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

UNIQUE BROADBAND SYSTEMS, INC.

Years ended August 31, 2016 and 2015

December 15, 2016

1. INTRODUCTION

This management's discussion and analysis ("MD&A") of financial condition and result of operations of Unique Broadband Systems, Inc. ("UBS" or "the Company") is supplementary to, and should be read in conjunction with, the Company's consolidated financial statements for the fiscal years ended August 31, 2016 and 2015.

The Company's consolidated financial statements and the notes thereto have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, other than in the normal course of business and at amounts different from those in the financial statements.

Unless specifically stated, the references to "UBS" or "the Company" include the legal entity Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless").

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

3. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements and information concerning expected future events, the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to the Company's objectives and strategies to achieve those objectives, as well as statements with respect to its beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words.

These forward-looking statements and information are based on current expectations. The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control.

New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company. Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments, (iv) business integrations and internal reorganizations, (v) process risks, (vi) health and safety, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) other risk factors related to the Company's historic business, and (x) risk factors related to the Company's future operations.

More specifically, UBS faces risks and uncertainties in connection with the outcome of litigation described under the section entitled "Contingencies". In particular, there can be no assurance that UBS will be able to recover any of the amounts awarded it in the litigation.

For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see the sections entitled "Overview – Significant current events" and "Contingencies" below.

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, are provided for the purposes of this MD&A and may not be appropriate for other purposes. We are under no obligation to update or alter the forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by National Instrument 51-102, and we expressly disclaim any other such obligation.

4. OVERVIEW

Significant current events

(a) Rights Offering

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

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

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

Rights Offering Results

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

	Number of shares	Total
Balance, as at August 31, 2015	102,747,854	$58,139
Issued in Rights Offering, net of costs of issuance of $94	50,396,736	410
Balance, as at August 31, 2016 and December 15, 2016	153,144,590	$58,549

(b) CCAA proceedings

On July 5, 2011, the Company commenced proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") and KSV Advisory Inc. (the "Monitor") acted as the Monitor. Detailed information with respect to the CCAA proceedings can be found on their website at www.ksvadvisory.com.

On February 26, 2015, the Court ordered the termination of proceedings upon the satisfaction of certain conditions (the "February 26 Order"). The Company successfully determined all of the claims of its creditors and, on December 22, 2015, settled all rendered professional fees and expenses, of the Monitor, its counsel and the Company's counsel, in connection with the CCAA proceedings.

In accordance with the February 26 Order, a termination certificate was filed on December 23, 2015 and the CCAA proceedings were terminated.

(c) Cancellation of credit card

On November 15, 2015, the Company's credit card was cancelled, reducing restricted cash to nil (August 31, 2015 - $50).

The Company

Unique Broadband Systems, Inc. is a publicly listed Canadian company, trading on the NEX, which is a separate board of the TSX Venture Exchange, under the symbol UBS.H. The UBS head office is located in Toronto, Ontario.

Going concern

The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is some doubt about UBS' use of the going concern assumption as a result of the settlement of the Company's CCAA proceedings.

UBS may need to raise cash and/or monetize assets, and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt about UBS' use of the going concern assumption.

Notwithstanding the above, the Company's consolidated financial statements for the years ended August 31, 2016 and 2015 have been prepared on a going concern basis and do not include any adjustments to the carrying values and classification of assets and liabilities and reported revenue and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

Strategy

The Company's operating strategy is to preserve its cash, monitor its investment in ONEnergy Inc. ("ONEnergy"), and explore opportunities to maximize shareholder value.

Investment in ONEnergy

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

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

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

As at August 31, 2016, the Company realized losses of $1,491 due to a permanent decline in fair value.

The Company accounts for its investment using the fair value method, and this asset is classified as Available For Sale ("AFS").

On April 1, 2016, ONEnergy received $7,175, pursuant to a settlement reached with certain former directors, officers and counsel. Further information can be found at www.ONEnergyinc.com.

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the years ended August 31, 2016 and 2015 include the accounts of UBS' wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management's discussion and analysis of operating results and financial condition are made with reference to the Company's consolidated financial statements and notes thereto for the years ended August 31, 2016 and 2015, which have been prepared in accordance with IFRS. The Company's significant accounting policies are summarized in detail in note 2 of the Company's consolidated annual financial statements for the year ended August 31, 2016, and include:

(a) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute deferred tax assets and liabilities are measured at future anticipated tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

With certain exceptions, deferred tax assets and liabilities are provided on all qualifying temporary differences at the end of the reporting period between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(b) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

(c) Significant accounting judgments and estimates

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

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

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Factors considered in the assessment of the likelihood and value of the realizable deferred tax assets include the Company's forecast of the amount and timing of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred tax assets and the remaining period of loss carry-forwards.

Significant judgment and estimates are also required in assessing the carrying value of accounts receivable and other receivables. Factors considered in assessment of carrying value included the ability of the counterparty to pay and the actions available to the Company to enforce collection. Estimation uncertainty relating to the receivable from the Jolian Parties is disclosed in the section entitled "Results of operations – General and administrative expense (recovery) – Collection costs.

7. SELECTED ANNUAL INFORMATION

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Service and sales revenue	**$ -**	$ -	$ -
Operating expense (recovery)	**453**	748	(347)
Restructuring recovery	**-**	(512)	(2,837)
Interest income	**81[(1)]**	21	25
Loss on sale of ONEnergy shares	**(3)**	(106)	-
Impairment of accounts receivable	**(489)**	(400)	-
Unrealized loss of investment in ONEnergy recognized in net loss	**(1,491)**	-	-
Income (loss) before comprehensive income (loss)	**(2,355)**	(721)	3,209
Fair value adjustment in ONEnergy[(2)]	**(380)**	33	(492)
Unrealized loss recognized in net loss	**1,491**	-	-
Income (loss) and comprehensive income (loss) for the year	**$ (1,244)**	$ (688)	$ 2,717
Income (loss) per share			
Basic and diluted	**$ (0.015)**	$ (0.007)	$ 0.026
Total assets	**2,684**	3,883	6,269
Total liabilities	**307**	672	2,370

(1) Includes accrued pre- and post-judgment interest on the cost and disgorgement orders owed to UBS by the Jolian Parties. Refer also to the section entitled “Contingencies – Jolian claims”.

(2) Effective February 20, 2013, the Company accounts for its investment in ONEnergy using the fair value method. Refer also to the section entitled “Investment in ONEnergy – Carrying value of ONEnergy”.

8. RESULTS OF OPERATIONS

Highlights of the results for the year ended August 31, 2016 include the following:

- UBS recorded a loss from operations of $2,355, compared to $721 for the year ended August 31, 2015.
- As at August 31, 2016, UBS held cash and short-term investments totaling $200, compared to cash of $341 as at August 31, 2015.

Operating expense

	Year ended August 31, 2016	Year ended August 31, 2015
Compensation	**$ 174**	$ 169
General and administrative	**279**	579
Total operating expense (recovery)	**$ 453**	$ 748

Compensation

Compensation expense includes wages, salaries, benefits, and, from time to time, termination payments.

During the year ended August 31, 2016, the Company expensed $174 in compensation (2015 - $169).

General and administrative expense

General and administrative expense includes costs associated with the CCAA claims process which terminated on December 23, 2015, professional fees, board of director fees, general occupancy and other administrative overheads for the Company. A summary of the key components of general and administrative is set out below:

	Year ended August 31, 2016	Year ended August 31, 2015
CCAA expenses and extinguished payables	**$ 50**	$ 194
Cost recovery	**-**	(11)
Recovery of legal expenses from insurance provider	**-**	(160)
Professional fees	**197**	533
Office and general	**32**	23
Total general and administrative expenses	**$ 279**	$ 579

<u>CCAA expenses and extinguished payables</u>

CCAA expenses mainly include the fees of the Monitor and its corporate legal counsel, the Company's CCAA legal counsel, and costs arising from the advancement of the CCAA claims process which terminated on December 23, 2015.

During the year ended August 31, 2016, CCAA expenses totaled $50. During fiscal 2015, CCAA expenses totaled $347, and were partially offset by $153 in recoveries, net of HST, arising from stayed accounts payable that were extinguished.

<u>Cost recovery</u>

During fiscal 2015, the Company recognized cost recoveries that were previously held in trust with the Company's former legal counsel, totaling $11.

<u>Recovery of legal expenses from insurance provider</u>

During the year ended August 31, 2015, the Company recorded an insurance claim receivable of $160 pursuant to claims submitted by the Company to its insurance provider. All claims were settled and funds were received on December 18, 2015.

<u>Professional fees</u>

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

During the year ended August 31, 2016, the Company recorded $197 in professional fees, compared to $533 during fiscal 2015. Higher fees during fiscal 2015 were due mainly to costs associated with the Special Meeting of Shareholders which was held on May 4, 2015.

Restructuring

Restructuring expenses included adjustments and accrued interest on the accrued restructuring awards approved in 2009 by former directors.

There were no restructuring expenses recorded during Fiscal 2016 (2015 – recovery of $512).

The Company recorded $8 in accrued interest on the accrued restructuring awards during the year ended August 31, 2015. On February 26, 2015, the Company settled all claims brought by a former director. Legal costs associated with the settlement totaling $82 were fully offset by the reversal of a contingent award approved by the previous directors in 2009 in the amount of $465, and accrued interest of $80, to restructuring recovery during the quarter ended February 28, 2015.

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

Interest and financing charges

For the year ended August 31, 2016, interest income of $81 was recorded (2015 - $21).

Income taxes

As at August 31, 2016, UBS had $20,256 in non-capital income tax losses with expiry dates between 2027 and 2036, SRED pool carryforwards of $11,545, capital loss carryforwards of $23,294, and non-tax deductible reserves of $242.

Loss and comprehensive loss

The loss before comprehensive loss for the year ended August 31, 2016 amounted to $2,355, or a weighted average loss per share of $0.19, (basic and diluted), and the loss and comprehensive loss totaled $1,244, or a weighted average loss per share of $0.010 (basic and diluted).

The loss before comprehensive income for the year ended August 31, 2015 amounted to $721, or $0.007 per share (basic and diluted), and the loss and comprehensive loss totaled $688, or $0.007 per share (basic and diluted).

9. QUARTERLY FINANCIAL RESULTS

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

	Fiscal 2016				Fiscal 2015			
	Aug 31	**May 31**	**Feb 29**	**Nov 30**	**Aug 31**	**May 31**	**Feb 28**	**Nov 30**
Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating and restructuring (expense) / recovery before interest	(83)	(73)	(165)	(132)	(16)	(266)	227[1]	(181)
Interest income	79	-	1	1	1	3	5	12
Loss on sale of ONEnergy shares	-	-	-	(3)	(106)	-	-	-
Impairment of accounts receivable	(489)	-	-	-	(400)	-	-	-
Impairment of investment in ONEnergy	(1,491)	-	-	-	-	-	-	-
Income/(loss) before comprehensive income (loss)	(1,984)	(73)	(164)	(134)	(521)	(263)	232	(169)
Fair value adjustment in ONEnergy[2]	675	(38)	(64)	(953)	(321)	598	248	(492)
Unrealized loss recognized in net loss	1,491	-	-	-	-	-	-	-
Income/(loss) and comprehensive income/(loss) for the period	$ 182	$ (111)	$ (228)	$(1,087)	$ (842)	$ 335	$ 480	$ (661)
Income (loss) per share from operations – basic and diluted	$(0.016)	$0.000	$(0.002)	$(0.001)	$(0.005)	$(0.003)	$0.002	$(0.001)
Comprehensive income (loss) per share – basic and diluted	$0.000	$0.000	$0.000	$(0.010)	$(0.003)	$ 0.006	$0.002	$(0.005)
Income (loss) per share Basic and diluted[3]	$ (0.016)	$(0.001)	$(0.002)	$(0.011)	$(0.008)	$ 0.003	$0.004	$(0.006)

(1) Refer to the section entitled "Restructuring".

(2) The Company accounts for its investment in ONEnergy using the fair value method.

(3) Quarterly income (loss) per share are not additive and may not equal the total income (loss) per share reported for fiscal 2016. This is due to rounding and the effect of shares issued during the quarter ended May 31, 2016 on the weighted average number of shares outstanding.

10. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and short-term investments totaling $200 as at August 31, 2016, compared to cash of $341 as at August 31, 2015. Cash totaling $149 consists of all bank balances and, from time to time, highly liquid short-term guaranteed investment certificates ("GIC") and bankers' acceptances with original maturities of less than 90 days. Short-term investments totaling $51 includes a fully cashable GIC with original maturity of one year from the purchase date and bears interest at an effective interest rate of 0.71%.

Cash used in operating activities for the year ended August 31, 2016 was $556, compared to $1,879 for the year ended August 31, 2015. The variance during fiscal 2015 was due mainly to the payment of approved CCAA claims, pursuant to the February 26 Order.

Cash provided by financing activities during the year ended August 31, 2016 totaling $410, resulted from the issuance of 50,396,736 shares at $0.01 per share which generated gross proceeds of $504, less issuance costs of $94 (refer to the section entitled "Share capital – Rights Offering").

Cash used in investing activities totaled $46 for the year ended August 31, 2016, due to the reclassification of restricted cash to short-term investments of $50 during quarter one 2016, interest received of $1 upon redemption of the GIC during quarter two 2016, reinvestment of $51 in a one-year fully cashable GIC

bearing interest at 0.71% during quarter three 2016, and $5 received from the sale of ONEnergy shares (refer to the section entitled “Investment in ONEnergy”).
Cash provided by investing activities totaled $1,882 for the year ended August 31, 2015, due to the redemption of GICs during the fiscal year totaling $1,700, interest received on short-term investments of $17, and $165 received from the sale of ONEnergy shares (refer to the section entitled “Investment in ONEnergy”).

UBS has incurred operating losses and negative cash flows from operations in recent years. UBS may need to raise cash and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt about UBS’ use of the going concern.

The Company’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due.

11. SHARE CAPITAL

As at August 31, 2016, UBS had 153,144,590 Common Shares and no Class-A non-voting shares issued and outstanding (2015 - 102,747,854 Common Shares and no Class-A non-voting shares issued and outstanding).

In determining diluted loss per share for the year ended August 31, 2016 and 2015, the weighted average number of shares outstanding was not increased as no options were issued or outstanding.

As at December 15, 2016, there were no changes to the number of issued and outstanding shares.

12. STOCK BASED COMPENSATION

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

During the year ended August 31, 2016, no stock options were granted or expired. During fiscal 2015, 3,000,000 stock options were recognized as expired.

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The Company’s key management personnel includes members of the executive team and the board of directors of the Company and its wholly owned subsidiaries.

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

14. CONTINGENCIES

Jolian claims

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

The Jolian Parties' claim for indemnification was disallowed during the Jolian Trial and was upheld on appeal. The Jolian Parties were ordered to repay UBS the $200 legal retainer advanced to their counsel, pursuant to a disgorgement order. Accordingly, the total owed to UBS by the Jolian Parties is $1,584. The Company is seeking recovery of the cost and disgorgement orders, together with pre- and post-judgment interest.

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

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

Other

In the normal course of its operations, the Company may be subject to other litigation and claims.

The Company indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

15. OPERATING RISKS AND UNCERTAINTIES

Management of capital

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

The Company currently does not use other sources of financing that require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company invests its liquid capital in short-term investments to obtain adequate cash returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity, and returns on unused capital and allowing flexibility in holding longer term strategic investments.

Financial instruments and risk management

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

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's exposure to credit risk relates mainly to the amount owing to the Company by the Jolian Parties (refer to the section entitled "Contingencies – Jolian claims").

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in the section entitled "Operating risks and uncertainties – Management of capital", in normal circumstances.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities.

Other price risk

The Company is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of the investment.

16. PROPOSED TRANSACTIONS & OFF BALANCE SHEET ARRANGEMENTS

There are no proposed transactions or off balance sheet arrangements.

17. ADDITIONAL INFORMATION

Additional information regarding the Company's financial statements and corporate documents is available on SEDAR at www.sedar.com.

Board of Directors and Officers

Henry J. Kloepper (Chairman of the Board and Interim Chief Financial Officer)

Daniel S. Marks (Interim Chief Executive Officer)

Riadh Zine

Auditors

Dale Matheson Carr-Hilton Labonte LLP
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Shareholder inquiries

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Common shares

The common shares of the Company are listed on the NEX under the symbol UBS.H.