Consolidated Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the years ended August 31, 2013 and 2012

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) - *Grant McCutcheon*

Grant McCutcheon
Chief Executive Officer
November 15, 2013

(Signed) – *Victor Wells*

Victor Wells
Director, Acting Chief Financial Officer

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, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years ended August 31, 2013 and 2012, 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, 2013 and 2012, and the results of its operations and its cash flows for the years ended August 31, 2013 and 2012, 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 that the Company has a working capital deficiency at August 31, 2013 which, along with other matters as set forth in Note 1, indicate 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 Accountants, Licensed Public Accountants
Toronto, Canada
November 15, 2013

UNIQUE BROADBAND SYSTEMS, INC.

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

As at August 31,

	2013	2012
## Assets		
Current assets		
Cash and cash equivalents (note 4)	**$ 2,869**	$ 1,635
Accounts receivable and other receivables (note 5)	**217**	203
Prepaid expenses and deposits (note 6)	**303**	675
	3,389	2,513
Restricted cash (note 4)	**50**	50
Investment in ONEnergy Inc. (note 7)	**2,773**	7,011
	$ 6,212	$ 9,574
## Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	**$ 442**	$ 601
Accrued liabilities (note 8)	**564**	981
Accrued restructuring liabilities due to related parties (note 9)	**3,874**	2,962
Provisions (note 14(a))	**150**	150
	5,030	4,694
Shareholders' equity		
Share capital (note 10)	**58,139**	58,139
Share option reserve	**3,235**	3,235
Accumulated other comprehensive loss	**(652)**	-
Deficit	**(59,540)**	(56,494)
	1,182	4,880
	$ 6,212	$ 9,574

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

Approved by the Board of Directors:

(Signed) – *Robert Ulicki*

Director

(Signed) - *Victor Wells*

Director

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)

For the years ended August 31,

	2013	2012
Revenue	**$ -**	$ 1,244
Expenses		
Compensation	**242**	636
General and administrative	**2,118**	2,026
Restructuring charges (recovery) (note 9)	**912**	(1,041)
	3,272	1,621
Loss for the year before the undernoted	**(3,272)**	(377)
Interest income	**24**	8
Gain on sale of ONEnergy shares	**447**	-
Equity interest in ONEnergy losses (note 7)	**(245)**	(1,655)
Loss before comprehensive loss	**(3,046)**	(2,024)
Fair value adjustment in ONEnergy (note 7)	**(652)**	-
Loss and comprehensive loss for the year	**$ (3,698)**	$ (2,024)
Loss per share		
Basic and diluted	**$ (0.036)**	$ (0.020)
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 10) Shares	Amount	Share Option Reserve	Deficit	Other Comprehensive Income	Total Shareholders' Equity
Balance, as at September 1, 2011	102,748	$ 58,139	$ 3,235	$ (54,470)	$ -	$ 6,904
Loss and comprehensive loss for the year	-	-	-	(2,024)	-	(2,024)
Balance, as at August 31, 2012	**102,748**	**$ 58,139**	**$ 3,235**	**$ (56,494)**	**$ -**	**$ 4,880**
Loss and comprehensive loss for the year	-	-	-	(3,046)	(652)	(3,698)
Balance, as at August 31, 2013	**102,748**	**$ 58,139**	**$ 3,235**	**$ (59,540)**	**$ (652)**	**$ 1,182**

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,

	2013	2012
Cash flows from operating activities		
Loss before comprehensive loss for the year	**$ (3,046)**	$ (2,024)
Items not affecting cash		
Equity interest in ONEnergy's losses to February 19, 2013	**245**	1,655
Gain on sale of ONEnergy shares	**(447)**	-
Interest earned on short-term investments	**(16)**	-
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	**(14)**	34
Prepaid expenses and deposits	**372**	273
Accounts payable and accrued liabilities	**(576)**	298
Accrued restructuring liabilities due to related party	**912**	(1,041)
Deferred revenue	**-**	(1,244)
Cash used in operating activities	**(2,570)**	(2,049)
Cash provided by investing activities		
Cash received on sale of ONEnergy shares	**3,788**	-
Interest earned on short-term investments	**16**	-
Return of capital from ONEnergy	**-**	2,739
	3,804	2,739
Increase in cash and cash equivalents	**1,234**	690
Cash and cash equivalents, beginning of year	**1,635**	945
Cash and cash equivalents, end of year	**$ 2,869**	$ 1,635

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, 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").

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, 2013, UBS has a working capital deficiency of $1,641 (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 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 the *Companies’ Creditors Arrangement Act* (the “CCAA“). The court has made an order staying all proceedings against UBS and its directors until December 3, 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.

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. Gerald 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.

1. Nature of operation and going concern (continued)

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.

These consolidated financial statements were approved for issue by the Board of Directors on November 15, 2013.

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, 2013.

(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 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 an interest-bearing certificate with maturity of 90 days or less from the original date of acquisition, currently with an interest rate of 0.3%. Funds are restricted to secure the Company's credit card.

2. Summary of significant accounting policies (continued)

(e) Revenue recognition

Service revenue was comprised of base fees received by UBS from ONEnergy pursuant to the management services agreement (“MSA”) entered into between UBS and ONEnergy on May 19, 2004 which expired on May 19, 2012. Service revenues in connection with the MSA included base fees payable on a monthly basis from ONEnergy to UBS.

(f) Financial instruments

Financial assets

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.

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 loss and comprehensive loss when the receivables are derecognized or impaired, as well as through the amortization process. The Company classifies cash and cash equivalents, restricted cash, accounts receivable and other receivables as loans and receivables. Effective February 20, 2013, the Company’s investment in ONEnergy has been classified as AFS.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

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 loss and comprehensive loss.

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.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

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).

(g) 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 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.

2. Summary of significant accounting policies (continued)

(h) 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.

(i) Basic and diluted loss per share

Basic loss per share is computed by dividing the net 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.

(j) 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.

2. Summary of significant accounting policies (continued)

(j) Share-based payments (continued)

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 2013 and 2012.

(k) 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.

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:

IFRS 9*, "Financial instruments"* ("IFRS 9"), as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, "Financial instruments: Recognition and measurement" (IAS 39) and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but "Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures", issued in December 2011, moved the mandatory effective date to January 1, 2015. Other phases of the project address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 13*, "Fair value measurement"* ("IFRS 13"), is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard is effective for annual periods beginning on or after January 1, 2013. The Company does not expect the adoption of IFRS 13 to have a material impact on the Company's consolidated financial statements.

4. Cash

(a) Cash and cash equivalents

As at August 31, 2013, the Company held $2,869 of cash (August 31, 2012 - $1,635) and no cash equivalents.

(b) Restricted cash

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

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

5. Accounts receivable and other receivables

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

	August 31, 2013	August 31, 2012
GST/HST receivable	**$ 2**	$ 120
Legal retainer receivable(1)(2)	**200**	37
Indemnity claims receivable(3)	**-**	30
Other receivables	**15**	16
Total	**$ 217**	$ 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 6) 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 6 and 14(b)(i)).
(3) During the quarter ended May 31, 2012, the Company's insurance provider approved initial claims totaling $30, and additional claims totaling $62 were approved during the quarter ended August 31, 2013. During the quarter ended August 31, 2013, this claim was settled and the Company was reimbursed $42, net of a $50 deductible.

6. Prepaid expenses and deposits

The Company's prepaid expenses and deposits, as at August 31, 2013 and 2012, are summarized in the following table:

	August 31, 2013	August 31, 2012
2010 legal retainers(1)	**$ 116**	$ 316
Legal retainer(2)	**29**	201
CCAA retainers(3)	**50**	50
Other	**108**	108
Total	**$ 303**	$ 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 August 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 5 and 14(b)(i)). As a result, as at August 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 August 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 August 31, 2013, approximately $50 was expensed and $50 remained on retainer.

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

7. Investment in ONEnergy Inc.

(a) Change of business to ONEnergy Inc.

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

(b) Carrying value in ONEnergy

As at August 31, 2012, the Company held 24,864 multiple voting shares and 29,921 subordinate voting shares, or a 39.2% economic interest and a 37.6% voting interest in ONEnergy and accounted for its investment using the equity method of accounting.

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of ONEnergy for $0.14 per share, or $3,788, generating a gain of $447 and reducing its fully diluted equity interest in ONEnergy to 18.8%. Pursuant to the sale of shares, management concluded that the Company no longer had significant influence over ONEnergy and now accounts for its investment using the fair value method. This asset is classified as Available For Sale ("AFS").

Pursuant to ONEnergy's change-of-business transaction and concurrent private placement, the Company's investment in ONEnergy, as at August 31, 2013, of 12,434 multiple voting shares and 15,291 subordinate voting shares, represented a 13.1% economic interest and a 12.4% voting interest.

On March 13, 2012, ONEnergy 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.

The Company's share of ONEnergy'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 August 31, 2013, of $0.10 and $0.10 respectively, was $2,773.

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

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

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

8. Accrued liabilities

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

	August 31, 2013	August 31, 2012
Legal expenses[1]	**$ 200**	$ 619
Professional expenses[2]	**134**	129
Board fees[3]	**21**	21
Compensation accruals[4]	**200**	200
Other	**9**	12
Total	**$ 564**	$ 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 6 and 14(b)(i)). As a result, $619 in accrued legal expenses was reversed to general and administrative.
(2) Includes costs associated with the Company's audit, tax reporting and Annual General Meeting requirements.
(3) Includes accrued board fees payable to prior board members which are subject to determination in the CCAA claims process.
(4) Refer to note 12(d).

9. Accrued restructuring liabilities due to related parties

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	**Total restructuring amounts**
Balance as at August 31, 2011	$ 4,003
Interest expensed in fiscal 2012	114
Reversal of accrual in fiscal 2012[1]	(1,155)
Balance as at August 31, 2012	**$2,962**
Interest expensed in fiscal 2013	58
Enhanced severance[2]	2,853
Reversal of accrual in fiscal 2013[2]	(1,999)
Balance as at August 31, 2013	**$ 3,874**

(1) See notes 12(a) and 14(b)(iii).
(2) See notes 12(a) and 14(b)(i).

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

10. 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 if such holder provides to the Company satisfactory written evidence. 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, 2013 and 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. 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	7,286	0.27
Expired during the year ended August 31, 2013	(1,086)	0.44
Balance as at August 31, 2013	6,200	$ 0.24

10. Share capital (continued)

(c) Stock option incentive plan (continued)

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

Exercise price	Options outstanding and exercisable as at August 31, 2013 (in thousands)	Weighted average remaining contractual life
$ 0.16	100	0.22 years
$ 0.16	100	0.22 years
$ 0.15	1,000	6.00 years
$ 0.32	1,000	0.70 years
$ 0.15	2,000	6.00 years
$ 0.34	2,000	0.70 years
	6,200	3.25 years

During the year ended August 31, 2013 no stock options were granted and 1,086 stock options expired. During the year ended August 31, 2012 – no stock options were granted and 2,300 expired.

11. Segment disclosure

There were no recorded revenues for the year ended August 31, 2013.

The recorded revenues for the year ended August 31, 2012 were pursuant to the MSA (note 12(b)), 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.

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

12. Related party transactions

(a) Accrued restructuring liabilities due to related parties

UBS recorded related party transactions as follows:

	Accrued Restructuring Liabilities								
	Balance as at August 31, 2011	Interest accrued fiscal 2012[4]	Awards and interest reversed fiscal 2012	Settlement accruals 2012	**Balance as at August 31, 2012**	Interest accrued fiscal 2013[4]	Awards and interest reversed fiscal 2013	Jolian enhanced severance accrual 2013	**Balance as at August 31, 2013**
Jolian Parties[1]	$ 1,899	$ 58	$ -	$ -	**$ 1,957**	$ 42	$ (1,999)	$ 2,853	**$ 2,853**
Dolgonos Parties[2]	1,614	41	(1,655)	500	**500**	-	-	-	**500**
D. Reeson[3]	490	15	-	-	**505**	16	-	-	**521**
Total	$ 4,003	$ 114	$ (1,655)	$ 500	**$ 2,962**	$ 58	$ (1,999)	$ 2,853	**$ 3,874**

(1) Note 14(b)(i).
(2) Note 14(b)(iii).
(3) This amount was approved in 2009 by the then directors and is currently the subject of dispute in the CCAA claims proceedings (note 14(b)(ii)).
(4) The interest on accrued restructuring liabilities due to related parties is charged to restructuring charges.

(b) Management Services Agreement

Under the original terms of the 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 MSA, which expired on May 19, 2012.

The base fee earned by UBS during the year ended August 31, 2012, amounted to $1,244, and was reported as revenue.

(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 (year ended August 31, 2012 - $24). The sublease was terminated on September 30, 2012. The Company currently does not lease premises.

(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.

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

12. Related party transactions (continued)

(e) Compensation of key management personnel

The Company's key management personnel include 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, 2013 totaled $288 (2012 - $346) which includes $135 paid to directors (2012 - $75).

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 loss before income taxes. These differences result from the following items:

	2013	2012
Loss before income taxes	**$ (3,698)**	$ (2,024)
Combined basic federal and provincial tax rates	**26.50%**	28.96%
Computed expected tax recovery	**(980)**	(586)
Increase resulting from:		
Impact due to change in future tax rates	**(17)**	(486)
Current year loss and other differences not recognized	**877**	824
Non-deductible items	**120**	248
	$ -	$ -

The statutory income tax rate was 26.50% for 2013 compared to 28.96% for 2012. The decrease in the statutory rate was a result of reductions in the federal and provincial Canadian income tax rates.

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

	2013	2012
Non-capital loss carryforwards	**$ 24,120**	$ 22,202
SRED pool carryforwards	**11,545**	11,545
Capital loss carryforwards	**23,400**	22,555
Non-tax deductible reserves	**4,311**	3,408
	$ 63,376	$ 59,710

Non-capital loss carry forwards expire between 2014 and 2033 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.

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

13. Income taxes (continued)

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	$ 7,928
2015	1,001
2027	2,215
2028	423
2029	1,626
2030	1,656
2031	5,134
2032	1,791
2033	2,346
	$ 24,120

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.

(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 totaling 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 Gerald McGoey, failed to consider the interests of shareholders and breached their fiduciary duties.

14. Provisions and contingencies (continued)

(b) Contingencies (continued)

(i) Jolian claims (continued)

Based on these findings, Her Honour (i) 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; (ii) disallowed the Jolian Parties' claim for payment of a deferred bonus, resulting in a reversal of $1,200 plus $133 in accrued interest; (iii) disallowed the Jolian Parties' claim for indemnification, resulting in a reversal of $551 to general and administrative; and (iv) ordered the Jolian Parties to repay UBS the $200 previously advanced to them in the nature of indemnification.

Notwithstanding Madam Justice Mesbur's findings of wrongdoing on the part of the Jolian Parties, including breach of fiduciary duty, she found that, pursuant to its services agreement with UBS, Jolian was entitled to an "enhanced severance" and asked that Jolian file a revised proof of claim in this respect. 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 has sought leave to appeal this finding (note 17).

(ii) Reeson claims

Former director, Mr. Douglas 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 ("DOL") claims of approximately $8,000 were settled for a claim of $500, the payment of which will be determined in 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.

14. Provisions and contingencies (continued)

(b) Contingencies (continued)

(iv) CCAA

On July 5, 2011, the Ontario Superior Court made an Order under the CCAA and a subsequent Order on August 4, 2011 which, amongst other things, provided for a comprehensive stay of proceedings against UBS 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").

(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. While the Company remains under CCAA, the Company's overall strategy with respect to management of capital is to hold low-risk highly-liquid cash accounts and short-term investments.

The Company currently does not use other sources of financing that require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company invests its capital in short-term investments to obtain adequate cash returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

16. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee, under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

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

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:

	August 31, 2013	August 31, 2012
Accounts and other receivables		
Currently due	**$ 17**	$ 33
Past due by 90 days or less and not impaired	**200**	19
Past due by greater than 90 days and not impaired	**-**	151
	$ 217	$ 203

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at August 31, 2013 and 2012.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 15, in normal circumstances.

The Company's financial liabilities are comprised of its accounts payable, accrued liabilities, and accrued restructuring liabilities due to related parties, the contractual maturities of which are not determinable, because it depends on the outcome of the CCAA claims process.

Other price risk

The Company is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of the investment.

17. Subsequent event

On October 31, 2013, the Honourable Mr. Justice Doherty of the Ontario Court of Appeal granted leave to the Company to appeal the Judgment of the Honourable Madam Justice Mesbur, in which she found that, pursuant to its services agreement with UBS, Jolian was entitled to an "enhanced severance" as a result of the termination of its contract with UBS.

The Company is proceeding with the appeal, and the process will ultimately determine the validity and quantum of the claim.