Consolidated Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the years ended August 31, 2016 and 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Unique Broadband Systems, Inc.

We have audited the accompanying consolidated financial statements of Unique Broadband Systems, Inc., which comprise of the consolidated statement of financial position as at August 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Unique Broadband Systems, Inc. as at August 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate existence of a material uncertainty that may cast significant doubt on Unique Broadband Systems, Inc.'s ability to continue as a going concern.

Other Matter

The consolidated financial statements of Unique Broadband Systems, Inc. for the year ended August 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on December 23, 2015.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
December 15, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Unique Broadband Systems, Inc. (the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Company's financial position, results of operations and cash flows. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements.

Management of the Company is responsible for the internal controls that provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of consolidated financial statements and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit and Corporate Governance Committee (the "Audit Committee").

The Audit Committee meets periodically with management, as well as with external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Dale Matheson Carr-Hilton Labonte LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Dale Matheson Carr-Hilton Labonte LLP has full and free access to the Audit Committee.

(Signed) – *Daniel S. Marks*

Director and Interim Chief Executive Officer
December 15, 2016

(Signed) – *Henry J. Kloepper*

Director and Interim Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

As at August 31,

	2016	2015
Assets		
Current assets		
Cash (note 4)	**$ 149**	$ 341
Short-term investment (note 4)	**51**	-
Accounts receivable and other receivables (note 5)	**8**	212
Jolian Parties receivable (note 6)	**-**	1,184
Prepaid expenses and deposits (note 7)	**13**	53
	221	1,790
Restricted cash (note 4)	**-**	50
Jolian Parties receivable (note 6)	**807**	-
Investment in ONEnergy Inc. (note 8)	**1,656**	2,043
	$ 2,684	$ 3,883
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	**$ 13**	$ 299
Accrued liabilities (note 9)	**294**	373
	307	672
Shareholders' equity		
Share capital (note 10)	**58,549**	58,139
Accumulated other comprehensive loss	**-**	(1,111)
Deficit	**(56,172)**	(53,817)
	2,377	3,211
	$ 2,684	$ 3,883

Subsequent events (note 19)

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

Approved by the Board of Directors:

(Signed) – *Daniel S. Marks*

Director and Interim Chief Executive Officer

(Signed) – *Henry J. Kloepper*

Director and Interim Chief Financial Officer

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Loss and Comprehensive Loss

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

For the years ended August 31,

	2016	2015
Expenses		
Compensation	**$ 174**	$ 169
General and administrative (note 12)	**279**	579
Restructuring recovery (note 13)	**-**	(512)
	453	236
Loss for the year before the undernoted	**(453)**	(236)
Interest income	**81**	21
Loss on sale of ONEnergy Inc. shares	**(3)**	(106)
Impairment of receivable from Jolian Parties (note 6)	**(489)**	(400)
Impairment of investment in ONEnergy Inc. (note 8)	**(1,491)**	-
Net loss for the year	**(2,355)**	(721)
Fair value adjustment in ONEnergy Inc. (note 8)	**(380)**	33
Unrealized loss recognized in net loss	**1,491**	-
Comprehensive loss for the year	**$ (1,244)**	$ (688)
Loss per share		
Basic and diluted	**$ (0.010)**	$ (0.007)
Weighted average number of shares outstanding		
Basic and diluted	**123,734,988**	102,747,854

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

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Share Capital		Share Option		Accumulated Other Comprehensive	
	Shares	Amount	Reserve	Deficit	Loss	Total
Balance, September 1, 2014	102,747,854	$ 58,139	$ 3,235	$ (56,331)	$ (1,144)	$ 3,899
Net loss for the year	-	-	-	(721)	-	(721)
Other comprehensive income	-	-	-	-	33	33
Expiry of share options (note 10)	-	-	(3,235)	3,235	-	-
Balance, August 31, 2015	**102,747,854**	**$ 58,139**	**$ -**	**$ (53,817)**	**$ (1,111)**	**$ 3,211**
Rights offering	50,396,736	504	-	-	-	504
Share issuance costs	-	(94)	-	-	-	(94)
Net loss for the year	-	-	-	(2,355)	-	(2,355)
Other comprehensive income	-	-	-	-	1,111	1,111
Balance, August 31, 2016	**153,144,590**	**$ 58,549**	**$ -**	**$ (56,172)**	**$ -**	**$ 2,377**

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

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

For the years ended August 31,

	2016	2015
Cash flows from operating activities		
Loss before comprehensive income for the year	**$ (2,355)**	$ (721)
Loss on sale of ONEnergy Inc. shares	**3**	106
Impairment of receivable from Jolian Parties	**489**	-
Impairment of investment in ONEnergy	**1,491**	-
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	**93**	208
Prepaid expenses and deposits	**40**	239
Accounts payable and accrued liabilities	**(366)**	(511)
Interest earned on investments	**(1)**	(13)
Accrued restructuring liabilities due to related party	**-**	(1,037)
Provisions	**-**	(150)
Decrease in restricted cash	**50**	-
Cash used in operating activities	**(556)**	(1,879)
Financing activities		
Shares issued on rights offering	**504**	-
Share issuance costs	**(94)**	-
Cash provided by financing activities	**410**	-
Investing activities		
Cash received on sale of ONEnergy Inc. shares	**5**	165
(Purchase) redemption of short-term investments	**(51)**	1,700
Interest received on short-term investments	-	17
Cash provided by (used in) investing activities	**(46)**	1,882
Increase (decrease) in cash	**(192)**	3
Cash, beginning of year	**341**	338
Cash, end of year	**$ 149**	$ 341

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

1. Nature of operation and going concern

Unique Broadband Systems, Inc. (the “Company”) was incorporated May 22, 1998 under the Business Corporations Act of Ontario. The Company is currently looking for business opportunities. The Company’s shares are listed for trading on the NEX, a separate board of the TSX Venture Exchange, under the symbol of “USB.H”. The address of the Company’s head office and registered and records office is 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1.

Unique Broadband Systems, Inc. is a publicly listed Canadian company. References to "UBS" and the “Company” include the legal entity Unique Broadband Systems, Inc. and its wholly owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless"). The Company trades on the NEX, which is a separate board of the TSX Venture Exchange, under the symbol UBS.H.

Going concern

These consolidated financial statements were prepared on a going-concern basis of preparation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has an accumulated deficit of $56,172. The Company’s ability to continue as a going concern is dependent on its ability to obtain additional financing and or achieve profitable operations in the future. These consolidation financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company’s financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company’s requirements on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

CCAA proceedings

On July 5, 2011, the Company commenced proceedings under the Companies’ Creditors Arrangement Act (“CCAA”). The Ontario Superior Court of Justice (the “Court”) made an order staying all proceedings against the Company and its directors. KSV Advisory Inc. (the “Monitor”) acted as the Monitor.

The Company successfully determined all of the claims of its creditors and, on December 22, 2015, settled all rendered professional fees and expenses, of the Monitor, its counsel and the Company’s counsel, in connection with the CCAA proceedings. On December 23, 2015, the termination certificate, confirming that all conditions set out by the Court were satisfied, was filed by the Monitor. The CCAA proceedings were terminated.

2. Summary of significant accounting policies

These audited consolidated financial statements were approved for issue by the Board of Directors on December 15, 2016.

(a) Statement of compliance

These consolidated financial statements are consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), effective August 31, 2016.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for the investment in ONEnergy Inc. ("ONEnergy").

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, USB Wireless Services Inc. which was incorporated in Ontario.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances, transactions, revenues and expenses have been eliminated.

(d) Restricted cash

Restricted cash was held in fully cashable interest-bearing certificates (note 4(c)).

(e) 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.

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Accounts receivable are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the receivables are derecognized or impaired, as well as through the amortization process. The Company classifies cash, short-term investments and restricted cash as loans and receivables. Effective February 20, 2013, the Company's investment in ONEnergy has been classified as AFS.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Accounts receivable and associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously allowed for are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of loss and comprehensive loss.

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

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 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).

2. Summary of significant accounting policies (continued)

(f) 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 (loss) 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.

(g) 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.

2. Summary of significant accounting policies (continued)

(h) 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.

(i) 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 2016 and 2015.

2. Summary of significant accounting policies (continued)

(j) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant management estimation is required in determining accrued liabilities and accrued restructuring liabilities due to related parties.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Factors considered in the assessment of the likelihood and value of the realizable deferred tax assets include the Company’s forecast of the amount and timing of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred tax assets and the remaining period of loss carry forwards. Significant judgment and estimates are also required in assessing the carrying value of accounts receivable and other receivables. Factors considered in assessment of carrying value included the ability of the counterparty to pay and the actions available to the Company to enforce collection. Estimation uncertainty relating to the receivable from the Jolian Parties is disclosed in note 6.

3. Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective under IFRS, and determined that the following may have an impact on the Company:

The IASB published IFRS 9, “*Financial Instruments” (“IFRS 9”),* which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, substantially overhauls accounting requirements related to hedging and introduces a new credit loss impairment model. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the impact on its financial statements.

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

4. Cash

(a) Cash

As at August 31, 2016, the Company held $149 of cash (August 31, 2015 - $341) and no cash equivalents.

(b) Short-term investments

As at August 31, 2016, UBS held $51 in short-term investments (August 31, 2015 – $ Nil), which includes a fully cashable guaranteed investment certificate (“GIC”) with original maturity of one year. As at August 31, 2016, the effective annual interest rate on the GIC was 0.71%. The fair value of short-term investments has been valued using Level 1 inputs.

(c) Restricted cash

As at August 31, 2015, UBS recorded restricted cash of $50. On November 15, 2015, the Company’s credit card was cancelled, reducing restricted cash to nil.

5. Accounts receivable and other receivables

Accounts receivable and other receivables balances, as at August 31, 2016 and 2015, are set out in the following table:

	August 31, 2016	August 31, 2015
Insurance recovery[(1)]	**-**	160
GST/HST receivable	**8**	37
Other receivables	**-**	15
Total	**$ 8**	$ 212

(1) On December 18, 2015, the Company reached a settlement with its insurance provider for all insurance claims submitted, which resulted in a reimbursement of $160 to the Company.

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

6. Jolian Parties receivable

The Company is seeking to recover, from former Chief Executive Officer ("CEO") Gerald McGoey and Jolian Investments Ltd, together referred to as the "Jolian Parties", cost and disgorgement orders and pre- and post-judgment interest (note 16). A summary of the receivable is outlined in the following table:

	August 31, 2016	August 31, 2015
Cost order	**$ 1,384**	$ 1,384
Disgorgement order	**200**	200
Accrued pre- and post-judgement interest	**78**	-
Jolian Parties Recovery	**1,662**	1,584
Impairment of receivable from Jolian Parties	**(489)**	-
Estimation of collection costs	**(366)**	(400)
Net receivable	**$ 807**	$ 1,184

The Company has begun efforts to collect amounts owed and believes that it will recover all monies from the Jolian Parties. However, there will be costs incurred to collect the debt which may not be fully recoverable. There is also risk in amount and timing of the cash flows. Accordingly, the Company made an estimate of this impact in the amount of $400. During fiscal 2016, $44 in costs were incurred which were offset against the cost estimate. The Company has recorded a further impairment of $489 reflecting the uncertainty of the amount and timing of collection. While there exists uncertainty as to the timing and collection of this receivable the Company is vigorously pursuing all available means to fully realize on the receivable and will seek to recover its full costs associated with doing so.

If the amount is fully recovered, the difference between the proceeds and the carrying value will be credited to net income.

7. Prepaid expenses and deposits

The Company's prepaid expenses and deposits, as at August 31, 2016 and 2015, are summarized in the following table:

	August 31, 2016	August 31, 2015
Monitor retainers[(1)]	**$ -**	$ 35
Legal retainers[(2)]	**8**	11
Other	**5**	7
Total	**$ 13**	$ 53

[(1)] Funds were placed on retainer with the Monitor on June 27, 2011 for, among other things, advice with regard to CCAA. The retainer balance, upon completion of the CCAA process totaling $30, was returned to the Company on January 6, 2016.
[(2)] Funds are held in trust with law firms for, among other things, legal advice with regard to the Jolian Parties recoveries.

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

8. Investment in ONEnergy Inc.

As at August 31, 2015, the Company held 2,553,000 common shares in ONEnergy Inc. (TSXV: OEG) (note 19).

During the first quarter of fiscal 2016, UBS sold 6,500 shares in ONEnergy and, as at August 31, 2016, the economic and voting interest of ONEnergy was 10.6%.

The value of the Company's shares of ONEnergy as at August 31, 2016, based on the bid price of its common shares of $0.65, was $1,656 (August 31, 2015 – $0.80; $2,043).

As at August 31, 2016, the Company determined that the decline in value of the common shares of ONEnergy was significant and accordingly, recorded an impairment of $1,491.

9. Accrued liabilities

The Company's accrued liabilities, as at August 31, 2016 and 2015, are summarized in the following table:

	August 31, 2016	August 31, 2015
HST on cost recoveries[(1)]	**$ 152**	$ 152
Professional expenses[(2)]	**97**	134
Legal expenses	**44**	30
Compensation accruals[(3)]	**-**	34
Board fees[(4)]	**-**	23
Other	**1**	-
Total	**$ 294**	$ 373

(1) Refer to note 16.
(2) Includes costs associated with the Company's audit, tax reporting, Annual General Meeting and ongoing corporate legal requirements.
(3) Included consulting fees accrued for services rendered by the CEO who was appointed May 4, 2015.
(4) Included accrued director fees for the Board of Directors appointed May 4, 2015.

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

10. Share capital

(a) Authorized

Unlimited common shares – No par value. Entitled to one vote for each share.

Unlimited Class A non-voting shares – Class A shares can be converted into common shares on a one-for-one basis in accordance with the Articles of the Company. The Class A shares are identical to the common shares in all material respects with the exception of the right to vote at meetings of the Company's shareholders.

(b) Issued and outstanding

As at August 31, 2016, UBS had 153,144,590 common shares (the "Common Shares") and no Class A non-voting shares issued and outstanding, totaling $58,549 (August 31, 2015, 102,747,854 and $58,139 respectively).

(c) Rights Offering

On February 25, 2016, the Company issued rights ("Right" or "Rights") of its Common Shares in connection with a rights offering (the "Rights Offering") to eligible shareholders for maximum gross proceeds to the Company of $504.

The Rights Offering was made to residents in all of the provinces of Canada. Under the Rights Offering, the Company issued one Right for every issued and outstanding eligible Common Share to shareholders of record at the close of business on February 25, 2016 (the "Record Date"). There were 100,793,472 outstanding eligible Common Shares on the Record Date. Each registered shareholder of eligible Common Shares on the Record Date received one Right for each Common Share held by such shareholder. Two Rights plus the sum of $0.01 entitled the Rights holder to subscribe for one Common Share.

Eligible shareholders were entitled to subscribe for additional Common Shares, subject to certain limitations as set out in the Company's Rights Offering Circular which was filed on www.sedar.com, together with a Rights Offering Notice, on February 25, 2016.

Rights Offering Results

The issued Rights expired on March 25, 2016 and the Rights Offering was fully subscribed on closing. 27,368,867 shares were issued under the basic subscription, and 23,027,869 were issued under the additional subscription, and results are summarized as follows:

	Number of shares	Total
Balance, as at August 31, 2015	102,747,854	$58,139
Issued in Rights Offering, net of costs of issuance of $94	50,396,736	410
Balance, as at August 31, 2016	153,144,590	$58,549

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

10. Share capital (continued)

(d) Stock option incentive plan

UBS' stock option plan (the "Option Plan") provides for the granting of stock options to employees, directors and consultants of UBS. Under the Option Plan, up to 19,765 common shares may be issued from treasury. The exercise price of the options is determined by the Board of Directors at the time of the grant of an option, but cannot be lower than the closing market price of UBS' shares on the NEX on the business day immediately preceding the day on which an option is granted. In the absence of terms specifying otherwise, options vest annually over a three-year period and are exercisable during a period not to exceed 10 years from such grant.

The following table reflects activity under the Option Plan:

	Number of options	Weighted average exercise price
Balance as at September 1, 2014	3,000,000	$ 0.15
Expired during the year ended August 31, 2015	(3,000,000)	0.15
Balance as at August 31, 2015 and 2016	**-**	**-**

As at August 31, 2016 and 2015, no stock options were issued or outstanding.

During the year ended August 31, 2015, no stock options were granted and 3,000,000 stock options were recognized as expired.

11. Segment disclosure

There were no recorded revenues for the years ended August 31, 2016 and 2015.

12. General and administrative

During the year ended August 31, 2016, the Company recorded general and administrative expenses totaling $279 (August 31, 2015 - $979).

13. Restructuring

The Company recorded $nil and $8 respectively in accrued interest on the accrued restructuring awards during the year ended August 31, 2015.

On February 26, 2015, the Company settled all claims brought by a former director ("Former Director"), which resulted in the reversal of a contingent award approved by the previous directors in 2009 in the amount of $465, accrued interest of $80, and recovery of $60 from the remaining $116 advanced during fiscal 2010 to a professional firm on the Former Director's behalf. $50 was reimbursed by the Former Director to the Company, $10 was applied against expenses incurred from the Company's former legal counsel, and the balance of $56 was expensed to restructuring during the quarter ended February 28, 2015.

During the year ended August 31, 2015, UBS reversed $57 in accrued restructuring awards due to related parties, representing the HST portion of a $500 settlement which was paid on April 27, 2015, pursuant to the February 26 Order.

14. Related party transactions

(a) Compensation of key management personnel

The Company's key management personnel includes 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, 2016 totaled $172, which included $70 for director fees and $102 to the CEO of the Company. For the year ended August 31, 2015, key management compensation totaled $385 which included $92 paid to directors, and the release of a CEO termination accrual of $200, in accordance with the February 26 Order. There are no ongoing contractual or other commitments arising from these transactions with related parties.

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

15. Income taxes

The effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income (loss) before income taxes. These differences result from the following items:

	2016	2015
Income (loss) before income taxes	**$ (2,355)**	$ (623)
Combined basic federal and provincial tax rates	**26.50%**	26.50%
Computed expected tax recovery	**(624)**	(165)
Increase resulting from:		
Current year loss and other differences not recognized	**452**	(313)
Loss expiration	**-**	265
Adjustment to prior year provision	**172**	-
Non-deductible items	-	213
	$ -	$ -

The amount of deductible temporary differences and unused tax losses, as at August 31, for which no deferred income tax assets have been recognized are as follows:

	2016	2015
Non-capital loss carryforwards	**$ 20,256**	$ 18,530
SRED pool carryforwards	**11,545**	11,545
Capital loss carryforwards	**23,294**	23,294
Share issuance costs	**75**	-
Non-tax deductible reserves	**242**	384
	$ 55,412	$ 53,753

Non-capital loss carry forwards expire between 2027 and 2036 while SRED pool and capital loss carry forwards do not expire.

In assessing deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, the character of the deferred income tax assets and available tax planning strategies in making this assessment.

As at August 31, 2016, the Company has approximately $20,256 in non-capital losses, which expire between 2027 and 2036.

16. Contingencies

Jolian claims

The Company was successful in defending, at trial and on appeal, all claims brought by the Jolian Parties in respect of certain contingent awards approved by the previous directors in 2009 and claims for enhanced severance. The Company was awarded costs, for both the trial heard in February and March 2013 ("Jolian Trial") and the appeal and cross-appeal heard on June 17, 2014, totaling $1,384.

The Jolian Parties' claim for indemnification was disallowed during the Jolian Trial and was upheld on appeal. The Jolian Parties were ordered to repay UBS the $200 legal retainer advanced to their counsel, pursuant to a disgorgement order. Accordingly, the total owed to UBS by the Jolian Parties is $1,584. The Company is seeking recovery of the cost and disgorgement orders and pre- and post-judgment interest, which has been recorded in accounts receivable and other receivables (Notes 6 and 19).

17. Management of capital

The Company's overall strategy with respect to management of capital is to provide the financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern. This is effected by offsetting less liquid strategic investment holdings with low-risk highly-liquid cash accounts and, from time to time, short-term deposits.

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 liquid 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 on unused capital and allowing flexibility in holding longer term strategic investments.

18. 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 exposure to credit risk relates mainly to the amount owing to the Company by the Jolian Parties (Notes 6 and 16).

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at August 31, 2016 and 2015.

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 and accrued liabilities.

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.

19. Subsequent events

a) Sale of ONEnergy Shares

During the first quarter of fiscal 2017, UBS sold 71,000 shares in ONEnergy for gross proceeds of $45, which decreased the economic and voting interest of ONEnergy to 10.3%.

b) Garnishment of Jolian Parties

During the first quarter of fiscal 2017, UBS received garnishment from the Jolian Parties for gross proceeds of $8.