

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

September 18, 2017

Overview

The following discussion of results contains information relevant to the operations of Uniserve Communications Corporation ("the Company" or "Uniserve") as at the date of issuance of these statements. Unless otherwise stated, information is current up to the report date, all amounts are stated in Canadian dollars, and results have been recorded and presented in accordance with International Financial Reporting Standards ("IFRS").

The following should also be read in conjunction with the audited Consolidated Financial statements ("financial statements") as at May 31, 2017 and the notes thereto.

Additional information on the Company's products and services is available at the Company's website at www.uniserve.com and in the Company's public filings at www.sedar.com.

About the Business

Uniserve Communications was incorporated on January 19, 1988 under the Company Act of British Columbia. The company is a market leader in the consulting, delivery and integration of voice, data and media services over multiple redundant and resilient networks, selling directly to customers or through and ecosystem or Value Added Resellers and wholesale partners.

Uniserve currently has over 13,000 active residential, business, and enterprise customers combined, providing over 45,000 active services across the residential, small office / home office market (SoHo) and enterprise markets.

The company offers a comprehensive range of fixed line telephone and access products for the residential market and a comprehensive portfolio of leading edge managed services for the business enterprise focused on security, business continuity, disaster recovery, application, data hosting and cloud services, all backed by 24/7 technical support based here in Canada. Investment was made during the year as part of a two-phase upgrade of its own T2 edge data center in Vancouver BC, with back up / DR and failover in Calgary and Toronto.

Uniserve differentiates itself with the relentless focus on customer services. Significant investment in human resources and back office systems were made at the latter part of the year, equipping the business for coming year growth objectives.

During the last financial year the company achieved a significant turnaround in the business replacing the majority of the existing management team and board members and simultaneously restructured and repositioned the brand. New products and services have been launched including the Transit suit of products aimed at the small office / home office market. Transit was supported with a significant marketing campaign with all-inclusive technology and service bundles all at one competitive price.

The year culminated with the appointment of the new CEO Nicholas Jeffery who joined the business with an extensive knowledge and turnaround success in the managed service and data center markets. Nicholas joined from CBRE Europe where he was a Director of the Data Centre Advisory and Transactions team and practice lead in smart buildings and smart cities for EMEA.

Since joining an entire new strategy to achieve exponential growth and geographic market and product portfolio expansion has been created and he has taken up the leadership role in shaping how the new management team will function, implementing exciting new products and services that will be launched quarter by quarter, and expanding to new cities in Canada throughout the year.

Uniserve is now well positioned to become a significant player in the national arena, transitioning from a local West Coast ISP to a Canadian unified communications company.

Demand for digital services has never been greater. Customers want constant in a world of change. The growth in infrastructure and software as a service as well as the outsourced IT model is accelerating dramatically. Smart homes, buildings and cities along with the growth of the "Internet of Things" is creating huge demand on systems, networks, data storage and the technological solutions required to get there - representing the next great opportunity for this sector.

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

Overall Business Outlook

In the 2017 fiscal year, the Company has focused its efforts in stabilizing its business by reviewing and improving its internal structure and reducing its overhead costs, as well as continuing its marketing efforts in order to grow its internet customer base.

The Company finished with a twelfth consecutive quarter of revenues above \$1.4M, representing the highest combined revenue periods in over three years. In 2017, the Company generated revenue of \$7.1M, compared to \$6.3M in the same period of 2016, a growth of 13%. During the same time frame, the Company has obtained a positive EBITDA of \$208K in 2017, compared to a negative EBITDA of \$548K in 2016. This was accomplished due to the Operation and Service Delivery Costs (2017 – \$3,091,000, 2016 - \$3,185,000) and the Sales & Marketing Costs (2017 - \$174,000, 2016 - \$532,000) dropped by \$452,000 in 2017 vs. 2016. The result is that the Company generated a net income of \$71K in 2017 compared to a net loss of \$958K in 2016. The Company continues to aim at finalizing contracts on larger scale IT projects that will continue to help the company's growth, overall revenues, and profitability while keeping a tight control of operational costs.

Going Concern

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. For the twelve months ended May 31, 2017, the Company had a net income of \$71,348 (2016 – net loss of \$957,725). As at May 31, 2017, the Company had a working capital deficiency of \$2,084,329 (2016 - \$2,815,113).

The Company's ability to continue as a going concern is dependent in part upon the Company's ability to generate sufficient cash flow from operations and to obtain additional equity or debt financing in the near term to continue to meet its obligations as they come due.

The Company has taken steps to meet its financial obligations including carefully scrutinizing its capital and discretionary spending, evaluating the Company's workforce, investing in future growth to ensure long-term competitiveness and viability, restructuring several debts, and other financing activities. The Company continues to pursue new financing activities that will allow it to focus on new business initiatives.

The Company's ability to meet its financial obligations depends on a number of factors, some of which are beyond its control. These include general global economic credit and capital market conditions, the demand for, and the selling price of its products. There is no assurance that the expected cash flows from operations and the other steps being taken will allow the Company to meet its obligations as they become due.

Rapid changing global economic conditions make access to the credit and capital markets difficult for the Company, which may compromise its ability to obtain suitable financing. The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so.

The Company's existing financial obligations will constrain its capital spending and that may have an adverse effect on its operations. The Company's debt levels will also limit its ability to expand its operations or make other investments that would enhance its competitiveness.

Accordingly, there are risks that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to sell core assets or raise debt or equity capital, which management believes would enable it to satisfy its obligations as they become due. However, these actions may have a material adverse effect on the Company's business and on the market prices of its equity securities.

If the Company is unable to generate positive cash flows or obtain adequate financing, the Company will need to slow operations. This indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which could differ from the going concern basis.

Non-IFRS Financial Measures

The Company's continuous disclosure documents provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others, utilize these measures in assessing the Company's financial performance and as an indicator of its ability to service debt. These non-IFRS financial

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

measures have not been presented as an alternative to net income or any other measure of performance required by IFRS.

The following describes the Company's use of non-IFRS financial measures and provides a reconciliation of the non-IFRS financial measures to the most comparable IFRS financial measures.

EBITDA

The Company defines EBITDA as earnings before interest, foreign exchange, income taxes, amortization of capital and intangible assets, stock-based compensation, write-down of goodwill and intangible assets, executive variable compensation and other non-cash financing related charges.

EBITDA, among other measures, is used by the Company to assess the operating performance of its ongoing businesses without the effects of amortization expense and other items. Variable compensation is excluded as it is a performance amount based on EBITDA. Share-based compensation is also excluded as it is a non-cash expense and does not impact the Company's ability to service its debt.

The Company believes that certain investors and analysts use EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry. EBITDA allows the Company to compare its operating performance on a consistent basis. The most comparable IFRS financial measure is net income (loss).

A summary of the Company's financial results by quarter is presented in the table below. Please note that some figures may have been reclassified or adjusted to conform to the present year's presentation.

In thousands (000's)	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017	2017	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	1,569	1,574	1,531	1,551	1,506	1,550	1,624	1,634	1,624	1,807	2,208	1,466
Gross Margin	754	744	751	869	778	739	814	837	815	755	882	1,021
Operations and service delivery costs	690	628	588	620	685	794	773	933	761	576	588	944
Sales & marketing	97	83	72	79	119	132	125	156	90	94	87	125
Amortization	115	117	120	113	80	86	93	97	76	74	92	89
Interest expense & Foreign Exchange	199	193	(144)	314	107	151	12	340	145	171	77	108
Other expenses (income)	(1)	(14)	166	(517)	-	-	(555)	(2)	-	-	(328)	(367)
Net income (loss) before taxes	(346)	(263)	(51)	260	(213)	(424)	366	(687)	(257)	(160)	366	122

The table below reconciles net income (loss), relating to continuing operations to EBITDA on a quarterly basis:

In thousands (000's)	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017	2017	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net income (loss) before taxes	(346)	(263)	(51)	260	(213)	(424)	366	(687)	(257)	(160)	366	122
Amortization expense ¹	115	117	120	113	80	86	93	97	76	74	92	89
Impairment of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses (income)	(1)	(14)	46	(517)	-	-	(555)	(2)	-	-	(328)	(367)
Gain on long term debt and preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Settlement of Lawsuit	-	-	120	-	-	-	-	-	-	-	-	-
Interest expense & Foreign Exchange ²	199	193	(144)	314	107	151	12	340	145	171	76	107
EBITDA³	(33)	33	91	169	(26)	(187)	(84)	(252)	(35)	85	207	(49)

(1) Amounts include amortization of property and equipment and intangible assets

(2) Amounts include dividends and accrued dividends on the convertible preferred shares, imputed interest on the notes payable and interest on capital leases.

(3) Some figures may have been reclassified from prior periods for presentation purposes.

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

The table below shows EBITDA on an annual basis:

In thousands (000's)	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$
EBITDA	127	(622)	260	(548)	208

For the year ended May 31, 2017, EBITDA was a positive of \$208,072 (2016 – negative of \$548,848). The improvement in EBITDA was due to increased managed services revenue and continued overall operational improvements, such as reduced overhead costs, and more efficient marketing efforts, all of which are expected to continue in to the upcoming fiscal year.

Annual Financial Highlights

In thousands (000's)	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$
Statement of operations					
Revenues from continuing operations	6,766	6,384	6,225	6,314	7,105
Net income (loss) from continuing operations	(1,485)	134	(402)	(958)	71
Net income (loss) from continuing operations	(1,485)	134	(402)	(958)	71
Net income (loss) per share from continuing operations	(0.20)	0.02	(0.04)	(0.03)	0.00
Net income (loss) per share	(0.20)	0.02	(0.04)	(0.03)	0.00
Balance sheet					
Current assets	445	553	441	688	1,537
Total assets	1,908	1,332	940	1,640	2,319
Current liabilities	8,184	5,118	4,294	3,503	3,621
Total liabilities	8,405	6,835	5,904	6,166	4,340
Shareholders' equity (deficit)	(6,497)	(5,503)	(4,964)	(4,526)	(2,021)

In 2017, the Company reported a net Income of \$71,000 compared to a net loss of \$(958,000) in 2016. These results will be discussed further in the following sections.

The Company's focus on improving its financial structure over the last 4 years has resulted in reducing the working capital deficiency by 73% over that time period. As at May 31, 2017, the working capital deficiency is \$2,084,000, compared to a deficiency of \$7,739,000 in 2013.

In the upcoming fiscal year, the Company will continue its financing efforts and evaluate its service offerings to better focus on high-growth areas in order to grow the overall business going forward.

Uniserve Communications Corporation
Management's Discussion and Analysis
May 31, 2017

Fourth Quarter Ending May 31, 2017

Revenues

Fourth quarter revenues for the 2017 fiscal year were \$1,466,000, a decrease of \$742,000 (33.6%) from quarter 3, and a \$168,000 (10.3%) decrease from the same quarter in the previous year. This revenue decrease is due to the completion of a large project that finalized in quarter 3.

The Company's focus in the fiscal year 2018 will be the continued growth in managed services and an introduction of 3 packaged bundles that are focused on SOHO (Small office, Home office) customers.

Gross margin

Gross margin increased by \$139,000 (16%) from the previous quarter (2017 Q3 - \$882K, 2017 Q2 - \$755K, 2017 Q1 - \$815K), with gross margin as a percentage of sales equaling 69.6% in the current quarter versus 40.0% in Q3. This high gross margin is due to a year end reversal of an accrual that was recognized in error.

Operations and service delivery costs

Overhead costs were \$944,000 for the quarter, which is a 60.5% increase from Q3 (\$588K). This is a result of management's focus ramping up resources to provide Uniserve with a strong foundation for future growth opportunities. Included in these additional expenses are the hiring of a Chief Executive Officer, VP, Technology (completed in Q2), and various staff to support growth.

Sales and marketing

Sales and marketing expenses totaled \$125,000 for the quarter, which is 43.7% increase from Q3 (\$87K) of 2017. The Company expects to continue funding its marketing efforts, which include updates to its website, increasing its social media presence in the upcoming periods, and continuing its search engine ad campaigns. Uniserve has initiated a two month outdoor advertising campaign throughout the Greater Vancouver Area to introduce its new branding and Transit bundles. Ongoing Google Ad and Facebook campaigns have increased impressions from 30K to 500K.

Amortization

Amortization expense for the quarter was \$89,000, a decrease of \$3K from the previous period.

Interest expense

Interest expense for the three months ending May 31, 2017 totaled \$46,007 (2016 Q3 - \$67,275, a decrease of 32%). This decrease was driven by two factors. One involved the completion of debt negotiations, which involved accrued interest being written off as part of the contract; and two, the timely payment of vendors as cash flow improved.

Liquidity and capital resources

Working capital and liquidity

As at May 31, 2017, the Company had a working capital deficiency of \$2,084,329 (February 28, 2017 - \$2,517,600 May 31, 2016 - \$2,815,113). During Q3, the Company negotiated with various debt holder which included a combination of partial cash settlement and issuance of warrants in order to decrease liability to debt holders of loans payable and accrued interest owed. Also, during this quarter, improved cash flow allowed the Company to reduce the level of its trade payables.

Preferred shares

The preferred shares are redeemable at the option of the holder on or after the fifth anniversary of the date of issuance (which ranged from May to December 2007). As the Company may be required to repurchase the preferred shares for

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

cash in the upcoming fiscal year, they have been classified as short-term debt with the value of the conversion right included in other equity instruments (see "Outstanding Shares Data" in the Financial Statements).

As at May 31, 2017, the current debt portion of the convertible preferred shares is \$198,000 (2016 Q4 - \$273,000) and accrued dividends in arrears owing to preferred shareholders are \$109,560 (February 28, 2017 - \$105,600, May 31, 2016 - \$129,220).

Further details are contained in Note 9 of the Financial Statements.

Promissory Notes

The Promissory Notes ("Notes") were issued as of July 1, 2013 and carry a four-year term with a 5% annual interest rate. The Notes can be converted to shares at the option of the holder for \$0.10 per share, or the Company can force conversion into common shares should the Company's share price trade at \$1.00 or higher for a ninety day period.

The Company and several Note holders agreed to convert interest accrued and owing on the Notes up to December 31, 2014, and one-third of the principal outstanding, into common shares of the Company. Details on the conversion are provided in Note 9 of the Financial Statements.

As at May 31, 2017, a current liability of \$831,609 (February 28, 2017 - \$841,054 short-term liability, May 2016 - \$1,461,840 long-term liability) remains for the Promissory Notes. The Company has recorded a liability of \$67,581 (February 2017 - \$70,337, May 2016 - \$52,397) in current liabilities in relation to the interest owing on the Promissory Notes. The decrease is attributed to the Company's focus on debt negotiations.

Further details are contained in Note 9 of the Financial Statements.

Summary

During the fiscal year of 2017, the Company has focused on rebuilding its internal infrastructure, including its leadership group, enhancing its data center security and reliability, sales focus on signing larger scale IT projects to replace current projects, as well as taking advantage of its marketing efforts in growing its broadband internet offerings.

The Company has prioritized the stabilization of its operations, with the need to return to profitability by reviewing and reducing its overhead expenses. In addition, the Company focused on improving its balance sheet by negotiating with debt holders to reduce its debt load and eliminate interest payable. As a result of these efforts, the Company continued improvement by an increase of \$757K of EBITDA and a decrease of \$1,029K of net loss between 2017 and 2016.

Furthermore, the Company will continue its efforts from the past three years in improving its financial structure by addressing its working capital deficit and other liabilities.

The Company believes that it will be able to generate sufficient cash flow from operations, combined with its ability to obtain financing from related parties, existing shareholders and other sources; it will have sufficient resources to carry on operations in the short term and in the long term to pursue its business plan.

Contractual obligations and commitments

Most of the Company's services fall under tariffs set and regulated by the CRTC, which reduced the need for long term contracts for pricing and provision of these services.

The Company leases office space and equipment under non-cancelable operating leases expiring in various years through 2018 and also leases office furniture and computer hardware and software under non-cancelable capital leases. Minimum commitments under non-cancelable leases for each fiscal year are as follows:

	2017	2018	2019	Total
	\$	\$	\$	
Finance Leases	-	59,216	8,795	68,011
Operating Leases	-	40,500	-	40,500
	-	99,716	8,795	108,511

Uniserve Communications Corporation
Management's Discussion and Analysis
May 31, 2017

Off-balance Sheet Arrangements

The Company has not engaged in any off-balance sheet arrangements.

Related Party Transactions

Key management compensation:

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's executive team. Key management personnel compensation for the year ended May 31, 2017 including short-term benefits totaled \$480,566 (2016 - \$378,462).

Transactions with related parties:

(a) Operating Lease – Vancouver Office Rent

The Company has a lease agreement with a company controlled by a director and significant shareholder for its office space since June 10, 2011 for a six year term. The annual gross rent is \$150,000.

For the year ended May 31, 2017, the Company recognized rent expenses of \$150,000 (2016 - \$150,000) related to this agreement. The Company also recognized an additional \$28,171 (2016 - \$28,184) to rent expense for parking fees.

As part of the lease agreement, the Company received a lease inducement of \$291,896, including a rent free period of four months. During the year ended May 31, 2017, the Company recognized \$48,649 (2016 - \$48,649) of lease inducement as a reduction to rent expense. As of May 31, 2017, \$4,054 of the lease inducement remains.

(b) Operating Lease – Edmonton Office Rent

On May 1, 2014, the Company entered into a lease agreement with a company controlled by a former director for the purpose of renting office space for its Security Integrations division in Edmonton, Alberta.

The lease is on a month to month basis with gross monthly rent of \$1,500. The Company terminated the agreement by end of October, 2016.

For the year ended May 31, 2017, the Company recognized rent expense of \$7,500 (2016 - \$18,000) relating to this rental agreement.

(c) Operating Lease – Vancouver Data Centre

The Company has a lease agreement with a company controlled by a director and significant shareholder for its data centre space since November 1, 2014 with the term expiring September 30, 2017. For the year ended May 31, 2017, the Company recognized \$152,229 (2016 - \$183,512) which included the hydro cost of \$42,000 (2016 - \$57,000) to cost of sales and operating expenses related to this agreement.

(d) Operating Lease – Vancouver Office Space

The company had a temporary month –to-month lease agreement with a company controlled by an associate of an executive. For the year ended May 31, 2017, no amounts were recognized under this agreement (2016 - \$2,005). The agreement ended June 30, 2015.

Uniserve Communications Corporation
Management's Discussion and Analysis
May 31, 2017

(e) Loans Payable

The Company has various loans payable to related parties. Amounts outstanding in connection with these loans are as follows:

	May 31, 2017	May 31, 2016
	\$	\$
Loan amounts owed to a company controlled by a director and significant shareholder	977,875	1,003,500
Loan amounts owed to other directors	-	81,610
	977,875	1,085,110

Included within interest expense are the following amounts paid (or accrued) to related parties in connection with the various related party loans:

	May 31, 2017	May 31, 2016
	\$	\$
Interest paid or accrued to a company controlled by a director and significant shareholder	83,033	78,470
Interest paid or accrued to other directors	4,808	7,157
	87,841	85,627

(f) Revenues

Included in revenue for the year ended May 31, 2017 are sales totaling \$255,565 (2016 - \$220,664) in hardware and other services sold to companies controlled by various directors of the Company.

Outstanding shares data

Common shares

Set out below is the outstanding share data for the Company as of the report date:

	Number Outstanding
Common Share	37,707,237
Option to purchase Common Shares	-
Shares Purchase Warrants	17,559,400

Share issuances during the years ended May 31, 2017 and May 31, 2016 are outlined in note 10 of the Financial Statements.

Convertible Preferred shares and Promissory Notes

The convertible preferred shares were issued at \$10 per share, carrying a cumulative dividend rate of 8% per annum payable monthly are convertible into common shares at the option of the holder at a price of \$1.25 per share, or redeemable for cash equivalent to the issue price plus all accrued and unpaid dividends at the option of the holder.

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

During the year ended May 31, 2014, 93% of Preferred Shares were restructured into Promissory Notes ("Notes") effective July 1, 2013. The Notes carry an interest rate of 5% per annum, with interest payments commencing January 1, 2014.

As of May 31, 2017, the Company has the following liabilities related to the Preferred Shares and Notes:

- Preferred Shares: \$198,000 (May 31, 2016: \$273,000)
- Dividends on Preferred Shares in arrears: \$109,560 (May 31, 2016: \$129,220)
- Promissory Notes: \$831,609 (May 31, 2016: \$1,461,840)
- Interest payable on Notes: \$67,581 (May 31, 2016: \$52,397)

For further details and transactions, see note 9 of the Financial Statements.

Critical Accounting Estimates

The preparation of Financial Statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates, assumptions and judgments are based on available information, experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity are described below:

Providing for doubtful debts

The Company provides services to customers mainly on credit terms and as a result certain debts due to the Company will not be paid through the default of a small number of its customers. Estimates, based on historical experience, are used in determining the level of debts that are believed to be uncollectable. These estimates include such factors as the current state of the general economy and industry issues.

Identifiable intangible assets

The values associated with identifiable intangible assets involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates and judgments could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on identifiable intangible assets recognized in future periods.

The Company assesses impairment by comparing the recoverable amount of an identifiable intangible asset with its carrying value. The determination of the recoverable amount involves significant management judgment.

Impairment

The values associated with property and equipment and identifiable intangible assets involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on property and equipment and identifiable intangible assets recognized in future periods.

The Company assesses impairment by comparing the recoverable amounts of property and equipment and identifiable intangible assets with their carrying value. The determination of the recoverable amount involves significant degree of estimation.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

Significant judgments

The preparation of Financial Statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's Financial Statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- whether expenditures incurred meet the definition of research or development, and whether expenditures on development meet the criteria to be capitalized as intangible assets;
- whether there exist indicators that the Company's property and equipment are impaired;
- the recognition / disclosure of provisions / contingent liabilities;
- the classification of financial instruments; and
- the classification of leases as either operating or capital type leases.

Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not effective for the year ended May 31, 2017, and therefore have not been applied in preparing the Financial Statements. Standards issued but not yet effective, and which the Company believes are relevant to its operations, up to the date of issuance of the Company's Financial Statements are listed below:

(a) IFRS 9 - Financial instruments

In November 2009, the IASB issued IFRS 9, Financial instruments ("IFRS 9") as a first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in Other Comprehensive Income, rather than within Profit or Loss. The standard must be applied retrospectively. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company is still working to understand the impact on the classification and measurement of financial assets.

(b) IFRS 15 – Revenue from Contracts with Customers

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its Financial Statements.

(c) IFRS 16 - Leases

Under IFRS 16, a single accounting model is introduced for leases, where all leases will require an asset and liability to be recognized on the balance sheet, when a lessee controls the right to use an identified asset through exclusive use of the asset for a period of time. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15. The Company has not adopted these standards yet, and believes it will have minimal impact on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's Financial Statements.

Uniserve Communications Corporation
Management's Discussion and Analysis
May 31, 2017

Financial Instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its trade receivables. The Company performs ongoing credit evaluations of its customers' financial condition to determine the need for an allowance for doubtful accounts. The Company has not experienced significant credit losses to date. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances in the Financial Statements.

As at May 31, 2017 the balance from four customers made up 38.2% of trade receivables (two customers made up 43.9% of the balance at May 31, 2016).

The following table sets forth details of the aged receivables as well as the related allowance for the doubtful accounts:

	May 31, 2017	May 31, 2016
	\$	\$
Current	348,129	195,321
31-60 days past billing date	104,462	176,980
61-90 days past billing date	13,770	43,445
Greater than 90 days past billing date	34,528	47,265
Total Receivables	500,890	463,011
Less - allowance for Doubtful Accounts	(41,740)	(41,613)
	459,150	421,398

The Company's secondary exposure to credit risk is on its cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows will change. At May 31, 2017, the Company was exposed to interest rate risk as significant interest bearing debt matures within 12 months or less. These debts include:

A 1% change in interest rates would impact the Company's net income by \$18,720 over the next twelve months. The Company has mitigated this risk by entering into fixed rate agreements.

(c) *Currency risk*

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as certain suppliers' invoices are denominated in United States dollars. A further weakening of the Canadian Dollar will increase certain costs of goods sold by the Company, and may hurt the Company's competitiveness on price. The Company currently does not use financial instruments to hedge this risk.

At May 31, 2017, the Canadian dollar equivalent value of the Company's United States dollar denominated financial instruments is as follows:

Uniserve Communications Corporation

Management's Discussion and Analysis

May 31, 2017

	\$
Cash	48,379
Trade receivables	16,307
Trade payables	(131,731)
	(67,045)

A 10% movement in US currency versus the Canadian dollar would affect the Company's net income by approximately \$6,705

(d) *Liquidity risk exposure*

Liquidity risk arises from the Company's general and capital funding needs. Further discussion on liquidity risk is included in note 1.

(e) *Fair values*

The fair value of the Company's financial assets and liabilities approximate their fair values due to the short-term nature of these instruments.

Caution Concerning Forward-looking Statements^(1,2)

Certain statements contained in this MD&A constitute forward-looking statements. In addition, other oral or written statements which constitute forward-looking statements may be made from time to time by or on behalf of Uniserve Communications Corporation. These forward-looking statements relate to the future financial condition, results of operations, or business of Uniserve. These statements may be based on current expectations and estimates about the markets in which Uniserve operates and management's beliefs and assumptions regarding these markets. These statements are subject to risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking statements contained in this MD&A may differ materially from actual results or events. Forward-looking statements contained in this MD&A represent Uniserve's expectations and intentions as of the date hereof. Uniserve disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In particular, forward-looking statements do not reflect the potential impact of any mergers, acquisitions, divestitures, or other business combinations, or other transactions that may be announced. For further information – refer to the Risks and Uncertainties section at the end of this report. Investors are cautioned against attributing undue certainty to forward-looking statements.

¹ In some cases, forward-looking statements may be identified by words such as "anticipate", "could", "seek", "may", "intend", "will", and similar expressions.

² Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the company's future prospects and make informed investment decisions.