
Management's Discussion and Analysis of

UNIQUE BROADBAND SYSTEMS, INC.

Unaudited three and six months ended February 28, 2007 and 2006

UNIQUE BROADBAND SYSTEMS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of dollars, except shares and per share amounts)

For the three and six months ended February 28, 2007 and 2006

24 April, 2007

1. INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") relates to the unaudited consolidated financial condition of Unique Broadband Systems, Inc. (the "Company") at February 28, 2007 and August 31, 2006 and the consolidated results of operations for the three and six months ended February 28, 2007 and 2006. 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 unaudited 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 the 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 performance of the Company, its operations, and its financial performance and condition. These forward-looking statements include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. The Company cautions that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates, or expectations reflected or contained in the forward-looking information, and that actual future performance

will be affected by a number of factors including economic conditions, technological change, regulatory change, and competitive factors, many of which are beyond the Company's control.

Future events and results may vary significantly from what the Company currently foresees. We are under no obligation (and we expressly disclaim 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 the section entitled "Risks and Uncertainties".

3. BUSINESS OVERVIEW

Our Company

UBS (TSX Venture: UBS) is a publicly listed Canadian company that has a 51.6% equity interest, on a fully diluted basis, in Look (TSX Venture: LOK and LOK.A) 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 M³ - 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 February 28, 2007, Look had 96 full-time and part-time employees.

Significant Current Events

On April 12, 2007, the Company issued a press release stating that:

“Look Communications Inc. (“Look”) and Unique Broadband Systems Inc. (“UBS”) announced today that the two partners of Inukshuk Wireless Partnership LLP (“Inukshuk Wireless”) - Rogers Inukshuk Telecommunications Inc., a subsidiary of Rogers Communications Inc (“Rogers”) and NR Communications Limited, a subsidiary of BCE (“Bell”) - have continued this week to apply pressure to Look and its parent company UBS.

On Monday, April 9th, 2007, Look was informed that Rogers’ legal counsel had written to the Ontario Securities Commission on Thursday, April 5th, 2007 to say that the comments related to the UBS litigation of Inukshuk Internet Inc., made by Look and UBS at their Annual Meetings of Shareholders, should among other things, have been “tempered with cautionary language”.

One day later, on Tuesday, April 10th, 2007, Bell Canada sent Look a Notice of Intent to Disconnect services effective 30 days from the date of notice. These two events, on consecutive days, continue to position Rogers, Bell and Inukshuk Wireless against Look and UBS.

Look is the only company in Canada with approximately 100 MHz of spectrum and a broadcast license for mobile video services in Canada.

Look hired investment bankers, Greenhill & Co, in late 2006 to review strategic alternatives to maximize shareholder value. Over the past few months, Greenhill has held talks with Interested Parties in pursuit of this process. In an about-turn, some of these discussions stopped abruptly and were followed by these two events on consecutive days.

Look and UBS believe Rogers’ complaint to the OSC is poorly conceived, erroneously based and without merit. Look and UBS will both deal with the OSC on that basis.

Look will challenge Bell Canada’s attempt to disconnect services. Look has also retained McMillan Binch Mendelsohn LLP to prepare a Statement of Claim against Bell Canada that goes back many years to the time when Bell was the principal shareholder of Look.

The Management of Look and UBS believe that these recent events are not totally unexpected from Rogers and Bell Canada and result from:

- 1) UBS’ legal action calling for, among other things, specific performance with respect to a contract between UBS Wireless Services Inc. and Inukshuk Internet Inc., signed on January 16th, 2003; and
- 2) the recent review of strategic alternatives to maximize shareholder value.

Look and UBS believe it prudent to notify all stakeholders in their companies, including Look’s 60,000 subscribers, as well as the appropriate Regulatory Authorities, of the recent behaviour and actions of Bell Canada and Rogers with respect to these events.

Look and UBS will endeavour to keep these same stakeholders and Regulators apprised of the actions that Look and UBS believe will continue to develop”.

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 M³ 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 M³ network. In this regard, Look announced on October 24, 2006 that it had retained Greenhill & Co. to assist in the strategic repositioning of Look and to assist in maximizing shareholder value.

M³ 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 M³ 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 M³ 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 at the end of December 2003. Look, on a fully diluted basis, is a 51.6%-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.

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. RECENT WIRELESS INDUSTRY TRENDS

Mobile TV Will Change the Wireless Market

M³ 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 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 required for most mobile TV 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.

The Company believes that only 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, can true M3 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 M³ (fourth generation or 4G).

Through this unique 4G combination of spectrum, broadcast licenses and technology, these M³ 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 M³. 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 M³ 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 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 a wide group of companies 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".

More recently in Canada, in February 2007, Industry Canada released a Consultation paper entitled "Consultation on a Framework to Auction Spectrum in the 2 GHz Range including Advanced Wireless Services" which outlined the rules and procedures governing the auction of the Advanced Wireless Services ("AWS") spectrum which we believe is expected to occur in early 2008. At present, the Government of Canada's plans for the AWS auction for 90 MHz in the 1710 – 1755 and 2210 – 2155

MHz band will see 589 licenses placed for bid with the similar geographic distribution as the 2001 Industry Canada PCS auction. These licenses will be divided into three tiers – 14 Tier 2 Provincial and large regional licenses, 59 Tier 3 Smaller regional licenses and 516 Tier 4 local licenses.

It is expected that the opening bids for the AWS spectrum band will be approximately \$208 million. In a recent Globe and Mail article, one consultant was quoted as saying that Industry Canada could raise as much as \$3 billion in these upcoming auctions.

Industry Canada has invited interested parties to provide their views and comments on various issues raised in a Consultation paper about the auction, including, but not limited to, spectrum set-asides, spectrum caps, affiliate bidding, tower or infrastructure sharing and mandated roaming agreements, by May 25, 2007. Reply comments will then be accepted until June 27, 2007.

6. 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 System (MCS) and Multipoint Distribution System (MDS) spectrum in the 2500-2690 MHz band. The purpose of the paper was to solicit input from the Company 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 FCC in the U.S. issued a Report and Order that substantially restructured this band in the U.S. The Company responded to the Industry Canada discussion paper and recommended that Canada adopt a policy that 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 Multipoint Communications Systems (MCS), while still having Multipoint Distribution System (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, the recent spectrum auction in the US that ended on September 18, 2006, and the upcoming Canadian Advanced Wireless Services ("AWS") spectrum auction position the Company well for the next generation of M³ in Canada.

7. SIGNIFICANT ACCOUNTING POLICIES

Management's Discussion and Analysis of Operating Results and Financial Position are made with reference to the Company's unaudited consolidated financial statements and notes thereto for the three and six month periods ended February 28, 2007, 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 Company has identified the accounting policies and estimates that are critical to the understanding of its business operations and results in note 3 to the Company's 2006 financial statements. For the three and six months ended February 28, 2007, there were no changes to significant accounting policies.

8. 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 has 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 M³. This measure is not a defined term under Canadian GAAP and is unlikely to be comparable to similar measures presented by other issuers.

9. RESULTS OF OPERATIONS

Continuing Operations

The loss from continuing operations for the three and six months ended February 28, 2007 was \$1,600 or \$0.02 per common share and \$2,438 or \$0.02 per common share respectively, compared with the loss of \$477 or \$0.00 and \$990 or \$0.01 for the comparable periods in 2006.

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

Service	Three months ended February 28, 2007			Three months ended February 28, 2006		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Broadcast distribution	\$ 2,827	\$ 1,562	44.7%	\$ 3,330	\$ 1,418	57.4%
Internet	2,404	989	58.9%	3,087	1,092	64.6%
Other	1,020	388	62.0%	1,290	441	65.8%
Total	6,251	2,939	53.0%	7,707	2,951	61.7%
Sales and installations	95	80		143	187	
Total service and sales	\$ 6,346	\$ 3,019		\$ 7,850	\$ 3,138	

Service	Six months ended February 28, 2007			Six months ended February 28, 2006		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Broadcast distribution	\$ 5,779	\$ 3,148	45.5%	\$ 6,786	\$ 3,322	51.0%
Internet	4,944	2,070	58.1%	6,493	2,610	59.8%
Other	2,039	762	62.6%	2,556	845	66.9%
Total	12,762	5,980	53.1%	15,835	6,777	57.2%
Sales and Installations	220	181		375	395	
Total service and sales	\$ 12,982	\$ 6,161		\$16,210	\$ 7,172	

Total Revenue and Gross Margin

Total revenue for the three months ended February 28, 2007 of \$6,346 was \$1,504 or 19.2% lower than the comparable period in fiscal 2006. Total revenue for the six months ended February 28, 2007 of \$12,982 was \$3,228 or 19.9% lower than the comparable period in fiscal 2006. This was primarily due to the net loss of Broadcast and Dial-Up subscribers.

Gross margin for the six month period ended February 28, 2007 was 53.1% compared to 57.2% for the same period one year prior. This was a result of the general increase in the cost of acquisition of products and services for resale, the fixed nature of certain portions of cost of sales, and one-time adjustments in the second quarter of 2006 that resulted in greater than expected margins.

Broadcast Services Revenue and Gross Margin

The decrease in Broadcast Services revenue for the three and six month periods ended February 28, 2007 of \$503 or 15.1% and \$1,007 or 14.8% respectively over the comparable periods in fiscal 2006 result primarily from a lower overall subscriber base. This was due largely to the very aggressive competition in this sector and reduced marketing activity for new subscribers.

Gross margin for the six months ended February 28, 2007 declined to 45.5% (2006 - 51.0%) due primarily to the increased costs of providing broadcast services to subscribers in addition to a one-time adjustment during the second quarter of fiscal 2006 that resulted in an increased gross margin for that period.

Internet Services Revenue and Gross Margin

Internet Service revenue for the three and six month periods ended February 28, 2007 declined by \$683 or 22.1% and \$1,549 or 23.9% respectively due primarily to a decline in the number of Dial-Up subscribers. Of the revenue from Internet Services, revenue from Dial-Up Services accounted for \$923 and \$1,937 respectively for the three and six month periods ended February 28, 2007 (2006 - \$1,412 and \$3,019). Revenue from High Speed for the comparable periods in fiscal 2007 was \$1,481 and \$3,007 (2006 - \$1,675 and \$3,474). The decrease in Internet Services revenue resulted from the continuous migration of Dial-Up subscribers to High Speed products and the loss of some High Speed subscribers who discontinued service as a result of the aggressive product bundling implemented by the Company's competitors.

Internet Services gross margin for the six months ended February 28, 2007 declined moderately to 58.1% (2006 - 59.8%) as a result of the fixed nature of some cost of sale components as well as a one-time adjustment in the second quarter of fiscal 2006.

Other Services Revenue and Gross Margin

Revenue from Other Services in the three and six months ended February 28, 2007 declined by \$270 or 20.9% and \$517 or 20.2% respectively over the comparable periods in fiscal 2006 due mostly to a decline in the hosting subscriber base and a corresponding decline in higher-revenue products. The decline in hosting revenue which accounted for most of the revenue attrition amounted to \$168 and \$401 respectively in the three and six month periods ended February 28, 2007 over the comparable periods one year prior.

Gross margin for the six months ended February 28, 2007 decreased to 62.6% (2006 - 66.9%) due to the decline in the higher-margin hosting subscribers.

Sales and Installation Revenue

Revenue derived from sales and installations for the three and six month periods ended February 28, 2007 decreased by \$48 or 33.6% and \$155 or 41.3% respectively as a result of a corresponding decrease in new installations during the quarter.

Subscriber statistics

	Three months ended February 28, 2007	Three months ended February 28, 2006	% change	Six months ended February 28, 2007	Six months ended February 28, 2006	% change
BROADCAST DISTRIBUTION						
Gross additions	367	606	(39.4%)	907	1,514	(40.1%)
Net reductions	(1,126)	(1,708)	34.1%	(2,215)	(4,086)	45.8%
Total subscribers	18,168	22,688	(19.9%)	18,168	22,688	(19.9%)
ARPU	\$50.28	\$47.58	5.7%	\$49.68	\$45.86	8.3%
Churn	2.6%	3.3%	0.7%	2.7%	3.7%	1.0%
INTERNET						
High Speed						
Gross additions	571	1,324	(56.9%)	1,752	2,273	(22.9%)
Net additions / (reductions)	(183)	(273)	33.0%	(544)	(779)	30.2%
Total subscribers	10,884	12,242	(11.1%)	10,884	12,242	(11.1%)
ARPU	\$44.89	\$45.12	(0.5%)	\$45.20	\$46.05	(1.8%)
Churn	2.3%	4.3%	2.0%	3.4%	4.0%	0.6%
Dial Up						
Gross additions	379	1,146	(66.9%)	1,061	1,911	(44.5%)
Net reduction	(1,765)	(3,842)	54.1%	(3,859)	(7,205)	46.4%
Total subscribers	18,434	27,113	(32.0%)	18,434	27,113	(32.0%)
ARPU	\$15.92	\$16.24	(2.0%)	\$15.94	\$16.30	(2.2%)
Churn	3.6%	5.6%	2.0%	4.0%	4.9%	0.9%
TOTAL INTERNET						
Gross additions	950	2,470	(61.5%)	2,813	4,184	(32.8%)
Net reductions	(1,948)	(4,115)	52.7%	(4,403)	(7,984)	44.9%
Total subscribers	29,318	39,355	(25.5%)	29,318	39,355	(25.5%)
ARPU	\$26.41	\$24.89	6.1%	\$26.30	\$24.92	5.5%
Churn	3.2%	5.2%	2.0%	3.8%	4.6%	0.8%
OTHER						
Gross additions	629	827	(23.9%)	1,540	1,589	(3.1%)
Net additions / (reductions)	(88)	(220)	60.0%	(168)	(276)	39.1%
Total subscribers	11,584	12,197	(5.0%)	11,584	12,197	(5.0%)
ARPU	\$22.02	\$26.01	(15.3%)	\$22.25	\$26.79	(16.9%)
Churn	2.1%	2.8%	0.7%	2.4%	2.5%	0.1%
TOTAL SUBSCRIBERS						
Gross additions	1,946	3,903	(50.1%)	5,260	7,287	(27.8%)
Net reductions	(3,162)	(6,043)	47.7%	(6,786)	(12,346)	45.0%
Total subscribers	59,070	74,240	(20.4%)	59,070	74,240	(20.4%)
ARPU	\$34.33	\$33.36	2.9%	\$34.12	\$32.80	4.0%
Churn	2.8%	4.2%	1.4%	3.2%	4.0%	0.8%

See section 8 for explanations on how the above statistics are calculated.

Total Subscribers and ARPU

The decrease in total subscribers for the three months ended February 28, 2007 of 3,162 or 5.1% was due largely to the continuing decline in our residential and business Dial-Up subscribers and the loss of Broadcast and High Speed subscribers due to the aggressive product bundling of the Company's competitors.

For the three and six months ended February 28, 2007, total ARPU was \$34.33 and \$34.12 respectively (2006 - \$33.36 and \$32.80). This increase in ARPU was the result of the implementation of the digital video fee and the DSL price increase which were partially offset by a subscriber shift to lower-end hosting solutions.

Broadcast Subscribers and ARPU

Broadcast subscribers totalled 18,168 as of February 28, 2007 representing a decrease of 1,126 or 5.8% for the quarter. Of the 18,168 subscribers, 5,226 represented customers in multiple-unit dwellings (MUDs) while 12,942 were single family homes. The number of subscribers continued to decline in both the three and six month periods ended February 28, 2007 as a result of reduced sales and marketing activities by the Company, aggressive bundling marketing campaigns by the competition, and the implementation of the digital video fee. As a result of the digital video fee, ARPU for the six months ended February 28, 2007 increased by 8.3% to \$49.68 over the comparable period one year prior.

For the six months ended February 28, 2007, subscriber churn on broadcasting was an average of 2.7%, a marked decline from the 3.7% churn for the same period one year prior.

Internet Subscribers and ARPU

Internet subscribers totalled 29,318, as of February 28, 2007 representing a decrease of 1,948 or 6.2% for the quarter. The decrease was essentially in the Dial-Up subscriber base, which lost 1,765 subscribers in the quarter reflecting continuous subscriber attrition and migration to High Speed products.

ARPU on Internet services was \$26.30 per month for the six months ended February 28, 2007 (2006 - \$24.92). While ARPU on residential and business Dial-Up customers was \$15.94 for the six month period ended February 28, 2007 (2006 - \$16.30), ARPU on High Speed internet access was \$45.20 (2006 - \$46.05). The increase in total Internet Services ARPU reflects customer migration to higher-value high-speed internet options and a DSL fee increase during the first quarter of fiscal 2007.

Other Subscribers and ARPU

Other subscribers totalled 11,584 as of February 28, 2007 representing a decrease of 88 or 0.8% during the quarter. The Company also recorded domain name sales of 7,845 and 15,652 for the three and six months ended February 28, 2007 (2006 – 10,619 and 20,299).

ARPU on Other Services for the three and six months ended February 28, 2007 averaged \$22.02 and \$22.25 respectively (2006 - \$26.01 and \$26.79). The decrease in ARPU was attributable to product mix, with subscribers moving to lower priced hosting solutions.

Operating expenses

Total operating expenses for the three months ended February 28, 2007 of \$5,592 decreased from \$5,870 in the three months ended February 28, 2006, while operating expenses for the six month period decreased by \$703 to \$10,613. Despite higher general and administration expenses, total operating expenses decreased in the three and six month periods as a result of reduced marketing expenses, contract renegotiations, improved efficiencies and head count reductions.

	Three months ended February 28, 2007	Percentage of service revenue	Three months ended February 28, 2006	Percentage of service revenue
Marketing and Sales	28	0.4%	\$ 218	2.8%
Customer Care	482	7.7%	830	10.8%
Engineering and Operations	792	12.7%	1,223	15.9%
General and Administration	3,125	50.0%	2,318	30.1%
Total before amortization of capital assets and deferred charges	4,427	70.8%	4,589	59.6%
Amortization of capital assets and deferred charges	1,165	18.6%	1,281	16.6%
Total operating expenses	\$5,592	89.4%	\$5,870	76.2%

	Six months ended February 28, 2007	Percentage of service revenue	Six months ended February 28, 2006	Percentage of service revenue
Marketing and Sales	\$ 69	0.5%	\$ 401	2.5%
Customer Care	1,039	8.1%	1,699	10.7%
Engineering and Operations	1,758	13.8%	2,490	15.7%
General and Administration	5,398	42.3%	4,107	25.9%
Total before amortization of capital assets and deferred charges	8,264	64.8%	8,697	54.8%
Amortization of capital assets and deferred charges	2,349	18.4%	2,619	16.5%
Total operating expenses	\$10,613	83.2%	\$11,316	71.3%

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 current quarter, marketing and sales expenses were \$28 or 0.4% of service revenues, compared to \$218 or 2.8% of service revenues for the three month period ended February 28, 2006. For the six month period ended February 28, 2007, marketing and sales expenses were \$69 or 0.5% of service revenues compared to \$401 or 2.5% of service revenues one year prior. After the limited success of advertising campaigns in 2005 and early 2006, the Company has focused on retention of its higher-value subscribers.

For the three and six month periods ended February 28, 2007, cost of acquisition per subscriber ("COA") was \$14.14 and \$13.09 respectively compared with \$55.85 and \$55.03 for the three and six month periods ended February 28, 2006.

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 three and six month periods ended February 28, 2007, customer care expenses were \$482 or 7.7% and \$1,039 or 8.1% of service revenues compared to \$830 or 10.8% and \$1,699 or 10.7% of service revenues for the same periods in fiscal 2006. As a percentage of revenues, customer care expenses declined slightly for both the three and six month periods ended February 28, 2007 reflecting the Company's ability to achieve efficiencies in customer care while maintaining its customer focus 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 three and six month periods ended February 28, 2007, engineering and operations expenses declined to \$792 or 12.7% and \$1,758 or 13.8% of service revenues (2006 - \$1,223 or 15.9% and \$2,490 or 15.7%). The reductions during fiscal 2007 resulted primarily from the re-negotiation of hardware and software maintenance agreements and the continued focus on cost management.

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 three and six months ended February 28, 2007, general and administration expenses were \$3,125 or 50%, and \$5,398 or 42.3% of service revenues respectively, compared to \$2,318 or 30.1% and \$4,107 or 25.9% of service revenues for the three and six months ended February 28, 2006 respectively.

The increase in both periods in fiscal 2007 over the comparatives in fiscal 2006 results mainly from professional fees and stock based compensation, a non cash charge referred to in note 13.

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 three and six months ended February 28, 2007, amortization of capital assets was \$1,149 and \$2,309, compared to \$1,258 and \$2,572 respectively for the three and six months ended February 28, 2006. Amortization of deferred financing charges totalled \$16 and \$40 for the three and six months ended February 28, 2007, compared to \$23 and \$47 respectively for the three and six months ended February 28, 2006.

Interest and Financing Charges

	Three months ended		Six months ended	
	February 28, 2007	February 28, 2006	February 28, 2007	February 28, 2006
Accretion charges on liability of convertible debenture	\$ (41)	\$ (8)	\$ (80)	\$ (56)
Interest expense	(51)	(53)	(102)	(104)
Interest Income	90	50	193	91

For the three and six months ended February 28, 2007, \$41 and \$80 (2006 – \$8 and \$56) was recorded as accretion charges on the liability component of the convertible debentures and \$51 and \$102 (2006 - \$53 and 104) was recorded in interest expense on mortgage financing, supplier-financed credit facilities, capital lease obligations and financing fees. Interest income on liquid assets for the three and six month periods was \$90 and \$193 (2006 - \$50 and \$91).

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

Discontinued Operations

The loss from discontinued operations in the six months ended February 28, 2007 of \$1,000 relates to additional charges for the settlement of the claim against UBS for leased premises used by UBS Technologies A/S, its Danish subsidiary that filed for bankruptcy in 2003. In 2006, a loan that was previously fully provided for amounting to \$2,423 was repaid and reflected as income in the period.

Loss for the period

The loss for the three and six months ended February 28, 2007 amounted to \$1,600 or \$0.02 per share and \$3,438 or \$0.03 per share respectively, compared with income of \$1,946 or \$0.02 per share and \$1,433 or \$0.01 per share respectively for the three and six months ended February 28, 2006.

10. 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:

	3 months ended		6 months ended	
	February 28, 2007	February 28, 2006	February 28, 2007	February 28, 2006
Loss from continuing operations	\$ (1,600)	\$ (477)	\$ (2,438)	\$ (990)
Non-controlling interest	(667)	(693)	(1,343)	(1,355)
Amortization of capital assets	1,149	1,258	2,309	2,572
Amortization of deferred charges	16	23	40	47
Net interest and financing charges	(39)	3	(91)	13
Accretion charges on liability component of convertible debentures	41	8	80	56
(Recovery)/provision for income taxes	-	1	-	(2)
EBITDA*	\$ (1,100)	\$ 123	\$ (1,443)	\$ 341

*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.

11. QUARTERLY FINANCIAL RESULTS

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

Fiscal Year Quarter ended	2005		2006				2007	
	May 31 ¹	Aug 31 ¹	Nov 30	Feb 28	May 31	Aug 31	Nov 30	Feb 28
Revenue	\$9,178	\$9,041	\$8,359	\$7,850	\$7,063	\$6,605	\$6,636	\$6,346
Gross Margin	4,601	4,133	4,325	4,712	3,719	4,005	3,494	3,327
Operating expenses before amortizations	(4,864)	(4,405)	(4,106)	(4,589)	(4,214)	(5,649)	(3,837)	(4,427)
Continuing Operations								
Loss for the period	(994)	(778)	(513)	(477)	(818)	(1,825)	(838)	(1,600)
Non controlling interest	(1,025)	(149)	(662)	(693)	(893)	(1,001)	(676)	(667)
Interest, taxes, depreciation and amortization	1,756	655	1,394	1,293	1,216	1,182	1,171	1,167
EBITDA	(263)	(272)	219	123	(495)	(1,644)	(343)	(1,100)
Discontinued Operations								
Income/(loss) for the period	-	224	-	2,423	-	(1,202)	(1,000)	-
Loss per share ² – continuing operations	(0.01)	(0.01)	0.00	0.00	(0.01)	(0.02)	(0.01)	(0.02)
Income/(loss) per share ² – discontinued operations	0.00	0.00	0.00	0.02	0.00	(0.01)	(0.01)	0.00
Income/(loss) per share ² – total	(0.01)	(0.01)	0.00	0.02	(0.01)	(0.03)	(0.02)	(0.02)

¹ The results in the table have been restated to reflect the change in accounting policy for convertible debentures.

² Loss per share is basic and diluted.

Dial-Up revenue has declined significantly over the past year. For the six months ended February 28, 2006, Dial-Up revenue was \$3,019 and represented 19.1% of total service revenues of the Company. For the six months ended February 28, 2007, this had declined to \$1,937 or 15.2% of total service revenues. The Company offers alternatives such as wireless access products and DSL to subscribers in Ontario and Quebec and is therefore able to retain some customers wishing to migrate to high speed internet access. 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 Dial-Up subscribers.

In order to align operating costs with declining subscriber numbers, all departments have been impacted by internal restructurings that have occurred from time to time over the past two years. Full-time equivalent employees have been reduced from 299 at August 31, 2003 to 96 at February 28, 2007 which, together with renegotiated contracts and reduced sales and marketing expenses are a few of the key components of the reduction in operating expenses.

12. LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$10,236 at February 28, 2007 compared with cash of \$8,481 at August 31, 2006.

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

Cash Flows from (used in):	3 months ended		6 months ended	
	February 28, 2007	February 28, 2006	February 28, 2007	February 28, 2006
Operating activities – continuing operations	\$ 773	\$ 496	\$ 2,242	\$ (590)
Operating activities – discontinued operations	(350)	(129)	(350)	(198)
Cash flows (used in) operating activities	423	367	1,892	(788)
Cash flows from/(used in) financing activities	(9)	(8)	(24)	(27)
Cash flows from/(used in) investing activities	(1)	2,516	(113)	2,281
Increase in cash and cash equivalents	\$ 413	\$ 2,875	\$ 1,755	\$ 1,466

Cash provided by operating activities for the three and six month periods ended February 28, 2007 was \$423 and \$1,892 compared to cash provision of \$367 and cash used of \$788 for the respective periods in 2006. This was largely due to changes in operating working capital.

Cash used in financing activities for the three and six month periods ended February 28, 2007 was \$9 and \$24, compared with cash used in financing activities of \$8 and \$27 for the three and six months ended February 28, 2006.

For the three and six month periods ended February 28, 2007, cash used in investing activities amounted to \$1 and \$113 respectively. This compares with cash provided by investing activities of \$2,516 and \$2,281 in the comparative periods arising from the repayment of the loan from the sale of E & M Business.

As at February 28, 2007, 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	\$2,029	383	708	342	233	363
Capital leases	\$30	30	-	-	-	-

The mortgage on Look's Milton building was renegotiated during fiscal 2006 and increased to \$1,800. The mortgage expires on August 21, 2009 and is collateralized by a first legal charge over the land and building.

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.

Management believes that the Company has sufficient cash and cash equivalents available to meet the needs of its existing operations for the near future. This projection would be adversely impacted by a faster rate of decline in subscribers than experienced during fiscal 2006, negative pressure on ARPU and the outcome of the dispute with Bell Canada. Existing cash on hand is expected to fund existing commitments and was sufficient to develop an M³ demonstration site in the City of Milton. Significant external funds will be required to expand the M³ network to achieve the Company's goal of being an M³ information, communication, and entertainment service provider throughout the Windsor to Québec City corridor. The foregoing includes forward looking information that is subject to risks and uncertainties described under "Operating 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 February 28, 2007 was \$6,221 compared with \$4,451 at August 31, 2006. UBS had a working capital deficiency of \$495 at February 28, 2007 (surplus of \$1,370 at August 31, 2006), while Look's working capital deficiency at February 28, 2007 was \$5,726 compared with \$5,821 at August 31, 2006. The Company is actively controlling its operating expenses on an ongoing basis to align with the decline in the subscriber base. Management continues to reposition the Company as an M³ 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 broadcast license.

13. SHARE CAPITAL

As at February 28, 2007, UBS had issued 91,442,522 Common Shares (August 31, 2006 – 91,442,522) and 11,305,332 Class A Non-Voting Shares (August 31, 2006 – 11,305,332) for total issued shares of 102,747,854 (August 31, 2006 - 102,747,854).

At February 28, 2007, there were options outstanding to acquire 15,954,000 Common Shares of UBS (August 31, 2006 – 15,954,000). During the three and six months ended February 28, 2007, UBS recorded stock based compensation expense of \$550 and \$680 respectively (2006 - \$117 and \$185) related to the options granted to employees and non-employees.

As at April 24, 2007 there were no changes to the number of Common Shares issued and the number of options outstanding to purchase Common Shares of UBS.

14. CLAIMS FOR DAMAGES

On January 16, 2003, UBS Wireless Services Inc. (UBS Wireless) 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.

In January 2007, UBS Wireless instructed McMillan Binch Mendelsohn to bring a motion to add the Inukshuk Wireless Partnership, owned directly or indirectly 50% by Bell Canada and 50% by Rogers, as a defendant to the original lawsuit.

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

15. LITIGATION

On January 22, 2007, UBS settled a claim in connection with UBS Technologies A/S (formerly ProTelevision Technologies A/S), its Danish subsidiary that filed for bankruptcy in early 2003. The claim related to leased premises used by UBS Technologies A/S in Denmark. This settlement was charged to discontinued operations.

UBS continues to defend itself against the other litigation detailed in the Company's 2006 annual financial statements and its Annual Report.

16. TRANSACTIONS WITH RELATED PARTIES

- (a) Management Service Agreement with Jolian Investments Ltd.

Management service fees pursuant to the Management Service Agreement between UBS and Jolian Investments Ltd., which is controlled by the Chairman and CEO of the Company, amounted to \$125 and \$249 for the three and six months ended February 28, 2007 respectively (2006 – \$70 and \$70).

- (b) Alex Dolgonos, Former President and CEO

Consulting fees, pursuant to a consulting agreement entered into with Mr. Dolgonos in 2003, amounted to \$105 and \$207 for the three and six months ended February 28, 2007 respectively (2006 - \$87 and \$176).

17. 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.

Supplier Risks

Look purchases the majority of its telecommunications needs from Bell Canada. Look has an exposure to supplier risk as the ability to continue to deliver services to Look's subscribers is dependent upon the ability of Bell Canada to fulfill its contractual obligations to Look. (Refer to section 3 above)

Financing Risks

The Company's M³ 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 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 M³ 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.

18. DISCLOSURE CONTROLS

Management has evaluated the Company's disclosure controls and procedures and has determined that, as at February 28, 2007, the controls are effective.

19. 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 three and six months ended February 28, 2007 that have materially affected, or are reasonably likely to materially affect, its ICOFR. No such changes were identified.