into between Look and UBS on May 19, 2004 ("Look MSA"), Look had been required to pay an annual fee of \$2,400 to UBS and, in September 2007, Look advanced a prepaid annual fee of \$2,400. Effective January 1, 2011, UBS expensed the deferred revenue, at approximately \$145 per month, over the remaining term of the Look MSA, which expired on May 19, 2012.

The base fee pursuant to the Look MSA earned by UBS during the three months ended November 30, 2011 amounted to \$433 and was reported as revenue (note 11).

(b) Rent of Milton premises

During the three months ended November 30, 2012, UBS subleased a portion of Look's premises in Milton for \$2 (November 30, 2011 - \$6). The sublease was terminated on September 30, 2012.

(c) CEO termination clause

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

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

12. Related party transactions (continued)

(d) Related party accrued restructuring liabilities

UBS recorded related party transactions as follows:

	Accrued Restructuring Liabilities					
	Balance as at August 31, 2011	Interest accrued fiscal 2012 ⁽³⁾	Awards and interest reversed fiscal 2012 ⁽²⁾	Balance as at August 31, 2012	Interest accrued fiscal 2013 ⁽³⁾	Balance as at November 30, 2012
Jolian Investments Ltd. /McGoey ⁽¹⁾	\$ 1,899	\$ 58	\$ -	\$ 1,957	\$ 14	\$ 1,971 ⁽⁴⁾
DOL Technologies Inc. /Dolgonos ⁽²⁾ - Settled Former UBS director – Douglas Reeson	1,614	41	(1,155)	500	-	500 ⁽²⁾
	490	15	-	505	4	509 ⁽⁴⁾
Total	\$ 4,003	\$ 114	\$ (1,155)	\$ 2,962	\$ 18	\$ 2,980

⁽¹⁾ Jolian is a company controlled by Mr. McGoey, the former Chairman of the Board of Directors and former CEO of UBS.

On July 5, 2010, the former Board of Directors, including Mr. McGoey, were removed by shareholders at a special meeting, which resulted in Jolian alleging a Company Default pursuant to the Jolian Management Services Agreement with UBS ("Jolian MSA") and a subsequent claim for, among other things, payment for termination of services and the outstanding accrued restructuring liability to Jolian (note 14(b)(i)).

⁽²⁾ DOL is a company controlled by Mr. Dolgonos, the former Chief Technology Consultant of UBS.

On July 6, 2012, UBS reached a settlement agreement with the Dolgonos Parties, which resulted in, among other things, a \$1,030 reversal of the restructuring award and \$125 in accrued interest, totalling \$1,155, to restructuring charges. The remaining balance of \$500 will be settled under the CCAA claims process.

⁽³⁾ The interest on accrued restructuring liabilities due to related parties is charged to restructuring charges.

⁽⁴⁾ These amounts were approved in 2009 by the directors and are currently the subject of dispute in the claims filed by the Plaintiff Group (note 14(b)(i)).

13. 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:

2014	\$ 8,527
2015	1,001
2027	2,215
2028	423
2029	1,626
2030	1,656
2031	5,134
2032	1,620
	\$ 22,202

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three months ended November 30, 2012 and 2011

(Unaudited)

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. Under the terms of the settlement, UBS paid the plaintiff damages totaling \$450 and was awarded \$85 under a third party claim. \$150 remains payable, and is subject to the claims process to be determined under CCAA.

(b) Contingencies

(i) Jolian and Reeson claims

On July 12, 2010, Jolian served a statement of claim on UBS seeking approximately \$8,610 plus applicable taxes and interest in respect of the Jolian management services agreement with UBS and certain contingent payments approved by the previous directors in 2009 (the "Jolian Claims"). A former director, Mr. Reeson, also served a statement of claim on UBS seeking approximately \$465 plus interest in respect of the contingent award approved and allocated to him by the previous directors of UBS during fiscal 2009 (the "Reeson claim").

Subsequent to the commencement of the CCAA claims process, the Monitor received proofs of claims from Jolian, totaling \$10,112, and from Mr. Reeson, totaling \$585. The Jolian and Reeson claims are disputed and will be determined in the CCAA claims (note 14(b)(iii)).

(ii) Dolgonos Parties claims

On July 12, 2010, DOL served a statement of claim on UBS seeking approximately \$7,545 plus interest in respect of the DOL management services agreement with UBS and certain contingent payments approved by the previous directors in 2009.

On December 23, 2010, 2064818 Ontario Inc. served a statement of claim on UBS and its directors. These claims sought various relief, including the removal of the directors of UBS from its board of directors, the setting aside of the amendment to the Look MSA or, in lieu thereof, damages in the amount of \$900, and restrictions on dilutive financing.

On July 6, 2012, the Dolgonos Parties claims of approximately \$8,000 were settled for a claim of \$500, the payment of which will be determined under the CCAA proceedings. All other claims and actions were dismissed, withdrawn and fully released, and the \$100 advanced to counsel for DOL, in June, 2010, was expensed in the fourth quarter of fiscal 2012.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

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14. Provisions and contingencies (continued)

(b) Contingencies (continued)

(iii) CCAA

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

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

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

(v) 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.

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.

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, foreign currency risk and commodity 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.

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For the three months ended November 30, 2012 and 2011

(Unaudited)

16. Financial instruments and risk management (continued)

Credit risk

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

	November 30, 2012	August 31, 2012
<u>Accounts and other receivables</u>		
Currently due	\$ 124	\$ 33
Past due by 90 days or less and not impaired	47	19
Past due by greater than 90 days and not impaired	63	151
	<u>\$ 234</u>	<u>\$ 203</u>

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 operating 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, accrued restructuring liabilities, accrued restructuring liabilities due to related parties, and provisions, the contractual maturities of which are not determinable, because it depends on the outcome of the CCAA claims process.

Interest rate risk

The Company had no significant exposure, as at November 30, 2012 and August 31, 2012, to interest rate risk through its financial instruments.

17. Subsequent events

Sale of Look shares

On January 11, 2013, UBS agreed to sell 12,430 multiple voting shares and 14,630 subordinate voting shares of Look to 2092390 Ontario Inc., a corporation controlled by Mr. Andrew Kim, subject to the approval of the Court. If approved, the transaction would be for approximately half of UBS' interest in Look.