

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

UNIQUE BROADBAND SYSTEMS, INC.

Three months ended November 30, 2016 and 2015

UNIQUE BROADBAND SYSTEMS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS of the Financial Condition and Results of Operations

(In thousands, except shares and per share amounts)

For the three months ended November 30, 2016 and 2015

January 26, 2017

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 unaudited condensed consolidated interim financial statements for the three months ended November 30, 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..

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

During fiscal 2017, the Company has been focused on advancing its collection efforts of funds owed by a former Chief Executive Officer (“CEO”) and completing corporate restructuring efforts that will culminate with the proposed stock consolidation/split and name change, as outlined in the Company’s Management Information Circular dated January 18, 2017, available on www.sedar.com. These efforts will position the Company with a more streamlined cost structure and a renewed brand going forward.

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 unaudited condensed consolidated interim financial statements for the three months ended November 30, 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.

The Company is reviewing a variety of business plans and, while subject to change, currently it intends to focus its strategic efforts going forward in the connected intelligent device sector which it believes has the most attractive opportunities.

Investment in ONEnergy

As at August 31, 2016 the Company held 2,546,500 common shares in ONEnergy Inc. (TSXV:OEG).

During the first quarter of fiscal 2017, the Company sold 71,000 shares in ONEnergy for gross proceeds of \$46 and, as at November 30, 2016, the economic and voting interest in the 2,475,500 shares held was 10.3%. The value of the Company's shares of ONEnergy as at November 30, 2016, based on the bid price of its common shares of \$0.55, was \$1,362 (August 31, 2016 – \$0.65; \$1,656).

Subsequent to the end of the first quarter 2017, the Company sold a further 47,000 shares for gross proceeds of \$19, which decreased the Company's economic and voting interest in ONEnergy to 10.1%.

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

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three months ended November 30, 2016 and 2015 include the accounts of UBS' wholly owned subsidiary, UBS Wireless Services Inc.. 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 unaudited condensed consolidated interim financial statements and notes thereto for the three months ended November 30, 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.

7. RESULTS OF OPERATIONS

Highlights of the results for the three months ended November 30, 2016 include the following:

- UBS recorded a loss from operations of \$126, compared to \$134 for the three months ended November 30, 2015.
- As at November 30, 2016, UBS held cash and short-term investments totaling \$113, compared to \$200 as at August 31, 2016.

Operating expense

	Three months ended November 30,	
	2016	2015
Compensation	\$ 31	\$ 44
General and administrative	31	88
Total operating expense (recovery)	\$ 62	\$ 132

Compensation

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

During the three months ended November 30, 2016, the Company expensed \$31 in compensation (November 30, 2015 - \$44).

General and administrative expense

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

	Three months ended November 30,	
	2016	2015
Professional fees	\$ 27	\$ 59
Office and general	4	3
CCAA	-	26
Total general and administrative expenses	\$ 31	\$ 88

Professional fees

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

During the three months ended November 30, 2016, the Company recorded \$27 in professional fees, compared to \$59 during the three months ended November 30, 2015. Lower costs during fiscal 2017 were due mainly to the reduction in board fees and insurance premiums.

CCAA expenses

CCAA expenses mainly included 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 three months ended November 30, 2015, CCAA expenses totaled \$26.

Interest and financing charges

For the three months ended November 30, 2016, interest income of \$9 was recorded (November 30, 2015 - \$1).

Income taxes

As at November 30, 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, share issuance costs of \$75, and non-tax deductible reserves of \$242.

Loss and comprehensive loss

The loss before comprehensive loss for the three months ended November 30, 2016 amounted to \$126, and the loss and comprehensive loss totaled \$301, or a weighted average loss per share of \$0.002 (basic and diluted).

The loss before comprehensive loss for the three months ended November 30, 2015 amounted to \$134, and the loss and comprehensive loss totaled \$1,087, or \$0.011 per share (basic and diluted).

8. QUARTERLY FINANCIAL RESULTS

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

	Fiscal 2017	Fiscal 2016				Fiscal 2015		
	Nov 30	Aug 31	May 31	Feb 29	Nov 30	Aug 31	May 31	Feb 28
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating and restructuring (expense) / recovery before interest	(62)	(83)	(73)	(165)	(132)	(16)	(266)	227 ⁽¹⁾
Interest income	9	79	-	1	1	1	3	5
Loss on sale of ONEnergy shares	(73)	-	-	-	(3)	(106)	-	-
Impairment of accounts receivable	-	(489)	-	-	-	(400)	-	-
Impairment of investment in ONEnergy ⁽²⁾	-	(1,491)	-	-	-	-	-	-
Income/(loss) before comprehensive income (loss)	(126)	(1,984)	(73)	(164)	(134)	(521)	(263)	232
Fair value adjustment in ONEnergy ⁽³⁾	(175)	675	(38)	(64)	(953)	(321)	598	248
Unrealized loss recognized in net loss ⁽²⁾	-	1,491	-	-	-	-	-	-
Income/(loss) and comprehensive income/(loss) for the period	\$ (301)	\$ 182	\$ (111)	\$ (228)	\$(1,087)	\$ (842)	\$ 335	\$ 480
Income (loss) per share from operations – basic and diluted	\$(0.001)	\$(0.016)	\$0.000	\$(0.002)	\$(0.001)	\$(0.005)	\$(0.003)	\$0.002
Comprehensive income (loss) per share – basic and diluted	\$(0.001)	\$0.000	\$0.000	\$0.000	\$(0.010)	\$(0.003)	\$ 0.006	\$0.002
Income (loss) per share Basic and diluted⁽⁴⁾	\$(0.002)	\$(0.016)	\$(0.001)	\$(0.002)	\$(0.011)	\$(0.008)	\$ 0.003	\$0.004

⁽¹⁾ Operating recovery in the quarter ended February 28, 2015 included settlement adjustments to the accrued restructuring awards approved in 2009 by former directors.

⁽²⁾ As at August 31, 2016, the Company realized losses in its investment in ONEnergy totaling \$1,491 due to a permanent decline in fair value.

⁽³⁾ The Company accounts for its investment in ONEnergy using the fair value method.

⁽⁴⁾ 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 mainly to rounding and the effect of shares issued during the quarter ended May 31, 2016 on the weighted average number of shares outstanding.

9. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and short-term investments totaling \$113 as at November 30, 2016, compared to \$200 as at August 31, 2016. Cash totaling \$62 (August 31, 2016 - \$149) consists of all bank balances. Short-term investments totaling \$51 (August 31, 2016 - \$51) includes a fully cashable guaranteed investment certificate (“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 three months ended November 30, 2016 was \$133, compared to \$107 for the three months ended November 30, 2015.

There were no financing activities during the three months ended November 30, 2016 and 2015.

Cash provided by investing activities totaled \$46 for the three months ended November 30, 2016, due to cash received on the sale of ONEnergy shares (refer to the section entitled “Investment in ONEnergy”).

Cash used in investing activities totaled \$46 for the three months ended November 30, 2015, due to the reclassification of restricted cash during the quarter of \$50, earned interest of \$1, and \$5 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 the Company’s 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.

10. SHARE CAPITAL

As at November 30, 2016 and August 31, 2016, UBS had 153,144,590 common shares (the “Common Shares”) and no Class A non-voting shares issued and outstanding, totaling \$58,549.

In determining diluted loss per share for the three months ended November 30, 2016 and 2015, the weighted average number of shares outstanding was not increased as no options were issued or outstanding.

As at January 26, 2017, there were no changes to the number of issued and outstanding shares.

11. STOCK BASED COMPENSATION

As at November 30, 2016 and August 31, 2016, no stock options were issued or outstanding.

12. 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 three months ended November 30, 2016 totaled \$18 (November 30, 2015 - \$43), which included \$5 for director fees (November 30, 2015 - \$17) and \$13 to the CEO of the Company (November 30, 2015 - \$26).

13. CONTINGENCIES

Jolian claims

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

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

The Company has begun efforts to collect amounts owed and believes that it will recover all monies from the Jolian Parties. However, there are costs associated with the collection of the debt which may not be fully recoverable. There is also risk in the amount and timing of the cash flows. Accordingly, the Company made an estimate of collection costs in the amount of \$400.

During the first quarter of fiscal 2017, UBS received garnished funds from the Jolian Parties totaling \$8 (fiscal 2016 - \$nil), recorded \$8 in accrued interest on the Jolian receivable (fiscal 2016 - \$76), and \$4 in collection costs (fiscal 2016 - \$36).

The Company has recorded an 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.

14. 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 November 30, 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.

15. PROPOSED TRANSACTIONS AND OFF BALANCE SHEET ARRANGEMENTS

There are no proposed transactions or off balance sheet arrangements.

16. ADDITIONAL INFORMATION

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

UNIQUE BROADBAND SYSTEMS, INC.
Shareholder Information

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
Vancouver, British Columbia

Shareholder inquiries

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Common shares

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