Management’s Discussion and Analysis of Financial Condition and Results of Operations of

UNIQUE BROADBAND SYSTEMS, INC.

Years ended August 31, 2012 and 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations
(In thousands of Canadian dollars, except per share amounts)
For the years ended August 31, 2012 and 2011

November 29, 2012

1. INTRODUCTION

This management's discussion and analysis ("MD&A") of financial condition and result of operations of Unique Broadband Systems, Inc. ("UBS" or "the Company") is supplementary to, and should be read in conjunction with, the Company's consolidated financial statements for the fiscal years ended August 31, 2012 and 2011.

The Company's consolidated financial statements and the notes thereto have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, other than in the normal course of business and at amounts different from those in the financial statements.

Unless specifically stated, the references to "UBS" or "the Company" include the legal entity Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless"). References to "Look" refer to Look Communications Inc., a corporation in which the Company has a 39.2% economic interest and a 37.6% voting interest.

2. CHANGES IN ACCOUNTING POLICIES

Transition to International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date for the Company is September 1, 2010. The Company's financial statements for the year ended August 31, 2012 are the Company's first financial statements prepared under IFRS.

The accounting policies, as described in Note 2 of the Company's consolidated financial statements for the year ended August 31, 2012, have been selected to be consistent with IFRS, as issued by the International Accounting Standards Board ("IASB"), as effective August 31, 2012. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP.

The accounting policies have been applied consistently to all periods presented. They were also applied in the preparation of an opening IFRS statement of financial position as at September 1, 2010, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in the section entitled “IFRS Transition”.

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company’s financial position and financial performance is set out in the reconciliations and additional notes presented in Note 19 of the Company’s consolidated financial statements. The adoption of IFRS has had no material impact on the cash flows of the Company and, as such, no reconciliation of prior period cash flow statements has been presented.

Estimates: Hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

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 and determined that the following may have an impact on the Company:

IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”) establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidated – Special Purpose Entities” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”) establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurements (“IFRS 13”) defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

3. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements and information concerning expected future events, the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements and information are based on current expectations. The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company’s control.

New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company. Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments, (iv) business integrations and internal reorganizations, (v) process risks, (vi) health, safety, and environmental developments, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) other risk factors related to the Company’s historic business, and (x) risk factors related to the Company’s future operations.

More specifically, UBS faces risks and uncertainties in connection with the ongoing *Companies Creditors' Arrangement Act ("CCAA")* claims process and ongoing litigation described under the section entitled "Provisions and contingencies - Contingencies". In particular, there can be no assurance that UBS will not be found liable for payments to certain parties in the course of this litigation nor can there be any assurance that UBS will be able to recover any of the amounts sought in its counterclaims. An award of damages against UBS and the ongoing costs of this litigation could, independently or collectively, have a material adverse effect on the financial condition and solvency of UBS.

For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see the sections entitled "Overview – Significant events" and "Provisions and contingencies" below.

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, are provided for the purposes of this MD&A and may not be appropriate for other purposes. We are under no obligation to update or alter the forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by National Instrument 51-102, and we expressly disclaim any other such obligation.

4. OVERVIEW

Significant events

(a) UBS commencement of sales process for Look shares

On November 9, 2012, the Ontario Superior Court of Justice made an order approving a process by which UBS will seek offers for the purchase of all or part of the 24,846 multiple voting shares and 29,921 subordinate voting shares of Look. The sales process will be run by Duff & Phelps Canada Restructuring Inc. in its capacity as Monitor of UBS under CCAA.

A special committee, comprising Victor Wells and Kenneth Taylor who are directors of UBS, will review and consider all offers, and will determine the successful offer, if any. UBS is under no obligation to accept the highest and best offer, or any offer, acting reasonably. Any transaction for the sale of the Look shares will be subject to approval by the court. All offers must be structured on a basis that is exempt from the prospectus requirements of applicable securities laws. Depending on, among other things, the price being offered and the percentage of Look shares being purchased, the successful bidder, if any, may be required to make an offer to purchase the shares of all other shareholders of Look under applicable securities laws.

(b) CCAA proceedings and notice of appeal of summary judgment motions

On July 5, 2011, UBS announced that it and UBS Wireless had commenced proceedings under the CCAA. On November 9, 2012, the court made an order staying all proceedings against UBS and its directors until February 1, 2013. Duff and 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.

UBS has been successful in significantly reducing operating expenses, settling certain claims and obtaining the reversal of approximately $2,925 of awards, granted by UBS' prior board in 2009. Notwithstanding these achievements, the approximately $10,000 in termination and other payments being pursued in claims against UBS involving, among others, Jolian Investments Ltd. ("Jolian"), Mr. McGoey, and Mr. Douglas Reeson (the "Plaintiff Group"), have precipitated the commencement of proceedings under the CCAA, which UBS views as the best course of action to preserve its assets.

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 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.

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.

(c) DOL Technologies Inc. and Mr. Dolgonos settlement of claim

On July 6, 2012, UBS reached a settlement agreement between UBS and its directors, and Mr. Alex Dolgonos, 2064818 Ontario Inc., 6138241 Canada Inc. and DOL Technologies Inc. (the "Dolgonos Parties"), for a claim of $500, to be settled under the CCAA claims process (refer to the section entitled "Related Party Transactions").

(d) Change in Board of Directors

On July 13, 2012, Mr. Grant McCutcheon and Mr. Henry Eaton resigned as directors of UBS and were replaced with Mr. Victor Wells and Mr. Kenneth Taylor. Mr. Robert Ulicki remains on the board.

(e) Management Services Agreement with Look

Under the original terms of the Management Service Agreement, entered into between UBS and Look on May 19, 2004 ("Look MSA"), Look had been required to pay an annual fee of $2,400 to UBS. On April 22, 2010, Look's Board of Directors notified UBS that it would not be recommencing the MSA and, on May 19, 2012, the MSA expired.

(f) 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.

(g) UBS' change to Tier 2 TSX listed company

On July 6, 2011, UBS received notice from the TSX Venture Exchange (the "Exchange") that, in accordance with its Continued Listing Requirements outlined in Exchange Policy 2.5, UBS no longer meets the tests related to having a significant interest in a business or primary asset used to carry on business. Effective July 7, 2011, the Exchange issued a bulletin reclassifying UBS to Tier 2 and subsequently placed the Corporation on notice to transfer to NEX on June 7, 2012, subject to the Corporation making a submission that it meets all Tier 2 Continued Listing Requirements.

(h) Restructuring

On May 5, 2009, UBS announced the sale of its wireless spectrum to Inukshuk Wireless Partnership and commenced the restucturing of its operations. In June 2009, UBS recorded contingent awards, approved and allocated by its then directors, as human resource restructuring costs and these, along with other restructuring costs, are set out in the following tables:

Accrued restructuring liabilities	**Contract termination, special meeting and legal charges**	**Human resource restructuring charges**	**Total restructuring amounts**
Balance as at September 1, 2010	$ 664	$ 32	$ 696
Expensed in fiscal 2011	154	-	154
Paid in fiscal 2011	(818)	(32)	(850)
Balance as at August 31, 2011 and 2012	**$ -**	**$ -**	**$ -**

Accrued restructuring liabilities due to related parties[(1)]	**Legal charges**	**Human resource restructuring charges**	**Total restructuring amounts**
Balance as at September 1, 2010	$ -	$ 5,369	$ 5,369
Expensed in fiscal 2011	7	130	137
Paid in fiscal 2011	(7)	(199)	(206)
Reversal of accrual in fiscal 2011	-	(1,297)	(1,297)
Balance as at August 31, 2011	$ -	$ 4,003	$ 4,003
Expensed in fiscal 2012	-	114	114
Reversal of accrual in fiscal 2012	-	(1,155)	(1,155)
Balance as at August 31, 2012	**$ -**	**$ 2,962**	**$ 2,962**

(1) See the section entitled "Related Party Transactions".

During the year ended August 31, 2012, UBS expensed $114 in accrued interest on the awards due to related parties, and recovered $1,155 of restructuring charges.

On July 6, 2012, UBS settled the accrued restructuring award granted to the Dolgonos Parties, 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.

During the year ended August 31, 2011, UBS expensed $291, paid $1,056 and recovered $1,297 of restructuring charges. Of the $291 expensed in fiscal 2011, $161 related primarily to professional fees and consulting expenses and the balance related mainly to accrued interest on the awards due to related parties.

On January 6, 2011, UBS settled the accrued restructuring award granted to the former Chief Financial Officer ("CFO") by the former Board of Directors and any other amount due under his employment agreement, for $330, which resulted in a reversal of $833 to restructuring charges. On February 16, 2011, UBS settled the accrued restructuring award granted to a former director of UBS, which resulted in, among other things, a full reversal of the restructuring award originally granted in June 2009 and accrued interest, totalling $464, to restructuring charges.

(i) Income taxes

As at August 31, 2012, UBS had $22,202 in non-capital income tax losses with expiry dates between 2014 and 2032, SRED pool carryforwards of $11,545, capital loss carryforwards of $22,555, and non-tax deductible reserves of $3,408.

(j) GPV Elbau Electronics A/S vs UBS

Certain claims were filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies A/S), its Danish subsidiary that was petitioned into bankruptcy in early 2003. On June 17, 2011, judgment was given in favour of UBS and GPV Elbau Electronics A/S has paid legal costs to UBS in the amount of DKK 100 (approximately $19).

(k) 2010 legal advances

During June, 2010 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, 2012, UBS has been advised that the amounts on retainer had been drawn down by a total of approximately $198. $19 was returned to UBS as a result of a settlement agreement executed between UBS and the former CFO. $37 is due to be returned to UBS as a result of a settlement agreement executed between UBS and a former director and is reflected in accounts receivable and other receivables. As a result, it is estimated that $316 remains on retainer as at August 31, 2012.

The Company

UBS is a publicly listed Canadian company that, effective May 25, 2010, has a 39.2% fully diluted equity interest in Look.

In 2003, UBS transitioned from a technology company that designed, developed and manufactured broadband wireless equipment to a holding company when it acquired a 51.8% controlling interest in Look and sold its manufacturing business. On May 25, 2010, the convertible debenture previously held by UBS Wireless was redeemed by Look and, as a result, effective May 25, 2010, UBS has a 39.2% economic interest and a 37.6% voting interest in Look.

As at August 31, 2012, the UBS head office was located in Milton, Ontario and had two employees.

On July 13, 2012, the court made an order which postponed the requirement of UBS to hold shareholder meetings until the completion of the CCAA proceeding.

Services

Service revenue comprised fees received by UBS from Look pursuant to the Look MSA, which expired on May 19, 2012. Service revenues in connection with the Look MSA included fees payable on a monthly basis from Look to UBS.

Deferred Revenue

Deferred revenue included payments received by UBS from Look in advance of future services pursuant to the Look MSA, which expired on May 19, 2012.

Strategy

UBS' operating strategy is to:

(i) maximize the value of its investment in Look;
(ii) advance the CCAA claims process as expeditiously as possible; and
(iii) recover the amounts sought in the counterclaims filed by UBS against its former Chief Executive Officer ("CEO"), and certain entities controlled by a former officer.

As Look distributes available cash to its shareholders, UBS will assess its options with respect to the use of its cash.

Investment in Look

(a) 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 of $0.05 for each outstanding multiple voting share and subordinate voting share. UBS received $2,739 of Look's return of capital.

(b) Investment in Look

As at August 31, 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 debenture, redeemed by Look on May 25, 2010.

UBS' 39.2% interest in Look's equity of $17,890, as at August 31, 2012, amounted to $7,011 (August 31, 2011 - $29,096 and $11,405 respectively; September 1, 2010 - $32,053 and $12,564 respectively) is set out in the table below:

Investment in Look	
Investment in Look as at September 1, 2010	$ 12,564
Cumulative equity interest in Look's losses for fiscal 2011	(1,159)
Investment in Look as at August 31, 2011	$ 11,405
Return of capital from Look	(2,739)
Cumulative equity interest in Look's losses for fiscal 2012	(1,655)
Investment in Look as at August 31, 2012	**$ 7,011**

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

Equity interest in Look	
Cumulative equity interest in Look's income as at September 1, 2010	$ 635
Equity interest in Look's losses for fiscal 2011	(1,159)
Equity interest in Look's losses for fiscal 2012	(1,655)
Cumulative equity interest in Look's losses as at August 31, 2012	**$ (2,179)**

Look's consolidated balance sheets as at August 31, 2012 and 2011, and September 1, 2010 are set out below:

	August 31, 2012	**August 31, 2011**	**September 1, 2010**
ASSETS			
Total current assets	$ 18,805	$ 30,406	$ 31,505
Property and equipment	-	-	1,738
	$ 18,805	**$ 30,406**	**$ 33,243**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Total current liabilities	$ 915	$ 1,310	$ 1,190
Shareholders' equity			
Share capital	27,499	34,484	34,484
Deficit(1)	(9,609)	(5,388)	(2,431)
Total shareholders' equity	17,890	29,096	32,053
	$ 18,805	**$ 30,406**	**$ 33,243**

Look's market capitalization, based on the closing share prices of its multiple and subordinate voting shares as at August 31, 2012 of $0.120 and $0.075 respectively, was $13,455 (August 31, 2011 - $0.130 and $0.130 respectively - $18,161; September 1, 2010 - $0.155 and $0.170 respectively - $22,757).

On June 3, 2011, Look sold its land and building in Milton, Ontario for aggregate consideration of $3,050.

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

(c) Look's Statement of Claim in connection with the payment of restructuring awards

On July 6, 2011, Look issued a Statement of Claim (the "Claim") in the Ontario Superior Court of Justice (the "Court") against certain former directors and certain former officers of Look in connection with the payment of approximately $20,000 of "restructuring awards" paid in 2009, of which approximately $15,700 was paid to the directors and senior officers named in the Claim (or their personal holding companies, as applicable) from the net proceeds of approximately $64,000 realized by Look on the sale of its spectrum licence in 2009.

The former officers and directors named in the Claim collectively resigned effective July 21, 2010. None of the allegations in the Claim have been proven before the Court and none of the defendants have filed a statement of defence. Look intends to vigorously pursue its claims against the former directors and former officers named in the Claim (as well as their personal holding companies, as applicable) for payments and decisions which Look believes were not in Look's or its shareholders' best interests.

(d) Change of Look to NEX listed company

In accordance with TSX Venture Policy 2.5, Look has not maintained the requirements for a TSX Venture Tier 2 company. Therefore, effective Friday, November 25, 2011, Look's listing was transferred to NEX, Look's Tier classification changed from Tier 2 to NEX, and the Filing and Service Office changed from Montreal to NEX. As of November 25, 2011, Look is subject to restrictions on share issuances and certain types of payments as set out in the NEX policies.

The trading symbol for Look's multiple voting shares changed from LOK to LOK.H. The trading symbol for Look's subordinate voting shares changed from LOK.A to LOK.K. There is no change in Look's name, in its CUSIP number and consolidation of capital. The symbol extensions differentiate NEX symbols from Tier 1 or Tier 2 symbols within the TSX Venture market.

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Continuing operations

The consolidated financial statements for the years ended August 31, 2012 and 2011 include the accounts of UBS' wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

As at August 31, 2012 and 2011, and September 1, 2010, UBS Wireless held 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares in Look. UBS has a 39.2% economic interest and a 37.6% voting interest in Look and, as of May 25, 2010, accounts for its interest in Look using the equity method.

Discontinued operations

During the second quarter of fiscal 2004, UBS' divestiture of its Engineering and Manufacturing Business resulted in the reclassification of that business as "Discontinued Operations". Accordingly, all revenues and costs associated with that business and the divestiture have been reclassified from September 1, 2003 as "Discontinued operations" in the consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows.

Basis of presentation and going concern

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, 2012, UBS has a working capital deficiency of $2,181 (August 31, 2011 - $4,551 and September 1, 2010 - $3,986). 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 (refer to the section entitled "Provisions and contingencies"). 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, the Company's consolidated financial statements for the years ended August 31, 2012 and 2011 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

With effect from 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 income or loss" in the statement of loss and comprehensive loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's first consolidated financial statements for the year ended August 31, 2012 were prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies have been selected to be consistent with IFRS, as issued by the International Accounting Standards Board ("IASB"), as effective August 31, 2012. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented.

They were also applied in the preparation of an opening IFRS statement of financial position as at September 1, 2010, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in the section entitled "IFRS Transition".

(a) 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.

(b) 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.

(c) Revenue recognition

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

Deferred revenue included payments received by UBS from Look in advance of future services pursuant to the Look MSA which expired on May 19, 2012.

(d) 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.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss. Transaction costs are expensed as incurred. The Company has no assets at FVTPL.

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 receivable. 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.

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. 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.

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in the consolidated statement of loss and comprehensive loss. The Company does not have any liabilities at FVTPL.

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).

(e) 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.

(f) 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.

(g) 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.

(h) Share-based payments

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

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

When the fair value of the goods or services received from non-employees in exchange for the share-based payment cannot be reliably estimated, the fair value of the shares issued is measured by use of a Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. No share-based payments were made during fiscal 2012 and 2011.

(i) Significant accounting judgments and estimates

The preparation of the Company's 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. The Company's 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 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.

7. SELECTED ANNUAL INFORMATION

	Fiscal 2012	Fiscal 2011	Fiscal 2010[1]
Service and sales revenue	**$ 1,244**	$ 1,956	$ 1,073
Carrier charges and cost of sales	**-**	-	425
Gross margin from continuing operations	**1,244**	1,956	648
Operating expenses and restructuring charges before depreciation of property and equipment	**1,621**	2,030	8,260
Accretion on liability component of convertible debentures, interest and finance charges, interest income, and gain on sale of other property and equipment	**8**	24	(187)
Adjustment to gain on sale of spectrum and broadcast licence	**-**	-	(61)
Depreciation of property and equipment and depreciation of deferred charges	**-**	-	(198)
Equity interest in Look's losses and dilution loss due to change in shareholding in Look	**(1,655)**	(1,159)	(1,259)
Income (loss) for the year from continuing operations	**(2,024)**	(1,209)	(9,317)
Non-controlling interest	**-**	-	3,425
Loss for the year from continuing operations	**(2,024)**	(1,209)	(5,892)
Loss for the year from discontinued operations	**-**	(515)	(110)
Loss and comprehensive loss for the year	**(2,024)**	(1,724)	(6,002)
Continuing operations			
Basic and diluted loss per share	**(0.020)**	(0.012)	(0.057)
Discontinued operations			
Basic and diluted loss per share	**0.000**	(0.005)	(0.001)
Loss per share			
Basic and diluted	**(0.020)**	(0.017)	(0.058)
Total assets	**9,574**	13,585	17,557
Total liabilities	**4,694**	6,681	8,929

[1] Selected annual information for fiscal 2010 includes Look on a consolidated basis at 51% up to May 25, 2010 and Look at 39.2% using the equity method from May 26, 2010 to August 31, 2010. Fiscal 2010 comparatives are presented in Canadian GAAP.

8. RESULTS OF OPERATIONS

Highlights of the results, for the year ended August 31, 2012 and 2011, include the following:

- Commencing January 1, 2011, Look no longer maintained the prepaid annual fee of $2,400 on a monthly basis and this amount was drawn down at approximately $145 per month over the remaining term of the Look MSA, which expired on May 19, 2012. For the year ended August 31, 2012, UBS recorded $1,244 (2011 - $1,956) from fees earned pursuant to the Look MSA.
- UBS recorded a loss from continuing operations of $2,024 for the year ended August 31, 2012, compared to a loss of $1,209 for the year ended August 31, 2011. The $815 increase was due mainly to the expiration of the Look MSA and higher losses in the equity in Look.
- As at August 31, 2012, UBS held cash and cash equivalents of $1,635 compared to $945 at August 31, 2011. The increase was due primarily to the return of capital totalling $2,739 paid by Look equivalent to $0.05 for each outstanding multiple voting share and subordinate voting share held, partially offset by the settlement of payables and accrued liabilities.

Continuing operations

Revenue from Look MSA fees

Pursuant to the Look MSA which expired on May 19, 2012, the base fee for the year ended August 31, 2012 amounted to $1,244 (2011 - $1,956) (refer to the section entitled "Significant events – Management Service Agreement with Look").

Operating expenses

	Year ended August 31, 2012	Year ended August 31, 2011
Compensation	**$ 636**	$ 731
General and administration	**2,026**	2,305
Restructuring recovery	**(1,041)**	(1,006)
Total operating expenses	**$ 1,621**	$ 2,030

Compensation

Compensation expenses include administrative salaries and related benefits. During the year ended August 31, 2012, the Company expensed $636 in compensation (2011 - $731), which included $450 in key management compensation (2011 - $477). Included in the fiscal 2012 compensation expense was a $200 lump sum payable to the CEO (refer to the section entitled "Related party transactions – CEO termination clause").

General and administration

General and administration expenses include general occupancy, professional fees, and other administrative overheads for the Company.

A summary of the key components of general and administration expenses is set out below:

	Year ended August 31, 2012	**Year ended August 31, 2011**
Professional fees	**$ 381**	$ 437
Legal expenses	**1,588**	1,769
Office and general	**57**	99
Total general and administrative expenses	**$ 2,026**	$ 2,305

For the year ended August 31, 2012, general and administration expenses were $2,026 compared to $2,305 for the year ended August 31, 2011. The decrease in general and administrative expenses for the period was due primarily to lower legal expenses and lower administrative overheads.

Restructuring expense and recovery

Restructuring expenses include, among others, legal and consulting charges incurred in relation to former director and former management indemnities, special meeting costs and interest on awards due to related parties.

<u>Fiscal 2012</u>

During the year ended August 31, 2012, the Company accrued $114 in interest on the awards due to related parties, and recovered $1,155 in restructuring awards and interest, which were expensed to restructuring charges.

On July 6, 2012, UBS settled the accrued restructuring award granted to the former Chief Technology Consultant by the former Board of Directors which resulted in, among other things, a reversal of $1,155 to restructuring charges during the fourth quarter of fiscal 2012.

<u>Fiscal 2011</u>

During the year ended August 31, 2011, UBS expensed $291, paid $1,056 and recovered $1,297 of restructuring charges. Of the $291 expensed in fiscal 2011, $161 related primarily to professional fees and consulting expenses and the balance related mainly to accrued interest on the awards due to related parties.

On January 6, 2011, UBS settled the accrued restructuring award granted to the former CFO by the former Board of Directors which resulted in, among other things, a reversal of $833 to restructuring charges.

On February 16, 2011, UBS settled the accrued restructuring award granted to a former director of UBS, resulting in, among other things, a reversal of $464 to restructuring charges.

Interest and financing charges

For the year ended August 31, 2012, $8 in interest income was recognized on liquid assets (2011 – $24). The decrease in interest income was driven primarily by the Company's lower average cash balance.

Discontinued operations

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, in exchange for a full and final release, UBS agreed to pay the plaintiff damages totalling $600 in two installments. $450 was paid on May 24, 2011. $150 remains payable and will be settled during the CCAA claims process. A third party, against whom UBS had filed a third party claim for indemnification of certain damages, was also a party to the settlement arrangements and paid $85 to UBS on May 24, 2011. The net cash flow impact in fiscal 2011 totaled $365. Both the original action and the third party claim were dismissed without costs.

Loss and comprehensive loss

The loss and comprehensive loss for the year ended August 31, 2012 amounted to $2,024 or $0.020 per share (basic and diluted), compared with the loss and comprehensive loss of $1,724 or $0.017 per share on a fully diluted basis for the year ended August 31, 2011.

9. QUARTERLY FINANCIAL RESULTS

The table below sets out financial information for the past eight quarters, restated as applicable.

	Fiscal 2012				Fiscal 2011			
	Aug 31	May 31	Feb 29	Nov 30	Aug 31	May 31	Feb 28	Nov 30
Revenue[1]	$ -	$ 377	$ 434	$ 433	$ 434	$ 433	$ 489	$ 600
Operating expenses and restructuring charges / (recovery) before interest and equity interest in Look	(717)	734	1,281	323	262	1,447	(323)	644
Interest income / (loss)	(1)	6	1	2	5	6	8	5
Equity interest in Look's losses and dilution loss due to change in shareholding in Look	(535)	(423)	(399)	(298)	(14)	(338)	(361)	(446)
Income (loss) from continuing operations	181	(774)	(1,245)	(186)	163	(1,346)	459	(485)
Loss from discontinued operations[2]	-	-	-	-	(150)	(365)	-	-
Income (loss) for the period	181	(774)	(1,245)	(186)	13	(1,711)	459	(485)
Continuing operations								
Basic income(loss) per share	0.001	(0.007)	(0.012)	(0.002)	0.002	(0.013)	0.004	(0.005)
Diluted income(loss) per share	0.001	(0.007)	(0.012)	(0.002)	0.002	(0.013)	0.004	(0.005)
Discontinued operations								
Basic loss per share	-	-	-	-	(0.001)	(0.004)	-	-
Diluted loss per share	-	-	-	-	(0.001)	(0.004)	-	-
Income (loss) per share								
Basic	0.001	(0.007)	(0.012)	(0.002)	0.001	(0.017)	0.004	(0.005)
Diluted	0.001	(0.007)	(0.012)	(0.002)	0.001	(0.017)	0.004	(0.005)

[1] Revenue includes earnings pursuant to the Look MSA which expired on May 19, 2012.
[2] During the second quarter of fiscal 2004, UBS' divestiture of its Engineering and Manufacturing Business resulted in the reclassification of that business as "Discontinued operations" and, accordingly, all associated expenses are included in Discontinued operations.

10. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and cash equivalents of $1,635 as at August 31, 2012, compared with cash and cash equivalents of $945 at August 31, 2011 and $4,332 as at September 1, 2010. Cash and cash equivalents consist of all bank balances and, from time to time, highly liquid short-term guaranteed investment certificates and bankers' acceptances with original maturities of less than 90 days.

Cash used in continuing operating activities for the year ended August 31, 2012 was $2,049 compared to $3,022 for the year ended August 31, 2011. The change was due primarily to the higher loss incurred by UBS and the settlement of accounts payable and accrued liabilities during the year ended August 31, 2012, partially offset by the recovery of HST receivable.

There were no financing activities for the years ended August 31, 2012 and 2011.

Cash provided by investing activities, during the year ended August 31, 2012, related to the return of capital paid by Look of $0.05 for each multiple voting share and subordinate voting share held. UBS received $2,739 of Look's return of capital.

Under the original terms of the Look MSA, Look had been required to pay an annual fee of $2,400 to UBS. In September 2007, Look advanced $2,400 to UBS and, with effect from January 1, 2011, UBS expensed the advance, at approximately $145 per month, over the remaining term of the Look MSA, which expired on May 19, 2012 (see the section entitled "Significant events – Management Service Agreement with Look").

UBS has incurred operating losses and negative cash flows from operations in recent years and, as at August 31, 2012, UBS had a working capital deficiency of $2,181 (August 31, 2011 - $4,551). Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions to Look's shareholders and the outcomes of certain recent litigation (refer to the section entitled "Provisions and contingencies - Contingencies"). UBS will need to raise cash and/or receive further cash distributions from Look (refer to the section entitled "Overview – Significant events – Return of capital 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 (refer to the section entitled "Basis of presentation and going concern").

UBS' approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due.

11. SHARE CAPITAL

As at August 31, 2012 and 2011, and September 1, 2010, UBS had 102,748 common shares and no Class-A non-voting shares issued and outstanding.

In determining diluted loss per share for years ended August 31, 2012 and 2011 the weighted average number of shares outstanding was not increased for stock options outstanding as no options were in the money.

As at November 29, 2012, there were no changes to the issued and outstanding shares or the options outstanding to acquire Common Shares.

12. STOCK BASED COMPENSATION

During the year ended August 31, 2012, no stock options were granted and 2,300 options expired (2011 – nil and 3,030). As at August 31, 2012, there were 7,286 options outstanding (August 31, 2011 - 9,586; September 1, 2010 – 12,616).

As a result of the restructuring process, there were no SAR units outstanding at September 1, 2010 and on November 24, 2010 UBS' Board of Directors cancelled the SAR Plan.

13. RELATED PARTY TRANSACTIONS

(a) Management Services Agreement with Look

Under the original terms of the 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. On December 3, 2010, Look and UBS agreed that, with effect from January 1, 2011, Look would draw down the prepayment at approximately $145 per month over the remaining term of the Look MSA, which expired on May 19, 2012. The cash flow impact of this amendment was a reduction of approximately $900 in fees from Look to UBS.

The base fee pursuant to the Look MSA earned by UBS during the years ended August 31, 2012 and 2011 amounted to $1,244 and $1,956 respectively and is reported as revenue.

(b) Rent of Milton premises

During the years ended August 31, 2012 and 2011, UBS subleased a portion of Look's premises in Milton for $12 and $61 respectively. The lease was on a month-to-month basis and terminated on September 30, 2012.

(c) CEO termination clause

On January 3, 2012, 2064818 Ontario Inc., which is a corporation controlled by Alex 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%, which 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.

(d) Related party accrued restructuring liabilities

UBS recorded related party transactions as follows:

	Accrued Restructuring Liabilities						
	Balance as at September 1, 2010	Interest accrued fiscal 2011[3]	Awards and interest reversed fiscal 2011[4]	Awards paid fiscal 2011[4]	Interest accrued fiscal 2012[3]	Awards and interest reversed fiscal 2012[2]	Balance as at August 31, 2012[5]
Jolian Investments Ltd. / McGoey[1]	$ 1,843	$ 56	$ -	$ -	$ 58	$ -	$ 1,957[6]
DOL Technologies Inc. / Dolgonos[2] - Settled	1,566	48	-	-	41	(1,155)	500[2]
Former UBS director - Douglas Reeson	476	14	-	-	15	-	505[6]
Former UBS director and CFO – settled	1,484	12	(1,297)	(199)	-	-	-
Total	$ 5,369	$ 130	$ (1,297)	$ (199)	$ 114	$ (1,155)	$ 2,962

(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, was 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 (refer to the section entitled "Provisions and contingencies - Contingencies"). During the year ended August 31, 2012, 1,150 options granted to Mr. McGoey or Jolian expired and during the year ended August 31, 2011, 1,500 options expired.

(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) On January 6, 2011, UBS settled the accrued restructuring award granted to the former CFO by the former Board of Directors and any other amount due under his employment agreement, for $330, which resulted in a reversal of $833 to restructuring charges in the second quarter of fiscal 2011. On February 16, 2011, UBS settled with a former director of UBS, which resulted in, among other things, a full reversal of his restructuring award, originally granted in June 2009 and accrued interest, totalling $464, to restructuring charges.

(5) The accrued restructuring liabilities due to related parties as at August 31, 2012 are payable upon, among other things, adequate cash resources being received by UBS. Payment of these amounts will be determined in the CCAA claims process.

(6) These amounts were approved in 2009 by the then Directors of UBS, and are currently the subject of dispute in the claims and counterclaims filed between UBS and the Plaintiff Group (refer to the section entitled "Provisions and contingencies – Contingencies").

Details of the accrued restructuring awards in UBS are set out below:

		Accrued restructuring liabilities						
UBS	SAR units relinquished	Equity accrual	Bonus accrual	Accrued interest	Awards declined	Awards reversed	Awards paid	Balance August 31, 2012
Jolian / McGoey	3,000	$ 600	$1,200	$ 157	$ -	$ -	$ -	$ 1,957
DOL / Dolgonos	3,000	330	1,200	125	-	1,155	-	500
Director – D. Reeson	1,650	465	-	40	-	-	-	505
Former UBS directors and CFO - settled	3,150	915	1,000	54	473	1,297	199	-
TOTAL	10,800	$ 2,310	$3,400	$ 376	$ 473	$ 2,452	$ 199	$ 2,962

14. PROVISIONS AND CONTINGENCIES

(a) Provisions

(i) Third party claim from an investment dealer

On June 8, 2005, an investment dealer filed a third party claim against UBS for indemnity for, amongst other things, costs of defending certain claims against it, resulting from litigation against that investment dealer by two shareholders of UBS. At a pre-trial conference on October 1, 2010, the parties to the main action and the third party claim settled all the claims with a contribution from UBS of $150 which was provided for at September 1, 2010 and paid during the first quarter of fiscal 2011.

(ii) 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 agreed to pay the plaintiff damages totalling $600 in two installments. $450 was paid on May 24, 2011 and $150 was payable on January 15, 2012, and is subject to the claims process to be determined under CCAA. Under a counterclaim filed, UBS was awarded $85 on May 24, 2011 and received the funds on May 30, 2011. The net cash flow impact in fiscal 2011 totaled $365. Both the original action and the third party claim were dismissed without costs.

(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”). Subsequently, a former director, 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 Claim”).

The Jolian and Reeson claims are disputed in the CCAA claims process and will be determined in those proceedings (refer to the section “Provisions and contingencies – Contingencies – CCAA”).

(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, the Dolgonos Parties served a statement of Claim on UBS and its then 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 February 2, 2012, UBS received a formal, unsolicited partial takeover bid offer (the "Offer") from the Dolgonos Parties for 10,000,000 common shares, for $0.08 per share.

On February 7, 2012, UBS served a motion in the proceedings under the CCAA seeking a determination as to whether the Offer by the Dolgonos Parties was stayed by the initial order made in the CCAA proceedings on July 5, 2011 and, if it was not, sought an order to stay the Offer. On March 5, 2012, the court determined not to stay the Offer and the Dolgonos Parties were permitted to proceed.

On July 6, 2012, UBS reached a settlement agreement with the Dolgonos Parties. Pursuant to the terms of the settlement:

- the approximately $8,000 in claims against UBS made by DOL were settled for a $500 claim, and payment of which will be settled under the CCAA claims process;
- all other claims and actions between the Dolgonos Parties, UBS and any UBS directors were dismissed, withdrawn and fully released without costs, with the exception of advances to counsel of $100 which were expensed in the fourth quarter of 2012;
- on July 13, 2012, the Offer was terminated. No payment was issued for any shares that had been tendered to date and such shares were returned, without expense, to the holders who tendered such shares.
- the Dolgonos Parties remained, in certain circumstances, entitled to assert claims for indemnification against UBS in respect of claims that were unknown as of the settlement date;
- UBS will not be precluded from taking or continuing proceedings against parties, other than the Dolgonos Parties, even if such other parties may assert third party or other claims against the Dolgonos Parties; and
- the Dolgonos Parties will not seek further representation on the board or management of UBS and will support the newly constituted board through to the completion of the CCAA process including with respect to the ongoing determination and defence of the remaining claims against UBS made by, among others, Jolian Investments Limited and Mr. Gerald McGoey.

(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, among other things, provided for a comprehensive stay of proceedings against UBS and that all disputed claims are to be determined in the CCAA proceedings. Subsequently the Monitor received proofs of claims from Jolian for $10,112, from former director Douglas Reeson for $585, and from DOL, which was reduced to $500 on July 6, 2012, pursuant to the settlement agreement between UBS and DOL.

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. OPERATING RISKS AND UNCERTAINTIES

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.

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:

ACCOUNTS AND OTHER RECEIVABLES	August 31, 2012	August 31, 2011	September 1, 2010
Currently due	$ 33	$ 4	$ 3
Past due by 90 days or less and not impaired	19	17	-
Past due by greater than 90 days and not impaired	151	216	-
	$ 203	**$ 237**	**$ 3**

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 17, 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 August 31, 2012 and 2011, and September 1, 2010, to interest rate risk through its financial instruments.

16. IFRS transition

The Company's consolidated financial statements for the year ended August 31, 2012 were the Company's first financial statements prepared in accordance with IFRS as issued by the IASB. The policies set out in the section entitled "Summary of significant accounting policies", have been applied to all periods presented.

The Company has followed the recommendations in IFRS-1, First-time adoption of IFRS, in preparing its transitional statements, which are included in the Company's consolidated financial statements for the years ended August 31, 2012 and 2011.

(a) IFRS exemptions and choices

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has not adopted any optional exemptions.

In preparing its opening IFRS statement of financial position, the Company has adjusted certain amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the tables contained in note 19 of the Company's consolidated financial statements for the years ended August 31, 2012 and 2011, and the additional notes that accompany the tables.

Mandatory exceptions to retrospective application

Estimates: Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

The adoption of IFRS has had no material impact on the cash flows of the Company and, as such, no reconciliation of prior period cash flow statements has been presented.

17. ADDITIONAL INFORMATION

Additional information regarding the Company's financial statements and corporate documents is available on SEDAR at www.sedar.com.

UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

Board of Directors

Kenneth Taylor
Robert Ulicki (Chairman of the Board)
Victor Wells

Officers

Grant McCutcheon
Chief Executive Officer

C. Fraser Elliott
Chief Financial Officer

Auditors

Grant Thornton LLP
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Shareholder inquiries

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Common shares

The common shares of the Company are listed on the TSX Venture Exchange under the symbol UBS.