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

UNIQUE BROADBAND SYSTEMS, INC.

Unaudited three and nine months ended May 31, 2007 and 2006

UNIQUE BROADBAND SYSTEMS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

For the three and nine months ended May 31, 2007 and 2006

July 27, 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 May 31, 2007 and August 31, 2006 and the consolidated results of operations for the three and nine months ended May 31, 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 corporation'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 the outcome of Look's dispute with Bell Canada, (see sections 3 "Overview - Significant Current Events" and 14(b) "Claims for Damages" below), 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. OVERVIEW

Significant Current Events

In response to Bell Canada's April 10, 2007 "Notice of Intent to Disconnect" Look's services, on May 8, 2007, Look filed a Notice of Motion seeking Interim and Interlocutory Injunctions preventing Bell Canada from terminating, reducing, restricting, or in any way interfering with the telecommunications services provided by Bell Canada to Look pending the final determination of the motion or until such other time as the Court may direct. The Interim and Interlocutory Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007, the outcome of which is not known at this time.

If the Ontario Superior Court of Justice denies the Interim and Interlocutory Injunctions sought by Look and Bell Canada chooses to disconnect all telecommunication services it provides to Look, substantially all of Look's revenues will be impacted and as a result the Company will review the carrying values of all of its assets and liabilities.

If, however, the Ontario Superior Court of Justice grants the Interim and Interlocutory Injunctions sought by Look, Look may be able to carry on business in the normal course of operations.

Look is also continuing to vigorously pursue its Statement of Claim against Bell Canada as outlined in section 14(b) "Claims for Damages" below.

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's mission is to be an M³ - Mobile Multi Media - entertainment and information service provider in Ontario and Québec. Look is a multi media service provider currently 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. (see sections 3 "Overview - Significant Current Events" above, and 14(b) "Claims for Damages" below for the impact on Look's products and services if the Interim and Interlocutory Injunctions are denied by the Ontario Superior Court of Justice).

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 nine employees. Look's registered office is located in Toronto, Ontario and its main operations are in Montreal, Quebec and Milton, Ontario. As at May 31, 2007, Look had 92 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 television demonstration network was completed in Milton, Ontario in April 2006 and is fully operational. The commercial launch of the M³ network is, however, dependent upon Look reaching an operationally-feasible resolution to the dispute with Bell Canada and on obtaining adequate financing arrangements with financial partners and other suppliers for the development and build-out of the network.

An M³ platform brings together communications, information, and entertainment, delivered to the consumer's hand rather than to a geographically defined location – the home or the office. It gives the consumers the personalization and mobility they want in voice, television, data and Internet and allows these 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 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.

The Company will seek to achieve profitability within Ontario and Quebec from its existing operations and its 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. Resolve the dispute with Bell Canada to continue servicing existing subscribers;
2. Maximize shareholder value through the strategic repositioning of Look's M³ enabling assets; and
3. Continue to re-negotiate supplier contracts and focus on efficiency improvements.

On October 24, 2006, Look announced that it had retained Greenhill & Co. to assist in the strategic repositioning of Look and to assist in maximizing shareholder value. After months of discussions with "Interested Parties", on April 24, 2007, Look announced that it "believes it is inappropriate and unproductive to continue the formal shareholder maximization process and accordingly has decided to discontinue at this time the formal process with 'Interested Parties'. Look may continue informal discussions should it be appropriate to do so".

The decision to discontinue the formal process resulted from, amongst other events involving the Company:

1. The actions taken by Rogers, with regard to the Company "tempering with cautionary language" comments made about UBS' Inukshuk litigation, and Bell Canada, with respect to the Notice of Intent to Disconnect Look's services, and the Company's responses to those actions; and
2. Recent changes in the broader Canadian telecommunications industry, including the upcoming Canadian AWS Spectrum auction which is discussed below in the section entitled "Spectrum Auction".

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 ownership 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

The Canadian Market

According to Industry Canada, the Canadian wireless telecommunications market is expected to generate over \$15 billion of revenue by 2009, representing an 11.5 percent compound five year growth from 2005 to 2009. The Canadian market is currently estimated to be about one tenth of the US market, which currently stands at over US\$122 billion, but the Canadian wireless market is growing at a faster pace than its US counterpart. [source: The Canadian Wireless Industry – Analysis, Positioning and Capabilities: 2006-09, Industry Canada publication, April 13, 2007]

The wireless telecommunications sector plays an important role in the Canadian economy, accounting for 25,000 jobs, over \$9.5 billion in annual revenue and a \$4.1 billion investment in infrastructure. In recent years, the number of wireless subscribers has increased at a compound annual rate exceeding 17% to reach 14.9 million while revenue has grown at a rate of 14% to reach \$9.5 billion. However, wireless market penetration remains low in Canada – estimated by industry analysts at SeaBoard to be 58 percent, second last in the OECD and 20 percent lower than the US. SeaBoard believes relatively high cell phone prices in Canada suppress demand for wireless services. [source: Lament for a Wireless Nation - A Cross-National Survey of Wireless Service Prices: Canada, the United States and Europe March 2007]

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. Research In Motion Ltd. expects to ship the 20 millionth BlackBerry in the summer of 2007 while analysts have said they expect Apple to sell 10 million iPhones by the end of 2008.

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 wireline 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.

Market growth can be attributed to any number of important developments, including higher speed Internet, content delivery services, efforts around enhanced end-user experience and video services. At present, the mobile video services available in Canada are mostly point-to-point streaming of video images from the carrier's network to an individual's handset. They do not constitute mobile broadcasting.

While the uptake of new mobile services has been slower in North America (and slower in Canada than the US) than in more established markets like Japan and Korea, some analysts identify technology and spectrum limitations as limiting factors for rapid growth.

The Need for Spectrum

The requirement for additional spectrum may be addressed in part by the federal government's Advanced Wireless Services (AWS) spectrum auction, anticipated in early 2008. The demand for spectrum is expected to be high. As The Honourable Maxime Bernier, Minister of Industry explained at the June 2007 Canadian Telecom Summit:

1. Spectrum is not just about cellphones. New applications are being developed and commercialized every year. High-tech cars today come with satellite navigation systems, and this requires spectrum. Farmland irrigation systems are being switched on and off remotely, which requires spectrum. Bank cards and public transit passes will soon be able to communicate by using spectrum. The wireless transmission of energy is being developed. Imagine how revolutionary it would be if we did not need wires to transmit power;
2. There are dozens of other examples of wireless communication between people and machines. Wireless technology is like the electrical grid. At first, it was used mainly for lighting. Since then, all kinds of new electrical devices have been invented and connected to the wireline electrical network: ovens and refrigerators, hair dryers and washing machines;
3. As new devices are invented that communicate wirelessly using spectrum, they too will reshape society in unpredictable ways. This is why we must have an effective spectrum policy. The next wave of innovation depends on spectrum; and
4. Countries that have flexible spectrum policies will attract innovators, researchers and investments. Their citizens will have faster access to all these new products. Countries that slow down the adoption of technologies, or inhibit market forces, will fall behind. The most critical role of government is to allocate spectrum in a timely and efficient manner.

The US FCC completed the auction of 90 MHz of spectrum with no limitations on its use in September 2006, awarding 1,087 licenses to 104 bidders for aggregate proceeds of US\$13.9 billion. In the UK, the auction of 192MHz of spectrum, situated around the frequency of 2.6GHz, is expected to happen in early 2008. Like the Canadian auction, the terms for the UK auction will be published later this year.

Spectrum Auction

Licensed wireless spectrum in Canada, as well as the rest of the world, is a scarce resource. The federal government has announced it will hold an auction of spectrum licences in early 2008. A total of 105 MHz of spectrum in the 2-GHz range will be made available. Rules governing the auction are expected to be announced by the government in the fall of 2007.

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 proposed rules and procedures governing the upcoming auction. At present, the Government of Canada's plans for the AWS auction for 90 MHz in the 1710 – 1755 and 2210 – 2155 MHz bands and 5 MHz in

each of the 1670 – 1675, 1910 – 1915 and 1990 – 1995 bands will see 589 licenses placed for bid with 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.

Industry Canada invited interested parties to provide their views and comments, by May 25, 2007, on various issues raised in the 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. Reply comments were accepted until June 27, 2007. Although all of the large industry players, namely Rogers, Bell Canada and Telus, initially advocated an open auction with all spectrum going to the highest bidder and argued against infrastructure-sharing, in June 2007 Telus reversed its position during its considerations in bidding for Bell Canada, stating that Telus now believes there should be spectrum set-asides and that it would be amenable to infrastructure-sharing for a fixed period of time, thus greatly facilitating the entry of new players to the industry. The Company fully supports this position and believes that in part as a result of these new developments, the value of its assets will only continue to increase over time.

The Government paper outlines that the opening bids for the AWS spectrum band would 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 the upcoming auctions.

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 spectrum and broadcast licence 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.

6. OVERVIEW OF GOVERNMENT REGULATION AND REGULATORY DEVELOPMENTS

Industry Canada

The awarding of spectrum and licences for data services in Canada is 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 that are required to operate wireless communications systems.

Industry Canada released a new Spectrum Policy Framework, the policy foundation for the management of spectrum, in June 2007. It provided the following overview of spectrum:

"The radio frequency spectrum is a unique resource from which all aspects of society benefit. It provides access for Canadians to a range of private, commercial, consumer, defence, national security, scientific and public safety applications. The radio frequency spectrum is divided into different bands which are used by a variety of communications services including - broadcasting, cellular, satellite, public safety and two-way radio. It is the only resource that can support practical wireless communications in every day situations. The Department recognizes that there are a number of factors, such as rapidly evolving technology, changing market demands, globalization and an increased focus on public safety and security, which need to be taken into account in an effective spectrum management program".

The Framework was based upon the "the importance of relying on market forces in spectrum management, to the maximum extent feasible," a principle that the Company endorses.

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 U.S. 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 Look 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 broadband 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 our position as an MDS Broadcaster and provides additional options for the future development of the Company, if we so choose.

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

The MD&A is made with reference to the Company's unaudited consolidated financial statements and notes thereto for the three and nine month periods ended May 31, 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 nine months ended May 31, 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.

Earnings Before Interest Expenses, Income Taxes, Depreciation, and Amortization (EBITDA)

EBITDA is defined as earnings before net interest expenses, income taxes, depreciation, and amortization. EBITDA is a common measure used in the communications 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 and is unlikely to be comparable to similar measures presented by other issuers, 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. We believe, however, that it is an important measure as it allows us to assess our ongoing business without the impact of depreciation or amortization expenses as well as non-operating factors. It is intended to indicate the Company's ability to incur or service debt and invest in capital assets.

9. RESULTS OF OPERATIONS

Continuing Operations

The loss from continuing operations for the three and nine months ended May 31, 2007 was \$1,107 or \$0.01 per common share and \$3,545 or \$0.03 per common share, respectively, compared with the loss of \$818 or \$0.01 and \$1,808 or \$0.02 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 May 31, 2007			Three months ended May 31, 2006		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Broadcast distribution	\$ 2,653	\$ 1,513	43.0%	\$ 3,075	\$ 1,466	52.3%
Internet	2,269	965	57.5%	2,807	1,293	53.9%
Other	995	383	61.5%	1,053	393	62.7%
Total	5,917	2,861	51.6%	6,935	3,152	54.5%
Sales and installations	96	114		128	192	
Total service and sales	\$ 6,013	\$ 2,975		\$ 7,063	\$ 3,344	

Service	Nine months ended May 31, 2007			Nine months ended May 31, 2006		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Broadcast distribution	\$ 8,433	\$ 4,662	44.7%	\$ 9,860	\$ 4,788	51.4%
Internet	7,212	3,035	57.9%	9,300	3,902	58.0%
Other	3,034	1,144	62.3%	3,609	1,238	65.7%
Total	18,679	8,841	52.7%	22,769	9,928	56.4%
Sales and Installations	316	295		503	588	
Total service and sales	\$ 18,995	\$ 9,136		\$ 23,272	\$ 10,516	

Total Revenue and Gross Margin

Total revenue for the three months ended May 31, 2007 of \$6,013 was \$1,050 or 14.9% lower than the comparable period in fiscal 2006. Total revenue for the nine months ended May 31, 2007 of \$18,995 was \$4,277 or 18.4% 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 nine month period ended May 31, 2007 was 52.7% compared to 56.4% 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 supplier adjustments in the second quarter of 2006 that increased margins for that period.

Broadcast Services Revenue and Gross Margin

The decrease in Broadcast Services revenue for the three and nine month periods ended May 31, 2007 of \$422 or 13.7% and \$1,427 or 14.5% 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 nine months ended May 31, 2007 declined to 44.7% (2006 - 51.4%) due primarily to the increased costs of providing broadcast services to subscribers in addition to a one-time supplier 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 nine month periods ended May 31, 2007 declined by \$538 or 19.2% and \$2,088 or 22.5% 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 \$845 and \$2,782 respectively for the three and nine month periods ended May 31, 2007 (2006 - \$1,202 and \$4,281). Revenue from High Speed for the comparable periods in fiscal 2007 was \$1,424 and \$4,430 (2006 - \$1,605 and \$5,019). 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 Look's competitors.

Internet Services gross margin for the nine months ended May 31, 2007 remained flat at 57.9% (2006 - 58.0%).

Other Services Revenue and Gross Margin

Revenue from Other Services in the three and nine month periods ended May 31, 2007 declined by \$58 or 5.5% and \$575 or 15.9% 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 \$31 and \$432 respectively in the three and nine month periods ended May 31, 2007 over the comparable periods one year prior.

Gross margin for the nine months ended May 31, 2007 decreased to 62.3% (2006 - 65.7%) due to the decline in the higher-margin hosting subscribers, along with changes to the structure of co-marketing agreements.

Sales and Installation Revenue

Revenue derived from sales and installations for the three and nine month periods ended May 31, 2007 decreased by \$32 or 25.0% and \$187 or 37.2% respectively as a result of discounts offered on new installations along with an overall decrease in those installations.

Subscriber statistics

	Three months ended May 31, 2007	Three months ended May 31, 2006	% change	Nine months ended May 31, 2007	Nine months ended May 31, 2006	% change
BROADCAST DISTRIBUTION						
Gross additions	470	726	(35.3%)	1,377	2,240	(38.5%)
Net reductions	(1,491)	(1,181)	(26.2%)	(3,706)	(5,267)	29.6%
Total subscribers	16,677	21,507	(22.5%)	16,677	21,507	(22.5%)
ARPU	\$50.59	\$47.10	7.4%	\$49.98	\$46.25	8.1%
Churn	3.7%	2.9%	(0.8%)	3.0%	3.4%	0.4%
INTERNET						
High Speed						
Gross additions	487	1,080	(54.9%)	2,239	3,353	(33.2%)
Net additions / (reductions)	(420)	(264)	(59.1%)	(964)	(1,043)	7.6%
Total subscribers	10,464	11,978	(12.6%)	10,464	11,978	(12.6%)
ARPU	\$44.41	\$44.15	0.6%	\$44.93	\$45.42	(1.1%)
Churn	2.8%	3.7%	0.9%	3.2%	3.9%	0.7%
Dial Up						
Gross additions	405	945	(57.1%)	1,466	2,856	(48.7%)
Net reduction	(1,858)	(2,895)	35.8%	(5,717)	(10,100)	43.4%
Total subscribers	16,576	24,218	(31.6%)	16,576	24,218	(31.6%)
ARPU	\$16.13	\$15.77	2.3%	\$16.00	\$16.13	(0.8%)
Churn	4.2%	4.9%	0.7%	4.1%	4.9%	0.8%
TOTAL INTERNET						
Gross additions	892	2,025	(56.0%)	3,705	6,209	(40.3%)
Net reductions	(2,278)	(3,159)	27.9%	(6,681)	(11,143)	40.0%
Total subscribers	27,040	36,196	(25.3%)	27,040	36,196	(25.3%)
ARPU	\$26.87	\$24.93	7.8%	\$26.49	\$24.93	6.3%
Churn	3.7%	4.5%	0.8%	3.7%	4.6%	0.9%
OTHER						
Gross additions	693	1,117	(38.0%)	2,233	2,704	(17.4%)
Net additions / (reductions)	(162)	(270)	40.0%	(330)	(548)	39.8%
Total subscribers	11,422	11,925	(4.2%)	11,422	11,925	(4.2%)
ARPU	\$21.36	\$21.95	(2.7%)	\$21.95	\$25.19	(12.9%)
Churn	2.5%	3.8%	1.3%	2.5%	2.9%	0.4%
TOTAL SUBSCRIBERS						
Gross additions	2,055	3,868	(46.9%)	7,315	11,153	(34.4%)
Net reductions	(3,931)	(4,610)	14.7%	(10,717)	(16,958)	36.8%
Total subscribers	55,139	69,628	(20.8%)	55,139	69,628	(20.8%)
ARPU	\$34.53	\$32.29	6.9%	\$34.26	\$32.62	5.0%
Churn	3.5%	3.9%	0.4%	3.3%	4.0%	0.7%

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 May 31, 2007 of 3,931 or 6.7% was due largely to the continuing decline of our residential and business Dial-Up subscribers and the loss of Broadcast and High Speed subscribers due to the aggressive product bundling by Look's competitors.

For the three and nine months ended May 31, 2007, total ARPU was \$34.53 and \$34.26 respectively (2006 - \$32.29 and \$32.62). 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 16,677 as of May 31, 2007 representing a decrease of 1,491 or 8.2% for the quarter. Of the 16,677 subscribers, 4,712 represented subscribers in multiple-unit dwellings (MUDs) while 11,965 were single family homes. The number of subscribers continued to decline in both the three and nine month periods ended May 31, 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 nine months ended May 31, 2007 increased by 8.1% to \$49.98 over the comparable period one year prior.

For the nine months ended May 31, 2007, subscriber churn on broadcasting was an average of 3.0%, a marked decline from the 3.4% churn realized for the same period one year prior.

Internet Subscribers and ARPU

Internet subscribers totalled 27,040, as of May 31, 2007 representing a decrease of 2,278 or 7.8% for the quarter. The decrease was essentially in the Dial-Up subscriber base, which lost 1,858 subscribers in the quarter reflecting continuous subscriber attrition and migration to High Speed products.

ARPU on Internet services was \$26.49 per month for the nine months ended May 31, 2007 (2006 - \$24.93). While ARPU on residential and business Dial-Up subscribers was \$16.00 for the nine month period ended May 31, 2007 (2006 - \$16.13), ARPU on High Speed internet access was \$44.93 (2006 - \$45.42). The increase in total Internet Services ARPU reflects subscriber 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 totaled 11,422 as of May 31, 2007 representing a decrease of 162 or 1.4% during the quarter. The Company also recorded domain name sales of 8,106 and 23,758 for the three and nine months ended May 31, 2007 (2006 - 9,080 and 29,379).

ARPU on Other Services for the three and nine months ended May 31, 2007 averaged \$21.36 and \$21.95 respectively (2006 - \$21.95 and \$25.19). 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 May 31, 2007 were \$5,054 compared with \$5,427 in the three months ended May 31, 2006, while operating expenses for the nine month period in fiscal 2007 decreased by \$1,075 or 6% to \$15,667. Despite higher general and administration expenses, total operating expenses decreased in the three and nine month periods as a result of reduced marketing expenses, contract renegotiations, improved efficiencies and head count reductions.

	Three months ended May 31, 2007	Percentage of service revenue	Three months ended May 31, 2006	Percentage of service revenue
Marketing and Sales	\$ 38	0.6%	\$ 152	2.2%
Customer Care	501	8.5%	770	11.1%
Engineering and Operations	778	13.1%	1,211	17.5%
General and Administration	2,545	43.0%	2,081	30.0%
Total before amortization of capital assets and deferred charges	3,862	65.3%	4,214	60.8%
Amortization of capital assets and deferred charges	1,192	20.1%	1,213	17.5%
Total Operating Expenses	\$ 5,054	85.4%	\$ 5,427	78.3%

	Nine months ended May 31, 2007	Percentage of service revenue	Nine months ended May 31, 2006	Percentage of service revenue
Marketing and Sales	\$ 107	0.6%	\$ 553	2.4%
Customer Care	1,540	8.2%	2,469	10.8%
Engineering and Operations	2,536	13.6%	3,701	16.3%
General and Administration	7,943	42.5%	6,187	27.2%
Total before amortization of capital assets and deferred charges	12,126	64.9%	12,910	56.7%
Amortization of capital assets and deferred charges	3,541	19.0%	3,832	16.8%
Total Operating Expenses	\$ 15,667	83.9%	\$ 16,742	73.5%

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 current quarter, marketing and sales expenses were \$38 or 0.6% of service revenues, compared to \$152 or 2.2% of service revenues for the three month period ended May 31, 2006. For the nine month period ended May 31, 2007, marketing and sales expenses were \$107 or 0.6% of service revenues compared to \$553 or 2.4% 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 nine month periods ended May 31, 2007, cost of acquisition per subscriber ("COA") was \$18.35 and \$14.57 respectively compared with \$39.30 and \$49.58 for the three and nine month periods ended May 31, 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 nine month periods ended May 31, 2007, customer care expenses were \$501 or 8.5% and \$1,540 or 8.2% of service revenues compared to \$770 or 11.1% and \$2,469 or 10.8% 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 nine month periods ended May 31, 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 subscribers and the costs of providing services to the subscribers.

Engineering and operations expenses in the Company'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 Company-owned point of presence; (ii) the cost of leased lines into non-Company owned ports and related facilities charges; and (iii) the cost of connecting the Company's hub to the Internet backbone. Network server costs include the costs of contracts for software and hardware maintenance and support with third parties.

For the three and nine month periods ended May 31, 2007, engineering and operations expenses declined to \$778 or 13.1% and \$2,536 or 13.6% of service revenues (2006 - \$1,211 or 17.5% and \$3,701 or 16.3%). 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 nine months ended May 31, 2007, general and administration expenses were \$2,545 or 43%, and \$7,943 or 42.5% of service revenues respectively, compared to \$2,081 or 30% and \$6,187 or 27.2% of service revenues for the three and nine months ended May 31, 2006 respectively.

The increase in both periods in fiscal 2007 over the comparatives in fiscal 2006 resulted mainly from stock based compensation, due mainly to the vesting of options linked to share price performance, and legal fees.

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 nine months ended May 31, 2007, amortization of capital assets was \$1,178 and \$3,487, compared to \$1,184 and \$3,756 respectively for the three and nine months ended May 31, 2006. Amortization of deferred financing charges totalled \$14 and \$54 for the three and nine months ended May 31, 2007, compared to \$29 and \$76 respectively for the three and nine months ended May 31, 2006.

Interest and Financing Charges

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Accretion charges on liability of convertible debenture	\$ (39)	\$ (48)	\$ (119)	\$ (104)
Interest expense	(53)	(38)	(155)	(142)
Interest Income	102	83	295	174
Loss on disposal of capital assets	(14)	-	(14)	-

For the three and nine months ended May 31, 2007, \$39 and \$119 (2006 – \$48 and \$104) was recorded as the accretion on the liability component of the convertible debentures, \$53 and \$155 (2006 - \$38 and 142) 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 nine month periods was \$102 and \$295 (2006 - \$83 and 174). Loss on the disposal of capital assets for the three and nine months ended May 31, 2007 was \$14 and \$14 (2006 – nil).

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 nine months ended May 31, 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 nine months ended May 31, 2007 amounted to \$1,107 or \$0.01 per share and \$4,545 or \$0.04 per share respectively, compared with the loss of \$818 or \$0.01 per share for the three months ended May 31, 2006 and income of \$615 or \$0.01 per share respectively for the nine months ended May 31, 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:

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Loss from continuing operations	\$ (1,107)	\$ (818)	\$ (3,545)	\$(1,808)
Non-controlling interest	(913)	(893)	(2,256)	(2,248)
Amortization of capital assets	1,178	1,184	3,487	3,756
Amortization of deferred charges	14	29	54	76
Net interest and financing charges	(49)	(45)	(140)	(32)
Accretion charges on liability component of convertible debentures	39	48	119	104
Loss on disposal of capital assets	14	-	14	-
Recovery of income taxes	-	-	-	(2)
EBITDA*	\$ (824)	\$ (495)	\$ (2,267)	\$ (154)

*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	2005	2006				2007		
Quarter ended	Aug 31¹	Nov 30	Feb 28	May 31	Aug 31	Nov 30	Feb 28	May 31
Revenue	\$9,041	\$8,359	\$7,850	\$7,063	\$6,605	\$6,636	\$6,346	\$6,013
Gross Margin	4,133	4,325	4,712	3,719	4,005	3,494	3,327	3,038
Operating expenses before amortizations	(4,405)	(4,106)	(4,589)	(4,214)	(5,649)	(3,837)	(4,427)	(3,862)
Continuing Operations								
Loss for the period	(778)	(513)	(477)	(818)	(1,825)	(838)	(1,600)	(1,107)
Non controlling interest	(149)	(662)	(693)	(893)	(1,001)	(676)	(667)	(913)
Interest, taxes, depreciation and amortization	655	1,394	1,293	1,216	1,182	1,171	1,167	1,196
EBITDA	(272)	219	123	(495)	(1,644)	(343)	(1,100)	(824)
Discontinued Operations								
Income/(loss) for the period	224	-	2,423	-	(1,202)	(1,000)	-	-
Loss per share ² – continuing operations	(0.01)	0.00	0.00	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Income/(loss) per share ² – discontinued operations	0.00	0.00	0.02	0.00	(0.01)	(0.01)	0.00	0.00
Income/(loss) per share ² – total	(0.01)	0.00	0.02	(0.01)	(0.03)	(0.02)	(0.01)	(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.

Dial-Up revenue has declined significantly over the past two years. For the nine months ended May 31, 2006, Dial-Up revenue was \$4,281 and represented 18.8% of total service revenues of the Company. For the nine months ended May 31, 2007, this had declined to \$2,782 or 14.9% 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 subscribers 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 92 at May 31, 2007 which, together with renegotiated contracts and reduced sales and marketing expenses, are the key drivers of lower operating expenses.

12. LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$10,808 at May 31, 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):	Three months ended		Six months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Operating activities – continuing operations	\$ 582	\$ (72)	\$ 2,824	\$ (662)
Operating activities – discontinued operations	-	(4)	(350)	(202)
Cash flows (used in) operating activities	582	(76)	2,474	(864)
Cash flows from/(used in) financing activities	(8)	(13)	(32)	(40)
Cash flows from/(used in) investing activities	(2)	338	(115)	2,619
Increase in cash and cash equivalents	\$ 572	\$ 249	\$ 2,327	\$ 1,715

Cash provided by operating activities for the three and nine month periods ended May 31, 2007 was \$582 and \$2,474 compared to cash used of \$76 and \$864 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 nine month periods ended May 31, 2007 was \$8 and \$32, compared with cash used in financing activities of \$13 and \$40 for the three and nine months ended May 31, 2006.

For the three and nine month periods ended May 31, 2007, cash used in investing activities amounted to \$2 and \$115 respectively. This compares with cash provided by investing activities of \$338 and \$2,619 in the comparative periods arising mainly from the repayment of the loan from the sale of the E & M Business.

As at May 31, 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	\$ 1,837	191	708	342	233	363
Capital leases	\$ 22	22	-	-	-	-

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 Look'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 Look has sufficient cash and cash equivalents available to meet the needs of its existing operations for the near future. This projection may be adversely impacted by the outcome of the Bell Canada dispute, a faster rate of decline in subscribers than experienced during fiscal 2006 and fiscal 2007 and negative pressure on ARPU. Significant external funds will, however, be required to expand the M³ network to achieve Look's mission 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. UBS will need to arrange financing to meet its ongoing operating expenses.

The Company's working capital deficiency at May 31, 2007 was \$6,756 compared with \$4,451 at August 31, 2006. UBS had a working capital deficiency of \$624 at May 31, 2007 (surplus of \$1,370 at August 31, 2006), while Look's working capital deficiency at May 31, 2007 was \$6,132 compared with \$5,821 at August 31, 2006. While 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 Look as an M³ service provider so that it can better utilize Look'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 May 31, 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 May 31, 2007, there were options outstanding to acquire 15,974,000 Common Shares of UBS (August 31, 2006 – 15,954,000). During the three and nine months ended May 31, 2007, UBS recorded stock based compensation expenses of \$227 and \$907 (2006 - \$90 and \$275) related to options granted to employees and non-employees, respectively.

As at July 27, 2007, there were no changes to the number of Common Shares of UBS issued and the number of options outstanding to purchase Common Shares of UBS.

14. CLAIMS FOR DAMAGES

(a) Inukshuk claim

On January 16, 2003, UBS entered into a signed Right of Use Agreement (the "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 , Microcell Solutions Inc. and Inukshuk (the latter two companies being 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.

During the quarter ended May 31, 2007, the Company commenced proceedings to bring a motion to add the Inukshuk Wireless Partnership 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.

(b) Bell Canada claim

In response to Bell Canada’s “Notice of Intent to Disconnect” Look’s services, on April 27, 2007, Look filed a Statement of Claim with the Ontario Superior Court of Justice against Bell Canada. Look claims damages in the aggregate amount of \$25,000 plus interest, costs and any applicable taxes for, amongst other things, Bell Canada’s breach of contract, misrepresentation and unlawful interference with economic relations. Look is also seeking \$10,000 in aggravated and/or punitive damages.

On July 5, 2007, Bell Canada served its Statement of Defence and Counterclaim against Look claiming, amongst other things, and in addition to damages for trade payables, damages in the amount of \$2,300 for credit notes improperly issued by Bell Canada, and \$1,000 in aggravated and/or punitive damages.

The hearing date for these actions has yet to be determined and the outcome of these actions cannot be predicted at this time. These claims are significant to the Company’s shareholders. In the Company’s opinion, Bell Canada’s Counterclaim is without merit and Look intends to vigorously pursue its rights.

On May 8, 2007, Look filed a Notice of Motion seeking Interim and Interlocutory Injunctions preventing Bell Canada from terminating, reducing, restricting, or in any way interfering with the telecommunications services provided by Bell Canada to Look, pending the final determination of the motion or until such other time as the Court may direct. The Interim and Interlocutory Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007, the outcome of which is not known at this time.

If the Ontario Superior Court of Justice denies the Interim and Interlocutory Injunctions sought by Look, and Bell Canada chooses to disconnect all telecommunication services it provides to Look, Look will be unable to provide substantially all of its video, high-speed wireless internet, digital subscriber line (DSL), dial-up (virtual point-of-presence) and LAN extension services and substantially all of Look's revenues will be impacted. In addition, the Company's telephony services will be affected. However, Look will still be able to offer both video and high-speed wireless Internet to customers in the Milton, Ontario region and high-speed wireless Internet to customers in the Vaughan, Ontario region. As a result of the foregoing, the Company will review the carrying values of all of its assets and liabilities.

If, however, the Ontario Superior Court of Justice grants the Interim and Interlocutory Injunctions sought by Look, Look may be able to carry on business in the normal course of operations.

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 in 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. ("Jolian"), which is controlled by the Chairman and CEO of the Company, amounted to \$125 and \$374 for the three and nine months ended May 31, 2007 respectively (2006 – \$104 and \$173).

(b) Alex Dolgonos, Former President and Chief Executive Officer of UBS

Consulting fees, pursuant to a consulting agreement entered into with Mr. Dolgonos in 2003, amounted to \$103 and \$309 for the three and nine months ended May 31, 2007 respectively (2006 - \$85 and \$261).

17. RISKS AND UNCERTAINTIES

Going Concern

UBS' and Look's ability to continue as going concerns is dependent upon the outcome of the Bell Canada dispute (see sections 3 "Overview - Significant Current Events" and 14(b) "Claims for Damages" above), 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 Risk

Look purchases the significant portion of its telecommunications needs from Bell Canada. Look has an exposure to supplier risk as the ability to continue delivering Look's service offerings to its subscribers is dependent upon Bell Canada continuing to provision its network services to Look (refer to sections 3 "Overview - Significant Current Events" and 14(b) "Claims for Damages" for more information).

Economic Dependence

Look purchases the significant portion of its telecommunications needs from Bell Canada. As a result, the provision of many of Look's service offerings to its subscribers and the revenue generated therefrom are dependent upon Bell Canada continuing to provision its network services to Look (refer to sections 3 "Overview - Significant Current Events" and 14(b) "Claims for Damages" for more information).

Financing Risks

The Company's M³ mission is dependent on raising sufficient capital or partnering with other service providers who would provide the necessary infrastructure and capital requirements 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 is no guarantee 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 May 31, 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 nine months ended May 31, 2007 that have materially affected, or are reasonably likely to materially affect, its ICOFR. No such changes were identified.

20. ADDITIONAL INFORMATION

Additional information regarding the Company's financial statements and activities are available at www.sedar.com.