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

UNIQUE BROADBAND SYSTEMS, INC.

Years ended August 31, 2013 and 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
of the Financial Condition and Results of Operations
(In thousands, except per share amounts)
For the years ended August 31, 2013 and 2012

November 15, 2013

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, 2013 and 2012.

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").

2. 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 International Financial Reporting Standards ("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.

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 the Company's objectives and strategies to achieve those objectives, as well as statements with respect to its 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 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 current 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 current events

(a) CCAA proceedings

On July 5, 2011, UBS announced that it and UBS Wireless had 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.

(b) Justice Mesbur Decision on Jolian Party Claims

On May 21, 2013 the Honourable Madam Justice Mesbur of the Ontario Superior Court of Justice released Reasons for Decision (the "Mesbur Decision") in respect of three proofs of claim totaling approximately $9,500 (the "Jolian Claims"), submitted by Jolian Investments Limited and Mr. Gerald McGoey (together the "Jolian Parties"), against UBS in the CCAA claims proceedings.

Justice Mesbur found that the former UBS board, including McGoey, failed to consider the interests of shareholders and breached their fiduciary duties. Based on these findings, Her Honour disallowed the Jolian Parties' claims for: (1) payment in respect of the cancellation of the Company's share appreciation rights plan; (2) payment of a deferred bonus; and (3) indemnification. She ordered that the Jolian Parties repay all monies previously advanced to them in the nature of indemnification.

Notwithstanding her findings of wrongdoing on the part of the Jolian Parties, including breach of fiduciary duty, Justice Mesbur also found that Jolian was entitled to "enhanced severance", pursuant to its services agreement with UBS. Jolian has since filed a revised proof of claim indicating this to be in excess of $4,000. The Company estimates this amount to be approximately $2,853 (exclusive of costs and interest, if any, which have yet to be determined).

Pursuant to a hearing held on October 31, 2013, UBS was granted leave 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 appeal process will ultimately determine the validity and quantum of the claim (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims").

(c) Sale of ONEnergy Inc. shares

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of ONEnergy Inc. ("ONEnergy"), formerly Look Communications Inc.. For details on the sale, refer to the section entitled "Overview – ONEnergy Inc. investment" below.

(d) Resignation of Chief Financial Officer

On July 9, 2013, C. Fraser Elliott resigned from his position as Chief Financial Officer ("CFO"). Victor Wells is currently acting as the CFO with no remuneration.

The Company

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

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, subject to the Company making a submission that it meets all Tier 2 Continued Listing Requirements. The reclassification has not yet been made.

The UBS head office is located in Toronto, Ontario and currently has one employee.

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.

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 (refer to the section entitled "Provisions and contingencies"). 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, the Company's consolidated financial statements for the years ended August 31, 2013 and 2012 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.

Strategy

UBS' operating strategy is to advance the CCAA claims process as expeditiously as possible, preserve its cash, and monitor its investment in ONEnergy.

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**

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

On July 6, 2011, ONEnergy 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 ONEnergy in connection with the payment of approximately $20,000 of "restructuring awards" paid in 2009 (the "Sale Awards"), 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 ONEnergy 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.

The new management team of ONEnergy continues to 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, which ONEnergy believes were not in ONEnergy's, or its shareholders' best interests.

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the years ended August 31, 2013 and 2012 include the accounts of UBS' wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements for the year ended August 31, 2013 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, 2013. The accounting policies set out below have been applied consistently to all periods presented.

(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) 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.

(c) 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.

(d) 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 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.

7. SELECTED ANNUAL INFORMATION

	Fiscal 2013	Fiscal 2012	Fiscal 2011
Service and sales revenue	**$ -**	$ 1,244	$ 1,956
Operating expenses	**2,360**	2,662	3,036
Restructuring charges (recovery)	**912**	(1,041)	(1,006)
Interest income	**24**	8	24
Gain on sale of ONEnergy shares[(1)]	**447**	-	-
Equity interest in ONEnergy losses[(1)]	**(245)**	(1,655)	(1,159)
Loss for the year from continuing operations	**(3,046)**	(2,024)	(1,209)
Loss for the year from discontinued operations[(2)]	**-**	-	(515)
Fair value adjustment in ONEnergy	**(652)**	-	-
Loss and comprehensive loss for the year	**$ (3,698)**	$ (2,024)	$ (1,724)
Continuing operations			
Basic and diluted loss per share	**$ (0.036)**	$ (0.020)	$ (0.012)
Discontinued operations			
Basic and diluted loss per share	**-**	-	$ (0.005)
Loss per share			
Basic and diluted	**$ (0.036)**	$ (0.020)	$ (0.017)
Total assets	**6,212**	9,574	13,585
Total liabilities	**5,030**	4,694	6,681

(1) Refer to the section entitled “Overview - Investment in ONEnergy Inc. – Carrying value in ONEnergy”.
(2) Refer to the section entitled “Provisions and contingencies – Provisions – Leased premises”.

8. RESULTS OF OPERATIONS

Highlights of the results for the year ended August 31, 2013 include the following:

- Operating expenses totalled $2,360, a decrease of 11.3% over the $2,662 recorded during fiscal 2012, due mainly to higher legal costs associated with the CCAA claims process, partially offset by the reversal of legal accruals totaling $551.
- 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, which generated a fair value adjustment of $652.
- Pursuant to the Mesbur Decision, an enhanced severance accrual estimated by management to be $2,853 was recorded by the Company, partially offset by the reversal of $1,999 of accrued restructuring liabilities due to related parties (refer to the section entitled “Overview – Justice Mesbur Decision on Jolian Party Claims”).
- Interest on accrued restructuring liabilities due to related parties totaling $58 was recorded (2012 - $114).
- UBS recorded a loss from operations for the year ended August 31, 2013 of $3,046, compared to a loss of $2,024 for 2012. The variance resulted from, among other things, costs associated with the advancement of the CCAA process, and the expiration of the MSA on May 19, 2012.
- As at August 31, 2013, UBS held cash and cash equivalents of $2,869, compared to $1,635 as at August 31, 2012. The increase was due primarily to cash received from the sale of ONEnergy shares, and the timing of accounts payable.

Revenue from MSA fees

Pursuant to the MSA, which expired on May 19, 2012, the base fee for the year ended August 31, 2012 amounted to $1,244 (refer to the section entitled "Related party transactions – Management Services Agreement with ONEnergy").

Operating expenses

	Year ended August 31, 2013	**Year ended August 31, 2012**
Compensation	**$ 242**	$ 636
General and administrative	**2,118**	2,026
Total operating expenses	**$ 2,360**	$ 2,662

Compensation

Compensation expense includes wages, salaries, benefits, and termination payments.

During the year ended August 31, 2013, the Company expensed $242 in compensation (2012 - $636).

General and administrative

General and administrative expenses include costs associated with the CCAA claims process, professional fees, board of director fees, general occupancy and other administrative overheads for the Company. A summary of the key components of general and administrative expenses is set out below:

	Year ended August 31, 2013	**Year ended August 31, 2012**
CCAA expenses	**$ 2,305**	$ 1,502
General corporate legal advice	**19**	270
Reversal of legal accruals	**(551)**	(157)
Recovery of legal expenses from insurance provider	**(5)**	(27)
Professional fees	**315**	381
Office and general	**35**	57
Total general and administrative expenses	**$ 2,118**	$ 2,026

<u>CCAA expenses</u>

CCAA expenses mainly include the fees of the Monitor and its corporate legal counsel, the Company's CCAA legal counsel, and costs arising from the CCAA claims process.

During fiscal 2013, CCAA expenses increased by $803 or 53.5%, mainly due to costs arising from the advancement of the Jolian Claims. Refer to the sections entitled "Overview – Justice Mesbur Decision on Jolian Party claims" and "Provisions and contingencies – Contingencies – Jolian claims".

Reversal of legal accruals

Pursuant to the Mesbur Decision, which disallowed the Jolian Parties' claim for indemnification, the Company reversed $511 of legal accruals from accrued liabilities to general and administrative.

During fiscal 2012, as a result of the settlement agreement with DOL Technologies Inc. ("DOL") and 2064818 Ontario Inc. ("2064818") which is a corporation controlled by Mr. Dolgonos, together referred to as the "Dolgonos Parties", $157 of legal accruals was reversed from accrued liabilities to general and administrative expense.

Recovery of legal expenses from insurance provider

During the quarter ended May 31, 2012, the Company's insurance provider approved initial claims totaling $30, and a further $62 during the quarter ended August 31, 2013, to recover legal expenses which were previously incurred as a result of defending the claims brought by 2064818. Refer to the section entitled "Provisions and contingencies – Contingencies – Dolgonos Parties claims".

During the quarter ended August 31, 2013, this claim was settled and the Company was reimbursed $42, net of a $50 deductible, resulting in the reversal of $5 to general and administrative (2012 – reversal of $27). The balance of the reimbursement pertained to HST.

The Company is currently seeking further recovery for legal expenses incurred as a result of defending the claims brought by DOL (refer to the section "Provisions and contingencies – Contingencies - DOL Parties claims").

Professional fees

Professional fees include mainly corporate legal, audit, accounting, filing fees, insurance, and shareholder meetings. 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.

During fiscal 2013, professional fees totaling $315 decreased by $66 or 17.3% over the $381 incurred during fiscal 2012, mainly due to the absence of a shareholder meeting during fiscal 2013.

Restructuring charges (recovery)

Restructuring charges (recovery) includes adjustments and accrued interest on the accrued restructuring awards approved by the then directors in 2009, and enhanced severance accruals.

	Year ended August 31, 2013	**Year ended August 31, 2012**
Reversal of accrued restructuring liabilities due to related parties	**$(1,800)**	$(1,530)
Interest reversal	**(199)**	(125)
Interest expense	**58**	114
Dolgonos Parties settlement claim	**-**	500
Jolian Parties enhanced severance accrual	**2,853**	-
Total restructuring charges (recovery)	**$ 912**	$(1,041)

Pursuant to the Mesbur Decision, as outlined in “Overview – Justice Mesbur Decision on Jolian Party Claims”, during fiscal 2013 the Company reversed the Jolian Parties’ bonus and SAR cancellation claims and interest totaling $1,999, and accrued an initial estimate of the Jolian Parties’ enhanced severance totaling $2,853. On October 31, 2013, UBS was granted leave to appeal the decision of enhanced severance and is currently proceeding with the appeal.

On July 6, 2012, UBS reached a settlement agreement with the Dolgonos Parties, which resulted in, among other things, a $1,530 reversal of the accrued restructuring award due to related parties and $125 in accrued interest to restructuring charges, and accrued a settlement claim of $500, which will be determined in the CCAA claims process.

During the year ended August 31, 2013, UBS expensed $58 in accrued interest on the awards due to related parties (2012 - $114).

Interest and financing charges

For the year ended August 31, 2013, interest income of $24 was recognized (2012 – $8).

Income taxes

As at August 31, 2013, UBS had $24,120 in non-capital income tax losses with expiry dates between 2014 and 2033, SRED pool carryforwards of $11,545, capital loss carryforwards of $23,400, and non-tax deductible reserves of $4,311.

Loss and comprehensive loss

The loss before comprehensive loss for the year ended August 31, 2013 amounted to $3,046, or $0.030 per share (basic and diluted), and the loss and comprehensive loss totaled $3,698, or $0.036 per share (basic and diluted). Comparative loss and comprehensive loss for the year ended August 31, 2012 totaled $2,024, or $0.020 per share.

9. QUARTERLY FINANCIAL RESULTS

The table below sets out financial information for the past eight quarters:

	Fiscal 2013				Fiscal 2012			
	Aug 31	**May 31**	**Feb 28**	**Nov 30**	**Aug 31**	**May 31**	**Feb 29**	**Nov 30**
Revenue[(1)]	$ -	$ -	$ -	$ -	$ -	$ 377	$ 434	$ 433
Operating and restructuring charges/(recovery) before interest, equity interest in ONEnergy's losses, and gain on sale of ONEnergy shares	338	797	1,454	683	(717)	734	1,281	323
Interest income/(loss)	9	10	2	3	(1)	6	1	2
Equity interest in ONEnergy's losses	-	-	(123)	(122)	(535)	(423)	(399)	(298)
Gain on sale of ONEnergy shares[(2)]	-	-	447	-	-	-	-	-
Income/(loss) before comprehensive loss	(329)	(787)	(1,128)	(802)	181	(774)	(1,245)	(186)
Fair value adjustment in ONEnergy[(2)]	-	-	(652)	-	-	-	-	-
Income/(loss) for the period	$ (329)	$ (787)	$ (1,780)	$ (802)	$ 181	$ (774)	$ (1,245)	$ (186)
Income (loss) per share from operations – basic and diluted	$(0.003)	$(0.008)	$(0.011)	$(0.008)	$0.001	$(0.007)	$(0.012)	$(0.002)
Comprehensive income (loss) per share – basic and diluted	-	-	$(0.006)	-	-	-	-	-
Income (loss) per share								
Basic and diluted	$(0.003)	$(0.008)	$(0.017)	$(0.008)	$0.001	$(0.007)	$(0.012)	$(0.002)

(1) Revenue includes earnings pursuant to the MSA which expired on May 19, 2012.

(2) On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares in ONEnergy for $0.14 per share and, effective February 20, 2013, accounts for ONEnergy using the fair value method.

10. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and cash equivalents of $2,869 as at August 31, 2013, compared with $1,635 as at August 31, 2012. 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 operating activities for the year ended August 31, 2013 was $2,570, compared to $2,049 for the year ended August 31, 2012. The increase during fiscal 2013 was due primarily to higher costs associated with the advancement of the CCAA claims process, and the timing of payment of accounts payable and accrued liabilities.

There were no financing activities for the year ended August 31, 2013 or 2012.

Cash provided by investing activities totaled $3,804 for the year ended August 31, 2013, due to cash received pursuant to the sale of ONEnergy shares totaling $3,788 (refer to the section entitled "Overview – Investment in ONEnergy Inc. – Carrying value in ONEnergy"), and interest earned on short-term investments for the year totaling $16. Cash provided by investing activities for the year ended August 31, 2012, totaling $2,739, related to the return of capital paid by ONEnergy of $0.05 for each multiple voting share and subordinate voting share held.

UBS has incurred operating losses and negative cash flows from operations in recent years and, as at August 31, 2013, UBS had a working capital deficiency of $1,641 (August 31, 2012 - $2,181). Furthermore, there is uncertainty regarding the outcome of certain recent litigation (refer to the section entitled “Provisions and contingencies - Contingencies”). UBS will need to raise cash 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, 2013 and 2012, UBS had 102,748 common shares and no Class-A non-voting shares issued and outstanding.

In determining diluted loss per share for the years ended August 31, 2013 and 2012, the weighted average number of shares outstanding was not increased for stock options outstanding as no options were in the money.

As at November 15, 2013, there were no changes to the number of issued and outstanding shares.

12. STOCK BASED COMPENSATION

During the year ended August 31, 2013, no stock options were granted and 1,086 expired (2012 – no stock options were granted; 2,300 expired). As at August 31, 2013, there were 6,200 stock options outstanding (2012 – 7,286 outstanding).

13. 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) Refer to the section entitled “Overview – Justice Mesbur Decision on Jolian Party Claims”.
(2) Refer to the section entitled “Results of operations – Restructuring charges (recovery)”.
(3) This amount was approved in 2009 by the then directors and is currently the subject of dispute in the CCAA claims proceedings (refer to the section entitled “Provisions and contingencies – Contingencies – Reeson claim”).
(4) The interest on accrued restructuring liabilities due to related parties is charged to restructuring charges.

Details of the accrued restructuring awards granted in fiscal 2009, as at August 31, 2013, are set out below. Certain of these amounts remain subject to final determination in the ongoing CCAA Claims proceedings.

UBS	SAR units relinquished	Accrued restructuring liabilities: Equity accrual	Bonus accrual	Accrued interest	Awards declined / reversed	Awards paid	Accrued claims	Balance as at August 31, 2013
Jolian Parties	3,000	$ 600	$1,200	$ 199	$ 1,999	$ -	$ 2,853	$ 2,853
Dolgonos Parties	3,000	330	1,200	125	1,655	-	500	500
D. Reeson	1,650	465	-	56	-	-	-	521
Former UBS directors and CFO – settled	3,150	915	1,000	54	1,770	199	-	-
TOTAL	**10,800**	**$ 2,310**	**$3,400**	**$ 434**	**$ 5,424**	**$ 199**	**$ 3,353**	**$ 3,874**

(b) Management Services Agreement with ONEnergy

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.

(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 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.

(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).

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. 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, as outlined in “Overview – Justice Mesbur Decision on Jolian Party Claims”.

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.

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 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.

(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 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.

(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. OPERATING RISKS AND UNCERTAINTIES

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.

Financial instruments and risk management

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

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

Credit risk

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

Accounts and other receivables	August 31, 2013	August 31, 2012
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 the section entitled "Operating risks and uncertainties – Management of capital", 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.

16. 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 (Acting Chief Financial Officer)

Officer

Grant McCutcheon
Chief Executive Officer

Auditors

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Common shares

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