

Unaudited Condensed Consolidated Interim Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the three and nine months ended May 31, 2013 and 2012

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

	May 31, 2013	August 31, 2012
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 160	\$ 1,635
Short-term investments (note 3)	2,799	-
Accounts receivable and other receivables (note 4)	372	203
Prepaid expenses and deposits (note 5)	324	675
	3,655	2,513
Restricted cash (note 3)	50	50
Investment in ONEnergy Inc. (formerly Look Communications Inc.) (note 6)	2,773	7,011
	\$ 6,478	\$ 9,574
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 530	\$ 601
Accrued liabilities (note 7)	417	981
Accrued restructuring liabilities due to related parties (note 8)	3,870	2,962
Provisions (note 14(a))	150	150
	4,967	4,694
Shareholders' equity		
Share capital (note 9)	58,139	58,139
Share option reserve	3,235	3,235
Deficit	(59,863)	(56,494)
	1,511	4,880
	\$ 6,478	\$ 9,574

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)

	Three months ended May 31,		Nine months ended May 31,	
	2013	2012	2013	2012
Revenue	\$ -	\$ 377	\$ -	\$ 1,244
Expenses				
Compensation (note 10)	67	110	195	545
General and administrative	410	594	2,382	1,702
Restructuring charges (note 8)	320	30	357	91
	797	734	2,934	2,338
Loss before the undernoted	(797)	(357)	(2,934)	(1,094)
Interest income	10	6	15	9
Gain on sale of ONEnergy shares	-	-	447	-
Equity interest in ONEnergy's losses (note 6)	-	(423)	(245)	(1,120)
Loss before comprehensive loss	(787)	(774)	(2,717)	(2,205)
Fair value adjustment in ONEnergy (note 6(a))	-	-	(652)	-
Loss and comprehensive loss for the period	\$ (787)	\$ (774)	\$ (3,369)	\$ (2,205)
Loss per share:				
Basic and diluted loss per share	(0.008)	(0.007)	(0.033)	(0.021)
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)

	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
Loss and comprehensive loss for the period	-	-	-	(2,205)	(2,205)
Balance, May 31, 2012	102,748	\$ 58,139	\$ 3,235	\$ (56,675)	\$ 4,699
Balance, September 1, 2012	102,748	\$ 58,139	\$ 3,235	\$(56,494)	\$ 4,880
Loss and comprehensive loss for the period	-	-	-	(3,369)	(3,369)
Balance, May 31, 2013	102,748	\$ 58,139	\$ 3,235	\$ (59,863)	\$ 1,511

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)

	Three months ended May 31,		Nine months ended May 31,	
	2013	2012	2013	2012
Cash flows from operating activities				
Loss and comprehensive loss for the period	\$ (787)	\$ (774)	\$ (3,369)	\$ (2,205)
Less: Fair value adjustment in ONEnergy	-	-	652	-
Items not affecting cash				
Equity interest in ONEnergy's losses to February 19, 2013	-	423	245	1,120
Gain on sale of ONEnergy shares	-	-	(447)	-
Change in non-cash operating assets and liabilities				
Accounts receivable and other receivables	(147)	(102)	(169)	(37)
Prepaid expenses and deposits	224	(12)	351	81
Accounts payable and accrued liabilities	(1,739)	75	(635)	1,054
Accrued restructuring liabilities due to related party	871	30	908	91
Deferred revenue	-	(377)	-	(1,244)
Cash used in operating activities	(1,578)	(737)	(2,464)	(1,140)
Investing activities				
Cash received on sale of ONEnergy shares	-	-	3,788	-
Purchase of short-term investments	(2,789)	-	(2,789)	-
Interest earned on short-term investments	(10)	-	(10)	-
Return of capital from ONEnergy	-	2,739	-	2,739
Cash provided by (used in) investing activities	(2,799)	2,739	989	2,739
Increase (decrease) in cash and cash equivalents	(4,377)	2,002	(1,475)	1,599
Cash and cash equivalents, beginning of period	4,537	542	1,635	945
Cash and cash equivalents, end of period	\$ 160	\$ 2,544	\$ 160	\$ 2,544

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, 2013 and 2012

(Unaudited)

1. Nature of operation

Unique Broadband Systems, Inc. is a publicly listed Canadian company, trading on the TSX Venture Exchange under the symbol UBS. 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").

Effective May 25, 2010, UBS redeemed its convertible debenture in ONEnergy Inc. ("ONEnergy"), formerly Look Communications Inc. ("Look"), which reduced its holdings to a 39.2% fully diluted equity interest. On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of ONEnergy. Upon determination that the Company no longer has significant influence over ONEnergy, effective February 20, 2013, the Company accounts for its investment in ONEnergy using the fair value method (note 6).

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on July 26, 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 intercompany transactions are eliminated on consolidation.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2013 and 2012

(Unaudited)

2. Summary of significant accounting policies (continued)

(b) Basis of presentation (continued)

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, 2013, UBS has a working capital deficiency of \$1,312 (August 31, 2012 - \$2,181).

Furthermore, there is uncertainty regarding the outcome of certain litigation (note 14(b)). UBS will 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 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 ONEnergy

Effective February 20, 2013, the Company accounts for its investment in ONEnergy using the fair value method (note 6). This asset is classified as Available For Sale ("AFS").

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 July 31, 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 and nine months ended May 31, 2013 and 2012

(Unaudited)

2. Summary of significant accounting policies (continued)

(b) Basis of presentation (continued)

The CCAA proceeding has been 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 former director and Chief Executive Officer Mr. McGoey ("McGoey") and his personal service company Jolian Investments Ltd. ("Jolian"), (together referred to as the "Jolian Parties"), and former director Mr. Reeson ("Reeson");
- (iv) stay all payables owing by UBS; and
- (v) provide a process to determine the claims being asserted against UBS by the Jolian Parties and Reeson in a more cost effective and expeditious manner.

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

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

3. Cash

(a) Cash and cash equivalents

As at May 31, 2013, the Company held \$160 of cash (August 31, 2012 - \$1,635) and no cash equivalents.

(b) Short-term investments

As at May 31, 2013, UBS held \$2,799 in short-term investments (August 31, 2012 – nil), which included 30-day cashable guaranteed investment certificates ("GIC") with original maturities of less than 365 days. As at May 31, 2013, the effective annual interest rate on the GICs was 1.25%. The fair value of short-term investments has been valued using Level 1 inputs.

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, 2013 and 2012

(Unaudited)

3. Cash (continued)

(c) Restricted cash

As at May 31, 2013 and August 31, 2012, UBS had restricted cash of \$50 which was held in interest-bearing certificates at 0.3%.

4. Accounts receivable and other receivables

Accounts receivable and other receivable balances, as at May 31, 2013 and August 31, 2012, are set out in the following table:

	May 31, 2013	August 31, 2012
GST/HST receivable	\$ 125	\$ 120
Legal retainer receivable ⁽¹⁾⁽²⁾	200	37
Indemnity claims receivable ⁽³⁾	30	30
Other receivables	17	16
Total	\$ 372	\$ 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⁾ On May 21, 2013, Madam Justice Mesbur of the Ontario Superior court of Justice made a disgorgement order against the Jolian Parties totaling \$200 which resulted in a reallocation from prepaid expenses and deposits (notes 5 and 14(b)(i)).

⁽³⁾ 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 May 31, 2013 and August 31, 2012, are summarized in the following table:

	May 31, 2013	August 31, 2012
2010 legal retainers ⁽¹⁾	\$ 116	\$ 316
Legal retainer ⁽²⁾	29	201
CCAA retainers ⁽³⁾	50	50
Other	129	108
Total	\$ 324	\$ 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 May 31, 2013, 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. On May 21, 2013, Madam Justice Mesbur made a disgorgement order against the Jolian Parties totaling \$200 which resulted in a reallocation of \$200 to accounts receivable and other receivables (notes 4 and 14(b)(i)). As a result, as at May 31, 2013, Reeson's retainer of approximately \$116 remains outstanding.

⁽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 May 31, 2013, approximately \$152 was expensed, \$149 was returned to UBS, and \$29 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 May 31, 2013, approximately \$50 was expensed and \$50 remained on retainer.

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)

6. OEnergy investment

(a) Change of Look's business to OEnergy Inc.

On July 9, 2013, Look completed a change-of-business transaction and concurrent private placement, and changed its name to OEnergy Inc.

(b) Carrying value in OEnergy

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares in OEnergy, to 2092390 Ontario Inc., for \$0.14 per share, or \$3,788, generating a gain of \$447. This transaction reduced the Company's holdings in OEnergy, resulting in the Company reassessing the determination of significant influence on OEnergy. The Company's investment in OEnergy, as at May 31, 2013, of 12,435 multiple voting shares and 15,291 subordinate voting shares, represented a 19.8% economic interest and an 18.8% voting interest (August 31, 2012 – 24,864 multiple voting shares and 29,921 subordinate voting shares, or a 39.2% economic interest and a 37.6% voting interest).

Up to February 19, 2013 the Company accounted for its investment in OEnergy using the equity method of accounting. Pursuant to the sale of shares, management concluded that the Company no longer had significant influence over OEnergy and now accounts for its investment using the fair value method. This asset is classified as Available For Sale ("AFS").

The Company's share of OEnergy's market capitalization, based on the bid prices of its multiple voting shares (TSXV: OEG) and subordinate voting shares (TSXV: OEG.A), as at February 20, 2013 and May 31, 2013, of \$0.10 and \$0.10 respectively, was \$2,773.

The Company's carrying value of its investment in OEnergy is summarized as follows:

Investment in OEnergy as at September 1, 2011	\$ 11,405
Return of capital	(2,739)
Cumulative equity interest in OEnergy's losses for the year ended August 31, 2012	(1,655)
Investment in OEnergy as at August 31, 2012	7,011
Cumulative equity interest in OEnergy's losses from September 1, 2012 to February 19, 2013	(245)
Partial disposition of OEnergy shares	(3,341)
Fair value adjustment in OEnergy	(652)
Investment in OEnergy as at February 20, 2013 and May 31, 2013	\$ 2,773

An analysis of UBS' equity interest in the post-acquisition income and losses of OEnergy, up to February 19, 2013, is as follows:

Cumulative equity interest in OEnergy's losses as at September 1, 2011	\$ (524)
Equity interest in OEnergy's losses, fiscal 2012	(1,655)
Equity interest in OEnergy's losses, first quarter of fiscal 2013	(122)
Equity interest in OEnergy's losses, December 1, 2012 to February 19, 2013	(123)
Cumulative equity interest in OEnergy's losses as at February 19, 2013	\$ (2,424)

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, 2013 and 2012

(Unaudited)

6. OEnergy investment (continued)

(c) Return of capital from OEnergy

On March 13, 2012, OEnergy paid \$6,985 to the holders of its multiple voting shares and subordinate voting shares as a return of capital, of which UBS received \$2,739.

7. Accrued liabilities

The Company's accrued liabilities, as at May 31, 2013 and August 31, 2012, are summarized in the following table:

	May 31, 2013	August 31, 2012
Legal expenses ⁽¹⁾	\$ 15	\$ 619
Professional expenses ⁽²⁾	122	129
Board fees ⁽³⁾	77	21
Compensation accruals ⁽⁴⁾	200	200
Other	3	12
Total	\$ 417	\$ 981

⁽¹⁾ Included, amongst others, was an estimate of the costs related to the claims of the Jolian Parties for payments under certain management services agreements. On May 21, 2013, Madam Justice Mesbur denied indemnification of the Jolian Parties and ordered the funds previously advanced to legal firms to be repaid (notes 5 and 14(b)(i)). As a result, \$619 in accrued legal expenses was reversed to restructuring costs.

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

⁽³⁾ Includes, amongst others, accrued board fees payable to prior board members which are subject to determination in the CCAA claims process.

⁽⁴⁾ Refer to note 12(c).

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⁾	(1,155)
Balance as at August 31, 2012	\$2,962
Expensed in first quarter of fiscal 2013	18
Expensed in second quarter of fiscal 2013	19
Expensed in third quarter of fiscal 2013 ⁽²⁾	2,870
Reversal of accrual ⁽²⁾	(1,999)
Balance as at May 31, 2013	\$ 3,870

⁽¹⁾ See notes 12(d) and 14(b)(iii).

⁽²⁾ See notes 12(d) and 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, 2013 and 2012

(Unaudited)

8. Restructuring (continued)

During the three months ended May 31, 2013, UBS expensed \$17 in accrued interest on the awards due to related parties.

The Jolian Parties filed various proofs of claim against UBS in the CCAA proceedings of approximately \$9,500 which UBS rejected. This was the subject of an appeal in the Ontario Superior Court and on May 21, 2013 Madam Justice Mesbur's Reasons were released. Based on her Honour's findings, the Company reversed the Jolian Parties' bonus and SAR cancellation claims and interest totaling \$1,999 and accrued a claim for "enhanced severance". The Company's initial estimate of the enhanced severance claim based on her Honour's decision is \$2,853. UBS is seeking leave to appeal this finding, and the outcome of the appeal process will determine the validity and quantum of the claim (note 14(b)(i)).

9. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at May 31, 2013 and August 31, 2012, 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 TSX Venture Exchange on the business day immediately preceding the day on which an option is granted, and not less than \$0.10 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 May 31, 2013	7,286	\$ 0.27

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, 2013 and 2012

(Unaudited)

9. Share capital (continued)

(c) Stock option incentive plan (continued)

A summary of the status of the Option Plan, as at May 31, 2013, is as follows:

Exercise price	Options outstanding and exercisable as at May 31, 2013 (in thousands)	Weighted average remaining contractual life
\$ 0.44	86	0.15 years
\$ 0.16	100	0.47 years
\$ 0.16	100	0.47 years
\$ 0.15	1,000	6.25 years
\$ 0.32	1,000	0.95 years
\$ 0.44	1,000	0.15 years
\$ 0.15	2,000	6.25 years
\$ 0.34	2,000	0.95 years
	<u>7,286</u>	<u>3.00 years</u>

During the three and nine months ended May 31, 2013 no stock options were granted or expired (2012 – no stock options were granted; 300 and 2,300 expired respectively).

10. Compensation

During the three and nine months ended May 31, 2013, the Company expensed \$67 and \$195 respectively in compensation (2012 - \$110 and \$545 respectively), which included \$39 and \$116 in key management compensation respectively (2012 - \$63 and \$400 respectively).

11. Segment disclosure

There were no recorded revenues for the three and nine months ended May 31, 2013.

The recorded revenues for the three and nine months ended May 31, 2012 were pursuant to the ONEnergy Management Services Agreement ("ONE MSA") (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.

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, 2013 and 2012

(Unaudited)

12. Related party transactions

(a) ONE MSA

Under the original terms of the ONE MSA, ONEnergy had been required to pay an annual fee of \$2,400 to UBS and, in September 2007, 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 ONE MSA, which expired on May 19, 2012.

The base fee earned by UBS during the three and nine months ended May 31, 2012, amounted to \$377 and \$1,244 respectively, and was reported as revenue.

(b) 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⁾	Awards and interest reversed fiscal 2013 ⁽¹⁾	Enhanced severance 2013 ⁽¹⁾	Balance as at May 31, 2013
Jolian Investments Ltd. /McGoey ⁽¹⁾	\$ 1,899	\$ 58	\$ -	\$ 1,957	\$ 42	\$ (1,999)	\$ 2,853	\$ 2,853
DOL Technologies Inc. /Dolgonos ⁽²⁾ - Settled	1,614	41	(1,155)	500	-	-	-	500 ⁽²⁾
Former UBS director – Douglas Reeson	490	15	-	505	12	-	-	517 ⁽⁴⁾
Total	\$ 4,003	\$ 114	\$ (1,155)	\$ 2,962	\$ 54	\$ (1,999)	\$ 2,853	\$ 3,870

⁽¹⁾ Jolian is a company controlled by Mr. McGoey, the former chairman of the board of directors and former CEO of UBS. Pursuant to Madam Justice Mesbur's decision, the Company reversed bonus and SAR cancellation awards and interest totaling \$1,999. Her Honour also found Jolian was entitled to an "enhanced severance" claim and the Company has accrued an initial estimate of \$2,853. The Company is seeking leave to appeal this finding, and the outcome of the appeal process will determine the validity and quantum of the claim (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, totaling \$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⁾ This amount was approved in 2009 by the directors and is currently the subject of dispute in the CCAA claims proceedings (note 14(b)(ii)).

(c) Rent of Milton premises

During the three months ended November 30, 2012, UBS subleased a portion of ONEnergy's premises in Milton for \$2 (three and nine months ended May 31, 2012 - \$6 and \$18 respectively). The sublease was terminated on September 30, 2012.

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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, 2013 and 2012

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12. Related party transactions (continued)

(d) CEO termination clause

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

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
	<hr/>
	\$ 22,202

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, \$150 remains payable by UBS, and is subject to the claims process to be determined under CCAA.

UNIQUE BROADBAND SYSTEMS, INC.

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

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14. Provisions and contingencies (continued)

(b) Contingencies

(i) Jolian 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. Subsequent to UBS commencing proceedings in the CCAA, the Jolian Parties submitted three proofs of claim against UBS totalling approximately \$9,500 plus indemnity in respect of professional fees incurred in pursuing their claims (the "Jolian Claims"). These claims were disputed in the CCAA proceedings and a process was put in place to determine the validity and quantum of the Jolian Claims.

An appeal in the Ontario Superior Court of Justice of the denial of the Jolian Claims against UBS was completed on March 1, 2013. On May 21, 2013, the Honourable Madam Justice Mesbur released Reasons for Decision, finding that the former UBS board, including McGoey, failed to consider the interests of shareholders and breached their fiduciary duties owing to the Company. Based on these findings, Her Honour:

- disallowed the Jolian Parties' claim for payment in respect of the cancellation of the Company's share appreciation rights plan, resulting in a reversal of \$600 plus \$66 in accrued interest;
- disallowed the Jolian Parties' claim for payment of a deferred bonus, resulting in a reversal of \$1,200 plus \$133 in accrued interest;
- disallowed the Jolian Parties' claim for indemnification, resulting in a reversal of \$551 to restructuring charges; and
- ordered the Jolian Parties to repay UBS the monies previously advanced to them in the nature of indemnification, totaling \$200.

Notwithstanding Madam Justice Mesbur's findings of wrongdoing on the part of the Jolian Parties, including breach of fiduciary duty, she also found that Jolian was entitled to an "enhanced severance" claim and asked that Jolian file a revised proof of claim in respect of this. The Company's initial estimate of this amount, having regard to her Honour's decision, is approximately \$2,853. Jolian's revised proof of claim is in excess of \$4,000. The Company is seeking leave to appeal this finding, and the outcome of the appeal process will determine the validity and quantum of the claim.

UNIQUE BROADBAND SYSTEMS, INC.

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

For the three and nine months ended May 31, 2013 and 2012

(Unaudited)

14. Provisions and contingencies (continued)

(b) Contingencies

(ii) Reeson claims

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

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

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

(iii) Dolgonos Parties claims

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

(iv) CCAA

On July 5, 2011, the Ontario Superior Court made an Order under the CCAA and a subsequent Order on August 4, 2011 which, amongst other things, provided for a comprehensive stay of proceedings against UBS and that all disputed claims are to be determined in the CCAA proceedings (note 17(c)).

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

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

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

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(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, 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.

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, 2013	August 31, 2012
<u>Accounts and other receivables</u>		
Currently due	\$ 340	\$ 33
Past due by 90 days or less and not impaired	2	19
Past due by greater than 90 days and not impaired	30	151
	\$ 372	\$ 203

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.

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Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

16. Financial instruments and risk management (continued)

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 May 31, 2013 and August 31, 2012, to interest rate risk through its financial instruments.

17. Subsequent events

Extension to CCAA Stay

At the end of July, 2013, a motion will be heard requesting an extension on the stay of proceedings under CCAA until October 31, 2013.