Management's Discussion and Analysis of

UNIQUE BROADBAND SYSTEMS, INC.

Years ended August 31, 2006 and 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(in thousands of dollars, except shares and per share amounts)
Years ended August 31, 2006 and 2005

November 17, 2006

1. INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") relates to the consolidated financial condition of Unique Broadband Systems, Inc. (the "Company") at August 31, 2006 and August 31, 2005 and consolidated results of operations for the years ended August 31, 2006 and August 31, 2005. This MD&A should be read in conjunction with the Company's consolidated financial statements and the notes to the consolidated financial statements contained in the August 31, 2006 annual report to shareholders and the financial statements and the notes to the financial statements contained in the August 31, 2006 annual report to Look Communications Inc ("Look") shareholders and that company's MD&A. The Company's consolidated financial statements and the notes thereto have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that would be necessary should the Company be unable to continue in business. The Company's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations and successful implementation of the Company's business strategy. The outcome of these matters cannot be predicted at this time.

Unless specifically stated, the references to "UBS" include Unique Broadband Systems, Inc. and its wholly owned subsidiaries and references to the "Company" include UBS and Look, a company controlled by UBS.

2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements concerning the future operations, financial performance and conditions of UBS and Look. When used in this MD&A, the words "intend", "project", "may", "will", "expect", "anticipate", "estimate", "plan", "continue", "believe", and similar or comparable terminology are intended to identify forward looking statements, although not all forward looking statements contain such words. The Company cautions that all forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks and uncertainties include but are not limited to the timing of acquisitions and expansion opportunities, technological change that may impact the Company's capital expenditures and results of operations, and competitive factors that may alter the timing and amount of the Company's capital expenditures. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. For a more detailed discussion of factors that may affect actual results, see “Risks and Uncertainties” below.

3. BUSINESS OVERVIEW

Our Company

The Company (TSX Venture: UBS) is a publicly listed Canadian company that has a 51% equity interest, on a fully diluted basis, in Look (TSX Venture: LOK and LOK.A), intellectual property and other assets. With licensed spectrum and broadcast licenses held through its subsidiary Look, the Company is a Canadian digital television broadcaster and broadband wireless service provider.

In October 2003, UBS sold its engineering and manufacturing business (“E&M Business”) to a new private company owned by a group of former UBS engineers. As a result of this divestiture, the Company reclassified its prior period results for the E&M Business as “Discontinued Operations” in its financial statements. This sale completed UBS’ restructuring plan, designed to reduce costs, conserve cash and focus the resources of UBS on its investment in Look, one of the largest wireless broadband service providers in Canada.

Look is a multi media service provider delivering a range of communications services to residential and business customers including wireless digital television distribution, dial-up and high-speed wireline and wireless Internet access, co-location facilities and Web-related services, including Web hosting and domain name registration. Look’s mission is to be an M^3 - Mobile Multi Media - entertainment and information service provider in Ontario and Québec.

Look provides its digital video and wireless Internet services using a Multipoint Distribution System (MDS) operating with 92 MHz of spectrum in the 2.5 GHz band. Look has had exclusive use of these frequencies since it received licenses from the Canadian Radio-television and Telecommunications Commission (CRTC) as a "broadcast distribution undertaking" in August 1997 for Southern Ontario and in 1998 for Quebec and Eastern Ontario. Look’s licenses were subsequently converted to a single license and were further extended in August 2004 for another seven years to 2011. Its coverage areas in Ontario and Quebec include the major metropolitan markets of Toronto, Montreal, Hamilton and Ottawa and many other cities from London to Quebec City.

The UBS head office is located in Milton, Ontario and UBS currently has seven employees. Look’s registered office is located in Toronto, and its main operations are in Montreal, Quebec and Milton, Ontario. As at August 31, 2006, Look had 135 full-time and part-time employees.

Our Strategy

On December 8, 2004 Look and UBS announced that they had signed a Memorandum of Understanding whereby they plan to jointly launch hand-held mobile video services in Ontario and Quebec. Look’s Mobile TV demonstration site was launched during April 2006 in Milton, Ontario, however, Look’s launch of M^3 offering across Ontario and Quebec is dependent on the Company obtaining adequate and suitable financing arrangements with financial partners and other suppliers for the development and build out of the M^3 network. In this regard, Look announced on October 24, 2006 that it has retained Greenhill & Co. to assist in the strategic repositioning of Look and to assist in maximizing shareholder value.

M^3 is the first platform which brings together communications, information and entertainment, delivered to the consumers' hand rather than to a geographically defined location – the home or the office. It gives the consumers the personalization and mobility they want and allows the consumer to choose the application which he/she wants - voice, television, data, Internet - and allows the applications to be further delineated into specific services such as text messaging, pictures, video, conferencing and caller identification.

Mobile video is fast becoming a reality in a number of countries, most notably in Korea, Japan, Europe, and the U.S. The technology that the Company is developing for today's growing market of wireless subscribers and video and audio users is expected to enable Look to offer consumers in Ontario and Quebec the mobile services they have come to expect in their daily lives.

The Company believes that it has the expertise and technological know-how to offer customers the freedom of mobility with the access of broadband. UBS developed, designed and built a mobile video network in more than 2,000 public transportation vehicles in Singapore. UBS was also the Canadian contractor that developed, designed and built the terrestrial network for deployment by XM Satellite Radio Inc. throughout the U.S.

While the M^3 strategy noted above is being developed, the Company will seek to achieve profitability within Ontario and Quebec from its existing operations. This strategy is designed to maximize cash flow and return on Look's existing assets.

The key elements of the Company's existing strategy are as follows:

1. Maximize shareholder value through the optimization of Look's M^3 enabling assets;
2. Continue to service existing subscribers; and
3. Continue to re-negotiate supplier contracts and focus on efficiency improvements.

4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Continuing Operations

Effective November 30, 2003 UBS received final approval from the CRTC to acquire control of Look, which it did by exercising its option at the end of December 2003. Look, on a fully diluted basis, is a 51%-owned subsidiary of UBS and is consolidated for financial reporting purposes.

Discontinued Operations

During the second quarter of fiscal 2004, UBS' divestiture of its E&M 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 Statement of Operations and Deficit and Cash Flow Statement.

As described below, and in Note 11 to the Consolidated Financial Statements for the year ended August 31, 2006, the Company recorded a gain of $2,423 in the second quarter of 2006 as a result of repayment of a loan receivable that was fully reserved. Accordingly, the repayment of the loan has been included as income from discontinued operations in fiscal 2006.

Consolidated Financial Statements

The consolidated financial statements include the accounts of UBS' controlled subsidiary, Look, and its wholly-owned subsidiary UBS Wireless Services Inc. All significant inter-company transactions and balances have been eliminated.

UBS' share in Look will fluctuate as convertible debentures issued by Look are converted into multiple and subordinate voting shares. If all debentures are converted, UBS will have the ability to control at least 51% of Look by the conversion of its debentures. As the Company has the ability to maintain control by converting these securities at any time, UBS continues to consolidate its interest in Look.

5. DIVESTITURE OF E&M BUSINESS

On October 8, 2003, UBS closed a transaction to sell its E&M Business. This business was sold to a new private company owned by former UBS engineers. The accounting impact of the divesture was a one-time loss of $6,331 reported in the Company's second quarter operating results for 2004. Included in this loss was the full provision for a $2,000 secured loan.

On February 24, 2006, the loan, plus interest up to the date of repayment in the amount of $2,423, was repaid and the full amount was included as income from discontinued operations in the quarter ended February 28, 2006.

6. RECENT WIRELESS INDUSTRY TRENDS

Mobile TV Will Change the Wireless Market

M^3 has continued to grow in popularity this past year around the world. In a report dated July 25, 2006, the IDC research firm says that by 2010, about 24 million consumers representing 9.2% of U.S. cellular subscribers will watch TV or video on mobile handsets, up from about 7 million this year, and that revenue will roughly quadruple and exceed US$1.5 billion. According to Microwave Journal in an article dated September 22, 2006, the number of mobile TV customers in Asia is projected to reach 700 million by 2011. In China, 15-20 percent of 3G customers (about 25 million) could sign up for mobile TV and revenue may rise to 6-10 billion yuan (US$750 million- $1.2 billion) by 2010.

At the 2006 European Conference on Wireless Technology, many speakers stated that 2006 would be a significant year for mobile TV and video with major announcements from the major handset vendors and operators planning trials and commercial roll-outs based upon DVB-H, DAB/DMB, MediaFlo and MBMS technologies.

A key requirement for continued growth of mobile TV is the availability of spectrum. In the UK, 40 MHz of spectrum suitable for a range of services, including mobile TV, is expected to be auctioned off by Ofcom in the first quarter of 2007. In the U.S., the FCC completed a spectrum auction in September 2006, awarding 1,087 licenses to 104 bidders for an aggregate amount of US$13.9 billion. The Company expects the next Canadian spectrum auction to be in 2008.

The bandwidth of most mobile TV, however, means even greater demands on existing spectrum. It has been estimated by one commentator (*Rupert Goodwins, ZDNet UK*) that a 3G system will be saturated if half the subscribers watch just seven minutes a day. Put another way, five minutes of TV a day takes as much bandwidth as 2,000 minutes of voice per month.

The shape of the mobile device capable of receiving broadcast will continue to evolve, but the "telephone" appears to still be the dominant form. *IDC* reported 254.9 million units shipped in the third quarter of 2006, putting sales on track to break 1 billion units in 2006, up 7.9% from the previous quarter and 21.0% from the same quarter a year ago.

Demand for Sophisticated Data Applications and Migration to Next Generation Wireless Technology

The ongoing development of wireless data transmission technologies has led manufacturers to create wireless devices with increasingly advanced capabilities, including access to e-mail and other information technology platforms, news, sports, financial information and services, shopping services, and other functions. Increased demand for sophisticated wireless services, especially data communications services, has led wireless providers to migrate towards the next generation of digital voice and data networks. These networks are intended to provide wireless communications with wire line quality sound, far higher data transmission speeds and streaming video capability. These networks are expected to support a variety of data applications, including high-speed Internet access, multimedia services and seamless access to corporate information systems, such as e-mail and purchasing systems.

Development of Additional Technologies

The development of additional technologies and their use by consumers may accelerate the widespread adoption of 3G digital voice and data networks. One such example is WiFi which allows suitably equipped devices such as laptop computers and personal digital assistants to connect to a wireless access point. The wireless connection is only effective within a range of approximately 100 metres and at theoretical speeds of up to 54 megabits per second. To address these limitations, WiFi access points must be placed selectively in high-traffic locations frequented by potential customers where they have sufficient time to use the service. Technology companies are currently developing additional technologies designed to improve WiFi and otherwise utilize the higher data transmission speeds found in a 3G network. Future enhancements to the range of WiFi service, and the networking of WiFi access points, may provide additional opportunities for mobile wireless operators to deploy hybrid high-mobility 3G and limited-mobility WiFi networks, each providing capacity and coverage under the appropriate circumstances.

The Company believes the WiFi networks have significant limitations, the least of which is the use of unlicensed spectrum, which will eventually prove itself to be unacceptable to the customers. Unlicensed spectrum is available to anyone who wants to use it. The potential exists for many competing networks to be built in the same area with each expecting to use the same spectrum. This can lead to problems related to signal interference and lack of capacity to meet consumer demand.

With the use of some or all of the new technologies such as WiMax, Internet Protocol (IP), Digital Video Broadcast Handheld (DVB-H), together with licensed spectrum and a Canadian Broadcast Distribution Undertaking License, the Company believes true M^3 can be offered to consumers. These new technologies are more advanced than analog cellular (first generation or 1G), digital cellular (second generation or 2G) and higher speed unicast cellular networks (third generation or 3G). Canadian mobile telephone carriers have recently begun to deploy significantly faster broadband technologies on their mobile cellular networks, and many have announced plans to launch or expand these technologies further in the future. However, the Company believes it is likely that 3G unicast networks alone will be unable to reach the full potential of M^3 (fourth generation or 4G).

Through this unique 4G combination of spectrum, broadcast licenses and technology, these M^3 services are being offered throughout the world today in countries such as Korea and Japan and trials continue in other countries including Italy, Germany and France. "Hybrid" mobile networks are being expanded into England, the United States and Canada, however, the Company believes these hybrid mobile networks being built to increase the speeds of cellular unicast networks will likely prove to be inadequate when compared to true M^3. The Company believes that Look is the only company in Canada today with the capability of offering fourth generation (4G) live mobile information, entertainment and communications to consumers in Ontario and Quebec and that Look's assets are likely to allow the service offering of "Live" 30 frames per second (30fps) television or video, IP based mobile VoIP and two way high speed mobile wireless broadband.

Spectrum Auction

Licensed wireless spectrum in Canada, as well as the rest of the world, is a scarce resource. The Company believes next generation M^3 services are likely to require even more spectrum use than existing third generation (3G) networks. This has been recognized by wireless telecommunication providers in the U.S. and around the world. The value of the scarce resource of licensed spectrum was recognized recently in the FCC auction No. 66 (September 2006), with total bidding proceeds of US$13.9 billion being realized. This was the highest grossing auction in U.S. history for 90MHz of spectrum with no limitations on its use (Open Zoning). A major new factor in this auction was the qualification of 168 bidders for more than 1,000 total licenses. These bidders included first time bidders such as the direct to home (DTH) satellite broadcasters and cable companies in the U.S. and the Company believes this is because of the recognition by them that "MOBILITY" and "PERSONALIZATION" are the features that consumers are likely to want and that services such as TV, internet and voice are mere "applications".

7. OVERVIEW OF GOVERNMENT REGULATION AND REGULATORY DEVELOPMENTS

Industry Canada

The awarding of spectrum and licenses for data services in Canada are under the jurisdiction of Industry Canada, a department of the Government of Canada. Industry Canada is responsible for telecommunications policy in Canada and has specific jurisdiction under the Radiocommunication Act (Canada) to establish radio licensing policy and award radio licences for radio frequencies, which are required to operate wireless communications systems.

In May 2004, Industry Canada issued a discussion paper on the re-farming of the Multipoint Communications Systems (MCS) and Multipoint Distribution System (MDS) spectrum in the 2500-2690 MHz band. The purpose of the paper was to solicit input from Look and others who are interested in the future uses of this band for both digital broadcasting and broadband wireless access. At approximately the same time, the Federal Communications Commission (FCC) in the U.S. issued a Report and Order that substantially restructured this band in the U.S.. Look responded to the Industry Canada discussion paper and recommended that Canada adopt a policy which would provide alignment with the U.S. spectrum allocations and uses.

On March 30, 2006 Industry Canada published Gazette Notice DGTP-002-06 – Policy Provisions for the Band 2500 – 2690 MHz to Facilitate Mobile Services. In the Notice, Industry Canada reconfirmed its allocation of mobile services to the band and stated that it would harmonize the spectrum with the US band plan at some future date. In the period up to August 2011, Look may continue to operate its video and Internet services. In addition, if at any time the Company wishes to do so, it may apply to Industry Canada to use part or all of its 2596 - 2686 Mhz spectrum on MCS, while still having MDS as well. Look may also apply to Industry Canada for permission to use two-way mobile services in the band. This will require the Department to implement the new band plan and Look would have to return 31 MHz of spectrum (2657 - 2686 and 2688 - 2690 MHz) to the Department. The new policy clearly confirms Look's position as an MDS Broadcaster and provides additional options for the future development of the Company, if it so chooses.

Canadian Radio-television and Telecommunications Commission (the CRTC)

Canadian broadcast undertakings, including Look, are regulated by the CRTC pursuant to and in accordance with requirements of the Broadcast Act (Canada) (the Act). Under the Act, the CRTC regulates all broadcasters in Canada, including over-the-air broadcasters, MDS providers such as Look, cable TV operators, and satellite TV operators. Look's license was extended in August 2004 for another seven years to 2011. Its coverage areas in Ontario and Quebec include the major metropolitan markets of Toronto, Montreal, Hamilton, Trois-Rivières and Ottawa and many other cities from London to Quebec City.

As a follow up announcement to the Industry Canada Notice published on March 30, 2006, on April 12, 2006 the CRTC confirmed in its Notice 2006-47 entitled "Regulatory framework for mobile television broadcasting services" that Mobile TV services can be offered by Look under its existing license. The CRTC went on to request comments on its proposed exemption from Regulation relating to any broadcasting to any mobile devices.

The Company believes that these policy statements and the recent spectrum auction in the U.S. which ended on September 18, 2006, position Look well for the next generation of M^3 in Canada.

8. SIGNIFICANT ACCOUNTING POLICIES

Management's Discussion and Analysis of Operating Results and Financial Position are made with reference to the Company's consolidated financial statements and Notes thereto, which have been prepared in accordance with Canadian GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Company's financial statements and the reported amount of revenues and expenses during the period. These estimates are based on management's historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of revenues, expenses, assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The Audit and Corporate Governance Committee of the Board of Directors reviews the Company's accounting policies. The Audit and Corporate Governance Committee also reviews all quarterly and annual filings and recommends the Company's interim and annual financial statements to the Company's Board of Directors for its approval. For a full description of all significant accounting policies see Note 3 to the 2006 financial statements.

The Company has identified the accounting policies outlined below as critical to its business operations and an understanding of its operations.

Revenue Recognition

Service revenue, comprised of internet, broadcast and other revenue, is presented net of discounts granted to new customers as incentives. Internet services revenue is earned primarily from monthly and annual subscriptions from individuals and businesses for access to the Internet. Broadcast distribution revenue is earned from the provision of digital television services to residential and business customers. Other revenue is earned by providing Web hosting and other value-added services such as domain name registration and Web server co-location. Revenue from domain name registration for all service periods is recognized when invoiced as the Company has no future obligation to the consumer. Web hosting and server co-location charges invoiced or paid for in advance are recorded as revenue when services are provided. Unearned revenue consists of prepayments under certain customer contracts and is amortized to revenue over the term of the contract. Equipment sales and installations revenue is earned from the sales of digital receivers and Internet equipment to customers and the installations of such equipment. Revenue from the sale of receiving equipment and modems is recognized in the period in which the services are activated.

Impairment of Long-Lived Assets

The Company performs its annual impairment tests on long-lived assets, which consists of capital assets in the fourth quarter of each year, and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. The Company estimates the useful lives of capital assets based on the nature of the asset and historical experience. The valuation of long-lived assets is based on the amount of future net cash flows the capital assets are estimated to generate. Revenue and expense projections are based on management’s estimates, including estimates of current and future industry conditions. A significant change to these assumptions could impact the valuation of the capital assets resulting in an impairment charge. There has been no impairment identified in fiscal 2006 or fiscal 2005.

Government Assistance

Government assistance is recorded as an expense reduction in general and administrative expenses in the year that the expenditure is incurred and when reasonable assurance exists that the Company has complied with the terms and conditions of the approved grant program and where there is reasonable assurance that the amounts will be received. The government grants available will expire after December 31, 2006.

Allowance for Doubtful Accounts

A significant portion of the Company's revenue is earned from selling on credit to business and residential subscribers. The allowance for doubtful accounts is calculated by taking into account factors such as the Company's historical collection and write-off experience, the number of days the subscriber is past due and the status of a subscriber's account with respect to whether or not the subscriber is continuing to receive service. As a result, fluctuations in the aging of subscriber accounts will directly impact the reported amount of bad debt expense.

Depreciation Policies and Useful Lives

The Company depreciates the cost of capital assets over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account wireless industry trends and company-specific factors, including changing technologies. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company might have to shorten the estimated life of certain capital assets which could result in higher depreciation expense in future periods.

Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The Company recognizes liabilities for contingencies when a loss is probable and capable of being reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in the recognition of additional liabilities.

Related Party Transactions

From time to time, UBS enters into agreements with Look and other related parties that the Company believes are mutually advantageous. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Stock-Based Compensation

(i) Stock option incentive plan

UBS has a stock option incentive plan, which is described in note 10(c) of the consolidated audited financial statements for the year ended August 31, 2006. The Company accounts for all stock-based payments to employees and directors using the fair value based method. Under the fair value based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period.

For non employee awards, the fair value of stock-based compensation is periodically re-measured until counterparty performance is complete, and any change therein is recognized over a period of the related service agreement.

(ii) Share Appreciation Rights Plan

The Company has Share Appreciation Rights Plans (SAR). The Company accounts for SAR units as a liability and compensation cost is recorded based on the intrinsic value of the award when it is considered likely that the terms and conditions of the SAR plans will be met.

9. CHANGE IN ACCOUNTING POLICY

In November, 2003 the AcSB approved amendments to CICA Handbook 3860, *Financial Instruments – Presentation and Disclosure*, which was replaced in April, 2005 with HB 3861*, Financial Instruments – Presentation and Disclosure*. HB 3861 requires obligations that may be settled, at the issuer's option, by a variable number of the issuer's own equity instruments to be presented as liabilities. Thus securities issued by an enterprise that give the issuer unrestricted rights to settle the principal amount in cash or in the equivalent value of its own equity instruments are no longer presented as equity.

Effective September 1, 2005, Look adopted these amendments as they pertain to Look's convertible debentures. As a result, Look has bifurcated the principal component and interest component of the convertible debentures into their debt and equity components and recorded the debt component as a liability and the equity component as equity. In determining the valuation of the liability and equity components, Look calculated the value of the liability component first, using a discount rate appropriate for what a similar debt instrument, absent any conversion features, would have commanded at that time. The residual of the proceeds over the inherent value of the liability component, was attributed to the equity portion of the debentures. Accretion charges on the liability component of the convertible debentures, which are calculated using this discount rate, are recorded in the statement of operations.

For details on the impact of adopting the new standard, refer to note 2 of the Company's consolidated financial statements for the year ended August 31, 2006.

10. KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators, which are outlined below.

Subscriber Counts

The Company determines the number of subscribers of its services based on active subscribers at reporting dates. When subscribers are deactivated either voluntarily or involuntarily for non-payment, they are considered to be deactivations in the period the services are discontinued. The Company reports subscribers in three categories: Broadcast Services, Internet Services, and Other Services. Broadcast Services include customers subscribing to the provision of digital television services. Internet Services include Dial-Up and High Speed wireline and wireless Internet access. Other Services include hosting and co-location.

Subscriber Churn

Subscriber churn is calculated on a monthly basis. For any particular month, subscriber churn represents the number of subscribers deactivated in the month divided by the aggregate number of subscribers at the beginning of the month. When used or reported for a period greater than one month, subscriber churn represents the monthly average of the subscriber churn for the period.

Service Revenue

Service revenue is total revenue less revenue received from the sale and installation of equipment. The sale of such equipment does not materially affect the Company's operating income as the Company generally sells equipment to its subscribers at a price approximating cost to facilitate competitive pricing.

Average Revenue per User ("ARPU")

ARPU is calculated on a monthly basis. For any particular month, ARPU represents monthly network revenue divided by the average number of subscribers during the month. ARPU, when used in connection with a particular type of subscriber, represents monthly service revenue generated from these subscribers divided by the average number of these subscribers during the month. When used or reported for a period greater than one month, ARPU represents the monthly average of the ARPU calculations for each of the months in the period. The Company believes that ARPU helps indicate whether the Company bas been successful in attracting and retaining higher value subscribers.

Carrier Charges and Cost of Sales

Carrier charges and cost of sales include the costs of programming for Broadcast Services, distribution costs for programming to transmitter sites, data distribution on common carriers (telephone companies) for Internet Services, Web-related Services, customer premise equipment, and installation costs. Programming costs include the service fees paid to networks and other distributors to obtain the video and audio signals for distribution to subscribers. While most of the cost of data distribution and Web-related Services vary with the number of subscribers, programming costs vary directly with both the number of channels carried and the number of subscribers receiving those channels.

Gross Margin Percentage

The Company calculates gross margin percentage by dividing gross margin, excluding equipment and installations, by service revenue. Service revenue is used in the calculation, instead of total revenue, because service revenue excludes the impact of the sale and installation of equipment, which is generally sold at a price that approximates cost.

Cost of Acquisition per Subscriber

COA, which is also often referred to in the wireless communications industry as "subscriber acquisition cost" or "cost per gross addition", is calculated by dividing total sales and marketing operating expenses for the period by the total number of gross subscriber activations. Subscriber activations include broadcast, Internet access and Web hosting activations.

EBITDA

EBITDA is defined as earnings before net interest expenses, income taxes, depreciation and amortization. EBITDA is a standard measure used in the communication industry to assist in understanding and comparing operating results and is often referred to by our peers and competitors as operating profit or OIBDA (operating income before depreciation and amortization). Management views EBITDA as an important measure of operating performance of the Company; however since EBITDA does not have any standardized meaning prescribed by Canadian GAAP, it may not be considered in isolation of GAAP measures such as: (1) net income/loss, as an indicator of operating performance or (2) cash flows from operating, investing and financing activities, as a measure of liquidity. Management believes, however, that it is an important measure as it allows the Company to assess its ongoing business without the impact of depreciation or amortization expenses as well as non-operating factors. EBITDA is intended to indicate the Company's ability to incur or service debt, invest in capital assets and manage the business through transition to M^3. This measure is not a defined term under Canadian GAAP and is unlikely to be comparable to similar measures presented by other issuers.

11. SELECTED ANNUAL INFORMATION

A summary of the Company's selected annual information for the past three reporting periods is set out in the table below. Significant events detailed in sections four and five above have caused major variations in the reported results and make period on period comparisons very difficult.

	2006	**2005 (Restated[2])**	**2004[1] (Restated[2])**
Service and sales revenue	$29,877	$37,956	$32,477
Loss from continuing operations	(3,633)	(4,554)	(5,122)
Non controlling interest	(3,249)	(3,735)	(3,715)
Interest, taxes, accretion charges and amortizations	5,085	5,934	4,530
EBITDA	(1,797)	(2,355)	(4,307)
Loss per share (basic and diluted) from continuing operations	$0.04	$0.04	$0.05
Income/(loss) from discontinued operations	1,221	224	(8,569)
Loss for the period	(2,412)	(4,330)	(13,691)
Net loss per share (basic and diluted)	$0.02	$0.04	$0.13
Total assets	29,479	32,869	40,198
Long term debt	1,814	1,253	1,242
Liability component of convertible debentures	793	1,060	2,064

[1] The consolidated financial statements of the Company for the 15 month period ended August 31, 2004, include Look's balance sheet as at August 31, 2004 and its statement of operations and cash flows for the nine-month period commencing December 1, 2003 and ending August 31, 2004.

[2] See section 9 above for "Change in Accounting Policy".

The Company has gone through a series of restructuring activities in both UBS and Look and is now focused on repositioning Look, through the combined assets in the Company, as an M^3 service provider in Ontario and Quebec.

While subscriber numbers and service and sales revenue have declined because of reduced marketing activity, the net loss from continuing operations, and more importantly to management, EBITDA has improved due to the Company focusing on more profitable sales, renegotiating supplier contracts and restructuring efforts across all operating departments. Headcounts, which have declined from 299 at August 31, 2003 to 135 at August 31, 2006, and renegotiating contracts from fixed to variable in nature have been the main drivers of the reduced operating costs and cost of sales.

The loss for the period in fiscal 2006 includes net income from discontinued operations of $1,221 following the repayment of the loan and interest amounting to $2,423 by the acquirer of the E&M Business, which was taken into income having previously been provided for in fiscal 2004.

The decline in total assets is due mainly to amortization of capital assets, while the increase in long term liabilities in fiscal 2006 resulted from the renewal of the mortgage on the Milton property owned by Look.

12. OPERATING RESULTS FOR FISCAL 2006

The loss for the year ended August 31, 2006 was $2,412 or $0.02 per common share compared with the loss of $4,330 or $0.04 for the year ended August 31, 2005. The improved position over the previous year is primarily the result of the repayment of the loan during the year following the divestiture of the E&M Business, which had been provided for in fiscal 2004 and was recorded as income in discontinued operations in fiscal 2006.

Continuing Operations

The loss from continuing operations for the year ended August 31, 2006 was $3,633 or $0.04 per common share compared with the loss of $4,554 or $0.04 for the year ended August 31, 2005.

The service and sales revenue, cost of sales and gross margin percentage by segment for the reporting periods are tabled below:

	Year ended August 31, 2006			**Year ended August 31, 2005**		
Service	**Revenues**	**Cost of Sales**	**Gross Margin**	**Revenues**	**Cost of Sales**	**Gross Margin**
Broadcast distribution	**$12,698**	**$ 5,739**	**54.8%**	$16,556	$ 9,675	41.6%
Internet	**11,923**	**5,012**	**58.0%**	15,162	7,161	52.8%
Other	**4,629**	**1,592**	**65.6%**	5,192	1,790	65.5%
Total	**29,250**	**12,343**	**57.8%**	36,910	18,626	49.5%
Sales and Installations	**627**	**773**		1,046	983	
Total service and sales	**$29,877**	**$13,116**		$37,956	$19,609	

Total Revenue and Gross Margin

Total revenue for the year ended August 31, 2006 of $29,877 was $8,079 or 21.3% lower than the comparable period in fiscal 2005. This was primarily due to the net loss of broadcast and Dial-Up subscribers.

Gross margin percentage improved during fiscal 2006 to 57.8% for the year (2005 - 49.5%). This was due primarily to a reduction in telecommunication costs (including non-recurring adjustments), lower programming fees, lower costs related to hosting services and domain name registrations, and re-negotiating supplier contracts.

Broadcast Services Revenue and Gross Margin

The decrease in broadcast service revenue in the year ended August 31, 2006 of $3,858, or 23.3% over 2005 was a result of lower subscribers. This was due largely to the very aggressive competition in this sector, reduced marketing activity for new subscribers by the Company as we focused on the implementation of the new video membership offerings, and the cancellation of specialty channels in the new membership line-up.

Gross margin for the year ended August 31, 2006 increased to 54.8% (2005 – 41.6%) due primarily to the increase in ARPU and lower programming fees resulting from the new video membership offerings and non recurring adjustments.

Internet Services Revenue and Gross Margin

Internet service revenue in 2006 declined by $3,239, or 21.4%, over 2005 due to lower Dial-Up subscribers. Of the revenue from Internet services, revenue from Dial-Up accounted for $5,316 in 2006 (2005 - $8,353), while revenue from High Speed was $6,607 in 2006 (2005 - $6,809). The decrease in Internet revenue resulted from the continuous migration of Dial-Up customers to High Speed products and the loss of some high speed bundled customers who discontinued service as a result of the move to video memberships.

Gross margin for the year ended August 31, 2006 increased to 58% (2005 – 52.8%) as a result of non-recurring adjustments and the renegotiation of supplier contracts.

Other Services Revenue and Gross Margin

Revenue from other services in 2006 declined by $563, or 10.8%, over 2005 due to a slight decrease in the number of subscribers and a 12.1% drop in ARPU. The majority of the decline was realized in hosting where revenue was $612 lower in fiscal 2006 than it was in fiscal 2005.

Gross margin remained stable during the year as the retention of higher value domain customers offset the decline in hosting revenue.

Sales and Installation Revenue

Revenue derived from sales and installations decreased by 40.1% or $419 for the year ended August 31, 2006. This decline was the result of a 45.9% decrease in new installations during the year.

Subscriber statistics

	2006	2005	% change
BROADCAST DISTRIBUTION			
Gross additions	**3,262**	5,355	**(39.1%)**
Net reductions	**(6,391)**	(8,891)	**28.1%**
Total subscribers	**20,383**	26,774	**(23.9%)**
ARPU	**$45.84**	$43.69	**4.9%**
Churn	**3.6%**	4.4%	**0.8%**
INTERNET			
High Speed			
Gross additions	**4,127**	8,291	**(50.2%)**
Net additions / (reductions)	**(1,593)**	2,205	**(172.2%)**
Total subscribers	**11,428**	13,021	**(12.2%)**
ARPU	**$44.91**	$44.76	**0.3%**
Churn	**3.8%**	3.9%	**0.1%**
Dial Up			
Gross additions	**3,478**	5,337	**(34.8%)**
Net reduction	**(12,025)**	(15,159)	**20.7%**
Total subscribers	**22,293**	34,318	**(35.0%)**
ARPU	**$16.03**	$17.04	**(5.9%)**
Churn	**4.6%**	5.0%	**0.4%**
TOTAL INTERNET			
Gross additions	**7,605**	13,628	**(44.2%)**
Net reductions	**(13,618)**	(12,954)	**(5.1%)**
Total subscribers	**33,721**	47,339	**(28.8%)**
ARPU	**$24.95**	$23.70	**5.3%**
Churn	**4.4%**	4.7%	**0.3%**
OTHER			
Gross additions	**3,497**	5,498	**(36.4)**
Net additions / (reductions)	**(721)**	311	**(331.8%)**
Total subscribers	**11,752**	12,473	**(5.8%)**
ARPU	**$24.59**	$27.99	**(12.1%)**
Churn	**2.9%**	3.5%	**0.6%**
TOTAL SUBSCRIBERS			
Gross additions	**14,364**	24,481	**(41.3%)**
Net reductions	**(20,730)**	(21,534)	**3.7%**
Total subscribers	**65,856**	86,586	**(23.9%)**
ARPU	**$32.44**	$32.46	**(0.1%)**
Churn	**3.9%**	4.4%	**0.5%**

See section 10 for explanations on how the above statistics are calculated.

Total Subscribers and ARPU

The decrease in subscribers for the year ended August 31, 2006 of 20,730 or 23.9% was due largely to the continuing decline in our residential and business Dial-Up subscribers and the loss of video subscribers and some high speed bundled subscribers during the move to video memberships. In addition, Look reduced mass marketing campaigns that proved to be very expensive and focused on the video migration.

For the year ended August 31, 2006, total ARPU was $32.44 (2005 - $32.46). ARPU was flat despite a slight shift by subscribers to a lower-end hosting solution which was mitigated by an increase in broadcast ARPU attributable to the up-selling of customers to the Silver and Gold video membership packages.

Broadcast Subscribers and ARPU

Broadcast subscribers totaled 20,383 as of August 31, 2006 representing a decrease of 6,391 or 23.9% from August 31, 2005. Of the 20,383 subscribers, 5,925 represented customers in multiple-unit dwellings (MUDs) and 14,458 were single family homes. The number of subscribers continued to decline in the year ended August 31, 2006 as a result of reduced sales and marketing activities by the Company, aggressive bundling marketing campaigns by our competitors and the restructuring of the Company's video channels. As a result of this restructuring, ARPU for the year ended August 31, 2006 increased to $45.84 (2005 - $43.69).

For the year ended August 31, 2006, subscriber churn on broadcasting was an average of 3.6% compared with 4.4% a year ago.

Internet Subscribers and ARPU

Internet subscribers totaled 33,721, as of August 31, 2006 representing a decrease of 13,618 or 28.8% from August 31, 2005. The decrease was essentially in the residential Dial-Up subscriber base, which lost 12,025 subscribers in the year reflecting a continuous customer migration to High Speed products.

ARPU on Internet services was $24.95 per month for the year ended August 31, 2006 (2005 - $23.70). While ARPU on residential and business Dial-Up customers was $16.03 for the year ended August 31, 2006 (2005 - $17.04), ARPU on High Speed Internet access was $44.91 (2005 - $44.76). Look has increased its year over year High Speed Internet access ARPU through subscribers choosing higher value services.

Other Subscribers and ARPU

Other subscribers totalled 11,752 as of August 31, 2006 representing a decrease of 721 or 5.8% from August 31, 2005. The Company also recorded sales of 36,368 domain names for the year ended August 31, 2006 (2005 – 38,568).

ARPU on other services for the year ending August 31, 2006 averaged $24.59 (2005 - $27.99). The decrease in ARPU was attributable to product mix, with subscribers moving to lower priced hosting products.

Operating expenses

Total operating expenses for the year ended August 31, 2006 of $23,581 decreased from $26,344 in the year ended August 31, 2005. This decrease is the result of reduced marketing expenses, contract renegotiations, improved efficiencies and head count reductions.

	Year ended August 31, 2006	Percentage of service revenue	Year ended August 31, 2005 (Restated)	Percentage of service revenue
Marketing and Sales	**$ 662**	**2.3%**	$ 1,983	5.4%
Customer Care	**3,193**	**10.9%**	4,232	11.5%
Engineering and Operations	**5,002**	**17.1%**	5,562	15.1%
General and Administration	**9,701**	**33.2%**	8,925	24.2%
Total before amortization of capital assets and deferred charges	**18,558**	**63.5%**	20,702	56.2%
Amortization of capital assets and deferred charges	**5,023**	**17.2%**	5,642	15.3%
Total operating expenses	**$23,581**	**80.7%**	$26,344	71.5%

Marketing and sales expenses include Look's costs of media and other advertising fees for direct sales agencies, direct marketing costs, cost of producing and distributing product media and commissions on retail sales.

For the year ended August 31, 2006, marketing and sales expenses were $662 or 2.3% of service revenues, compared to $1,983 or 5.4% of service revenues for the year ended August 31, 2005. After the limited success of advertising campaigns in the first quarter of 2005 fiscal, Look focused on retention of its high value customers, rather than new customers from mass marketing programs.

For the year ended August 31, 2006, cost of acquisition per subscriber ("COA") was $46.09 per subscriber compared with $81.00 for the year ended August 31, 2005.

Customer care expenses include salaries, benefits and other costs associated with the operation of Look's call centers for technical and service support.

For the year ended August 31, 2006, customer care expenses were $3,193 or 10.9% of service revenues, compared to $4,232 or 11.5% of service revenues for the year ended August 31, 2005.

As a percentage of revenues, customer care expenses remained stable for the year ended August 31, 2006, reflecting Look's continuous efforts to be more customer-oriented in its call centre operations.

Engineering and operations expenses in Look's digital broadcast television distribution activities include the costs associated with operating and maintaining the broadcast distribution head-end facilities, where television and audio signals are received, digitally encoded and distributed to transmission sites. These expenses also include the network and transmission towers by which digital signals are transmitted via microwave to customers and the costs of providing services to the customers.

Engineering and operations expenses in Look's Internet services activities consist primarily of the costs of the telecommunications facilities necessary to provide service to subscribers and the operating and maintaining of network servers. Telecommunications facilities costs include: (i) the costs of providing local telephone lines into each Look-owned point of presence; (ii) the cost of leased lines into non-Look owned ports and related facilities charges; and (iii) the cost of connecting Look's hub to the Internet backbone. Network server costs include the costs of contracts for software and hardware support with third parties.

For the year ended August 31, 2006, engineering and operations expenses remained relatively stable at $5,002 or 17.1% of service revenues, compared to $5,562 or 15.1% of service revenues, for the year ended August 31, 2005.

The reductions during fiscal 2006 resulted primarily from the re-negotiation of hardware and software maintenance agreements; however, greater reductions in expenses would have been realized were it not for the investment in the engineering team that is planning and designing the new infrastructure for the M^3.

General and administration costs include administrative salaries, human resources, general occupancy, information technology and other administrative overheads for the Company. Costs relating to information technology, which comprise the development and maintenance of Look's customer service and billing systems, are also included. Some of these costs are variable and fluctuate with changes in the customer base.

For the year ended August 31, 2006, general and administration expenses were $9,701 or 33.2% of service revenues, compared to $8,925 or 24.2% of service revenues for the year ended August 31, 2005.

As a percentage of service revenues, expenses have increased for the year ended August 31, 2006 versus 2005 by 9%. The increase is the result of a large portion of these costs being fixed, which do not vary with the decline in service revenues.

Amortization of capital assets relates mainly to the amortization of Look's capital assets including buildings, headends and network equipment, customer connections, computer hardware and software and office equipment. Amortization of deferred charges relate to the amortization of the CRTC license renewal, which is amortized over the life of the license, and the amortization, over three years, of financing costs associated with Look's rights offering.

For the year ended August 31, 2006, amortization of capital assets was $4,948 and amortization of deferred financing charges totalled $75 compared to $5,547 and $95 respectively for the year ended August 31, 2005.

Interest and Financing Charges

	Years ended	
	August 31, 2006	**August 31, 2005 (Restated)**
Accretion charges on liability of convertible debenture	**$(146)**	$(234)
Interest expense	**(187)**	(250)
Interest Income	**269**	156

As described in note 2 of the audited consolidated financial statements for the year ended August 31, 2006, the Company adopted a new accounting policy whereby accretion charges on the liability component of the convertible debentures are now shown as interest expense. Comparatives have been restated to reflect this change.

For the year ended August 31, 2006, $146 (2005 - $234) was recorded as the accretion on the liability component of the convertible debentures, $187 (2005 - $250) was recorded in interest expense on mortgage financing, supplier-financed credit facilities, capital lease obligations, and financing fees and $269 (2005 - $156) recorded in interest income on liquid assets.

Non-controlling interest is the allocation related to the outside shareholders' interest in Look's operating results.

Discontinued operations

Income from discontinued operations for the year ended August 31, 2006 was $1,221 or $0.01 per common share compared with income for the year ended August 31, 2005 of $224 or $0.00 per common share.

During fiscal 2004, the proceeds from the sale of the E&M Business of $2,000 were provided for in the discontinued operations. On February 24, 2006, the loan resulting from the sale of the E&M Business, plus interest up to the date of repayment in the amount of $2,423, was repaid and the full amount was included in income from discontinued operations in fiscal 2006. This gain was offset by ongoing activities related to the historical E&M Business. During fiscal 2005, the Company received a tax refund related to its 2001 tax filing of $224 and this is shown as a recovery in discontinued operations in the year.

13. EARNINGS BEFORE INTEREST AND FINANCING CHARGES, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

The following table reconciles the loss from continuing operations to EBITDA for the respective periods as determined under GAAP:

	Periods ended		
	August 31, 2006	August 31, 2005 (restated)	August 31, 2004 (restated)
Loss from continuing operations	$ (3,633)	$ (4,554)	$ (5,122)
Non-controlling interest	(3,249)	(3,735)	(3,715)
Amortization of capital assets	4,948	5,547	4,251
Accretion on liability component of convertible debentures	146	234	212
Amortization of deferred charges	75	95	70
Net interest and financing charges	(82)	94	(39)
(Recovery)/provision for income taxes	(2)	(36)	36
EBITDA*	$ (1,797)	$ (2,355)	$ (4,307)

*Management views EBITDA as an important measure of operating performance of the Company; however since EBITDA does not have any standardized meaning prescribed by Canadian GAAP, it may not be considered in isolation of GAAP measures such as (1) net loss, as an indicator of operating performance or (2) cash flows from operating, investing and financing activities, as a measure of liquidity. Because there is no standardized GAAP definition, EBITDA is unlikely to be comparable to similar measures presented by other issuers.

14. QUARTERLY FINANCIAL RESULTS

The key quarterly results for the last eight quarters are set out in the tables below:

	2005				2006			
QUARTER ENDED	NOV 30[1]	FEB 28[1]	MAY 31[1]	AUG 31[1]	NOV 30	FEB 28	MAY 31	AUG 31
Revenue	$10,066	$9,671	$9,178	$9,041	$8,359	$7,850	$7,063	$6,605
Gross Margin	4,736	4,877	4,601	4,133	4,325	4,712	3,719	4,005
Operating expenses before amortizations	(5,842)	(5,591)	(4,864)	(4,405)	(4,106)	(4,589)	(4,214)	(5,649)
CONTINUING OPERATIONS								
Loss for the period	(1,229)	(1,553)	(994)	(778)	(513)	(477)	(818)	(1,825)
Non controlling interest	(1,397)	(1,164)	(1,025)	(149)	(662)	(693)	(893)	(1,001)
Interest, taxes, depreciation and amortization	1,520	2,003	1,756	655	1,394	1,293	1,216	1,182
EBITDA	(1,106)	(714)	(263)	(272)	219	123	(495)	(1,644)
DISCONTINUED OPERATIONS								
Income/(loss) for the period	-	-	-	224	-	2,423	-	(1,202)
Loss per share[2] – continuing operations	(0.01)	(0.02)	(0.01)	(0.01)	0.00	0.00	(0.01)	(0.02)
Income/(loss) per share[2] – discontinued operations	0.00	0.00	0.00	0.00	0.00	0.02	0.00	(0.01)

[1] The results in the table have been restated to reflect the change in accounting policy for convertible debentures noted in section 9
[2] Loss per share is basic and diluted.

Revenues are following the same trend that started in June 2004 with Internet Dial-Up subscribers migrating to High Speed products. The efforts by the Company to move costs from fixed to variable in nature and the Company's ability to respond quickly to the declining subscriber base are reflected in EBITDA and the loss for the period.

Dial-Up revenue has declined significantly over the past year. For the year ended August 31, 2005, Dial-Up revenue was $8,353 and represented 22.6% of total service revenues of the Company. For the year ended August 31, 2006, this had declined to $5,316 or 18.2% of total service revenues. The Company is able to offer alternatives, such as wireless access products and DSL, to customers wishing to migrate to High Speed Internet access who receive service in Ontario and Quebec and in this way is able to retain some migrating customers. However, the Company is not able to offer any alternative High Speed products in Western Canada, where the Company has lost a significant number of migrating customers.

In order to align operating costs with declining subscriber numbers, all departments have been restructured over the past two years. Headcounts have decreased from 299 at August 31, 2003 to 135 at August 31, 2006 and, together with renegotiated supply contracts, are the key components of the reduction in operating expenses at Look. The Company has also substantially reduced its Sales and Marketing expenses, following Look's decision to reduce its mass mailing campaigns.

For the three months ended August 31, 2006, sales and service revenues of $6,605 were $2,436 or 27% down on the three months ended August 31, 2005. However, because of lower programming fees and telecommunications costs (including non-recurring adjustments), gross margin for the quarter in 2006 was only slightly down on a year ago. Operating expenses were $5,649 in the quarter ended August 31, 2006 compared with $4,405 in the quarter a year ago mainly because of professional fees and compensation in general and administration expenses.

15. LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $8,481 at August 31, 2006 compared with cash of $7,520 at August 31, 2005.

The changes in cash and cash equivalents are summarized as follows:

Cash Flows provided by (used in):	**2006**	**2005 (Restated)**
Operating activities – continuing operations	$ (1,434)	$ 2,223
Operating activities – discontinued operations	(398)	(463)
Cash flows provided by/(used in) operating activities	(1,832)	1,760
Cash flows provided by/(used in) financing activities	524	(67)
Cash flows provided by investing activities	2,269	907
Increase in cash and cash equivalents	$ 961	$ 2,600

Cash flow used in operating activities for the year ended August 31, 2006 was $1,832 compared with an inflow of $1,760 for the year ended August 31, 2005. The favourable position in 2005 was a result of the change in non cash operating working capital related mainly to the timing of the Quebec government subsidy payments.

Cash provided by financing activities was $524 in 2006, compared with cash used in 2005 of $67. The increase in cash was due primarily to the renegotiation of the mortgage on the Milton site, resulting in a corresponding increase in the mortgage liability from $1,200 to $1,800.

For the year ended August 31, 2006, cash provided by investing activities amounted to $2,269, resulting primarily from the repayment to the Company of the loan plus interest on the sale of the E&M Business of $2,423 and the decrease of $659 in restricted cash. This was partially offset by the purchase of capital assets in the sum of $771. This compared with cash provided by investing activities of $907 for the year ended August 31, 2005, derived from the redemption of short term investments of $2,510 offset by the purchase of capital assets of $896 and an increase in restricted cash of $678.

As at August 31, 2006, the Company had contractual obligations that require future payments as follows:

	Total	2007	2008	2009	2010	Thereafter
Mortgage payable	$1,800	-	-	1,800		
Operating leases	$2,380	747	696	344	230	363
Capital leases	$53	39	14			

The mortgage on Look's Milton property has been renewed. The mortgage payable bears interest at 10.5% per annum and matures on August 21, 2009. The mortgage is collateralized by a first legal charge over the land and building of Look.

Cash required for the Company's contractual obligations identified above and capital assets related to the existing network and customer premise equipment are expected to be funded by cash on hand and cash provided by operating activities. This projection would be adversely impacted by a faster rate of decline in subscribers than experienced during fiscal 2006 and negative pressure on ARPU.

Although the M^3 demonstration site in Milton, Ontario was funded by existing cash on hand, significant external funds will be required to expand the M^3 network to achieve the Company's goal of being an M^3 entertainment and information service provider throughout the Quebec City to Windsor corridor. The foregoing includes forward looking information that is subject to risks and uncertainties described under "Risks and Uncertainties" below. No assurance can be given that the Company will be able to achieve these results.

The Company's working capital deficiency at August 31, 2006 was $4,451 compared with $4,193 at August 31, 2005. UBS had a working capital surplus of $1,370 at August 31, 2006 ($1,136 at August 31, 2005), while Look's working capital deficiency at August 31, 2006 was $5,821 compared with $5,329 as at August 31, 2005. While the Company continues to focus on renegotiation of contracts with various suppliers and manages its operating expenses to support its subscriber base, the Company's key focus is on seeking financial and supplier partners to finance the design, build out and implementation of the M^3 Network.

Management continues to reposition Look as an M^3 service provider so that it can better utilize the Company's main assets, which include approximately 100 MHz of spectrum in the 2.5 to 2.7 GHz band and the mobile broadcast license.

16. SHARE CAPITAL

As at August 31, 2006, UBS had issued 91,442,522 Common Shares (August 31, 2005 – 91,442,522) and 11,305,332 Class A Non-Voting Shares (August 31, 2005 – 11,305,332) for total issued shares of 102,747,854 (August 31, 2005 - 102,747,854).

As at August 31, 2006, there were options outstanding to acquire 15,954,000 Common Shares of the Company (August 31, 2005 – 13,976,000). During the year ended August 31, 2006, UBS recorded stock based compensation expense of $399 (2005 - $267) related to the options granted to employees and non-employees.

As at November 17, 2006 there were no changes to the number of Common Shares issued and the number of options outstanding to purchase Common Shares of UBS.

17. CLAIMS FOR DAMAGES

On January 16, 2003, UBS entered into a signed Right of Use Agreement (Agreement) with Inukshuk Internet Inc. (Inukshuk), a subsidiary of Microcell Telecommunications Inc. (Microcell) which would allow UBS to use spectrum licenses held by Inukshuk within certain license service areas. In addition, the Agreement gave UBS the right to match any binding, written irrevocable offer that Inukshuk was prepared to accept for the remaining MCS spectrum licensed to Inukshuk.

On November 19, 2003, Allstream Inc., Inukshuk and a USA company, NR Communications, LLC announced a joint venture for the use and development of 60 MHz of MCS spectrum. This MCS spectrum is part of the 98 MHz of spectrum licensed to Inukshuk, which is the subject matter of the Agreement.

On April 21, 2004, after attempting unsuccessfully to resolve issues related to the Agreement, UBS commenced legal action against Allstream Inc. (now MTS Allstream Inc.), Microcell Telecommunications Inc., Microcell Solutions Inc. and Inukshuk (wholly-owned subsidiaries of Microcell and now of Rogers Communications Inc. (Rogers) following its acquisition of Microcell in September 2004). The damages claimed are for, amongst other things, specific performance, breach of contract, breach of confidence and breach of fiduciary duty. Damages totalling $160,000 and disgorgement of profits are claimed against each of the defendants as a result of their actions involving the Inukshuk spectrum. Statements of Defence have been filed by the defendants.

On September 16, 2005, Rogers and Bell Canada announced an agreement to jointly build and manage a Canada-wide wireless broadband network using the Inukshuk spectrum. Pursuant to this agreement, Rogers and Bell Canada were to transfer, amongst other things, the Inukshuk spectrum in the 2.5GHz frequency range to the Inukshuk Wireless Partnership.

On March 30, 2006, Industry Canada confirmed in a letter to Rogers and Bell Canada that barring unforeseen circumstances approval would be given to transfer the Inukshuk MCS licences from Inukshuk to the Inukshuk Wireless Partnership.

The assets and rights pursuant to the Agreement are significant to UBS shareholders and as such UBS intends to vigorously pursue its rights.

18. LITIGATION

(a) On February 19, 2004, Craig Wireless International Inc. (Craig Wireless) filed a statement of claim against the Company before the Ontario Superior Court of Justice. In its action, Craig Wireless seeks numerous sanctions against the Company and other parties.

On May 4, 2004, UBS and Look obtained an order from the Ontario Superior Court of Justice dismissing with prejudice the motion brought by Craig Wireless for, amongst other things, an injunction that would prevent UBS from voting its shares of Look and converting into common shares its convertible debentures pursuant to Look's February 2004 rights offering. At the same time, Craig Wireless also withdrew its challenge to the CRTC approval of UBS acquiring a controlling interest in Look. Craig Wireless is still pursuing its claim that Look conducted its affairs in a manner that was oppressive and unfairly prejudicial to Craig Wireless and requests damages in the aggregate amount of $12,000.

The Company has been advised that Craig Wireless has taken steps to amend its claim. As at August 31, 2006, an amended claim had not been filed. The Company believes that the claim is unfounded and intends to vigorously defend itself.

(b) Certain claims have been filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies A/S), its Danish subsidiary that filed for bankruptcy in early 2003. The claims, which rely on alleged guarantees by UBS, amount to 14.3 million Danish Kroner (approximately $2,700) and relate to rent on leased premises used by UBS Technologies in Denmark and a subcontracting agreement for the manufacture of electronic products.

Management believes it has good defenses against the above claims and continues to vigorously defend its position.

(c) On May 17, 2005 a proceeding was brought against UBS alleging damages of approximately $700 for repairs to premises under a lease. UBS has filed a third party claim against a sub-tenant for indemnification of any damages to the subleased premises. Management believes it has a good defense and intends to vigorously defend its position.

(d) On June 8, 2005 an investment dealer filed a third party claim against UBS resulting from litigation against that investment dealer by two shareholders of UBS. The claim against the investment dealer, for $42,000, is for negligence and breach of contract pertaining to a secondary sale of UBS shares in 2000, on behalf of the two shareholders. The third party claim against UBS alleges that UBS indemnified the investment dealer against claims on the performance of the investment dealer with respect to this secondary sale of UBS shares. Management sees no merit in the third party claim and intends to vigorously defend its position.

Management believes that adequate provision has been made in the accounts for the above claims.

19. TRANSACTIONS WITH RELATED PARTIES

(a) Management Services Agreement with Look:

On May 19, 2004, UBS and Look entered into an agreement under which UBS is providing Look with a wide range of services designed to maximize Look's full commercial potential.

Under the terms of the agreement Look is required to pay UBS an annual fee of $2,400. Look may, from time to time, recognize the performance of UBS in the form of cash bonus payments, direct grant of treasury shares of Look, or options for the purchase of subordinate voting shares from treasury. All options shall conform to Look's stock option plan. Look shall also reimburse UBS for certain expenses and disbursements incurred in respect of the agreement and the services provided by UBS. The initial term of the agreement is for a moving three-year period commencing on May 19, 2004 (the "execution date"). On each anniversary of the execution date, the term will automatically recommence unless, prior to an annual anniversary, Look's Board of Directors has communicated in writing to UBS its intent that the agreement not recommence, in which event the agreement expires on the completion of the remaining term.

(b) Management Service Agreement with Jolian Investments Ltd.

The employment agreement between UBS and Gerald McGoey was cancelled effective December 31, 2005. Effective January 1, 2006, UBS entered into a Management Service Agreement ("MSA") with Jolian Investments Ltd. ("Jolian"), which is controlled by the Chairman and CEO of the Company. Pursuant to the MSA, Jolian will provide, amongst other things, Chief Executive Officer services to UBS. Management service fees, included in general and administrative expenses, related to Jolian for the period from January 1, 2006 to August 31, 2006 amounted to $732 (2005 – nil).

(c) Alex Dolgonos, Former President and CEO

Consulting fees, pursuant to a consulting agreement entered into with Mr. Dolgonos in 2003, amounted to $692 (2005 - $553) for the year ended August 31, 2006.

For the year ended August 31, 2006, the Company recorded $42 (2005 - $28) in stock-based compensation related to options granted to Mr. Dolgonos.

(d) Rent of Premises

UBS has subleased a portion of Look's premises for a five year term at an annual rent of $73 (2005 - $42).

20. RISKS AND UNCERTAINTIES

Going Concern

UBS' and Look's ability to continue as going concerns is dependent upon achieving and maintaining profitable operations and the successful implementation of the Company's business strategy. The outcome of these matters cannot be predicted at this time. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities and reported revenues and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

Financing Risk

The Company's M^3 strategy is dependent on raising sufficient capital or partnering with other service providers who would provide the necessary infrastructure to develop, design and build the network in Toronto and Montreal in the first instance and then the corridor from Windsor to Quebec City. There are no assurances that the Company will be able to obtain financing arrangements or partners that are acceptable to the Company and therefore there is no assurance that the network as envisaged by management will be built.

Subscriber Retention

Look's ability to retain its profitable subscriber base is the prime determining factor in its long-term success. Look attempts to ensure retention of profitable subscribers by maintaining its infrastructure and technical and subscriber support capabilities. Look has also implemented targeted retention strategies designed to reduce the rate of subscriber attrition. However, it is easy for the Look's subscribers to switch to competing internet and television distribution service providers. Any significant loss of profitable subscribers will adversely affect the Company's business, financial condition and results of operations in the future.

Subscriber Acquisition

Look's revenue depends on its ability to attract and retain new subscribers. However, the very strong competitive environment in which Look operates could adversely affect its business, financial condition and results of operations in the future.

Regulatory Risks

As discussed in the "Overview of Government Regulation and Regulatory Developments" section above, the Company's operations are subject to government regulation that could impact the business. The Company continually monitors these developments and comments directly on those policies that affect it.

Technology Risks

Look is pursuing a new strategy that will transition its network to M^3 technology. The development and implementation of any new technology brings with it inherent uncertainties and risks related to the features included, the timing of implementation and the cost and availability of equipment.

This implementation will rely, in part, on new and unproven technology, although UBS has experience in related areas. The Company cannot be certain that this new service can be implemented in the time frame and within the investment capital required to generate an appropriate risk related return for investors.

21. SUBSEQUENT EVENTS

Share Appreciation Rights Plan

On October 12, 2006, the Board of Directors approved a Share Appreciation Rights (SAR) Plan for UBS. Pursuant to the Plan, directors, employees and consultants may be awarded units from time to time that will be subject to conditions set by the Board of Directors. The value of a SAR unit will be equivalent to the market value at the date when all the conditions attached to the SAR unit are met, less the market value at the date of the award of the unit.

On October 12, 2006, the Board of Directors awarded 6,000,000 SAR units at a grant price of $0.10, the market value of the Company's common shares on that date. The awards are subject to specific terms and conditions being fulfilled.

22. DISCLOSURE CONTROLS

Management has evaluated the Company's disclosure controls and procedures and has determined that, as at August 31, 2006, the controls are effective.

23. INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICOFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. Management has evaluated whether there were changes to its ICOFR during the year ended August 31, 2006 that have materially affected, or are reasonably likely to materially affect, its ICOFR. No such changes were identified.