Uniserve Communications Corporation
Management's Discussion and Analysis
November 30, 2018

January 28, 2019

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 unaudited condensed interim consolidated financial statements ("financial statements") for the six months ended November 30, 2018 (first 2 quarters of the 2019 fiscal year), as well as the audited consolidated financial statements as at May 31, 2018 and the notes thereto. Any quarterly comparative figures presented will refer to the fiscal year, where 2019 refers to the six months ended November 30, 2018.

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 Residential Customers, value added Resellers and Wholesale Partners. Uniserve brings innovative tech solutions and exceptional customer experience to customers across Canada.

Currently based in Vancouver, Calgary and Waterloo, the Company provides smart technology solutions and reliable services for home and business customers. Uniserve currently provides over 45,000 active services across its residential, business and enterprise customer base combined. These services include a full range of IT services from e-mail and voice to fully managed turn key solutions.

Uniserve offers products across three verticals: Residential, Small Business and Enterprise. For Residential Customers, the Company now offers the latest technologies in TV – the gateway to a Smart Home – Telecommunications, and High-Speed Internet Services. For Small Business, the Company offers Transit Bundles, Canada's first technology bundles for start-ups, professionals, creative industries and retail outlets. For Enterprise Businesses, the Company now has its own T2 Data Edge Centre in Vancouver, B.C. (with backup / DR and failover in Calgary and Toronto). The Company can deliver leading-edge, comprehensive Managed Services, with a focus on Security, Business Continuity, Disaster Recovery, Cloud and Application Hosting, all backed with 24/7 technical support based in Canada.

Uniserve differentiates itself with a relentless focus on Customer Service. Significant investment in human resources and back office systems have been made, equipping the business for coming year growth objectives. In addition, Uniserve continues to develop deep partnerships with best in class vendors to ensure it is able to deliver an all-inclusive IT solution to its clients.

On July 11, 2018 the company announced that it had completed a $4.5 Million financing comprising an equity raise of $3,923,000 by way of a private placement, resulting in the issuance of 28,021,429 common shares at a price of $0.14 with 7,005,357 warrants priced at $0.16 per share for a nine month period, and 21,016,072 warrants priced at $0.20 per share for a two year period. The proceeds will be used for the Root Cellar Technologies acquisition as to $2,000,000 and the balance will be used for working capital. Pursuant to the equity raise, a finder's fee was payable as to 4.4% of the total funds raised and the issuance of a total of 889,314 brokers' warrants issuable as to 222,328 warrants at $0.16 per share for a nine month period, and 666,986 warrants priced at $0.20 per share for a two year period. As part of this financing, the Company has agreed to a two year Debenture in the amount of $570,000 convertible at $0.17 per share in year one, and $0.20 in year two with interest at 9% per annum payable monthly.

On July 16, 2018, the Company announced that it had has closed the acquisition (the "Acquisition") of certain assets of RootCellar Technologies Corporation ("RootCellar"). The acquisition of RootCellar is expected to greatly expand the customer base in the Kitchener/ Waterloo region and allow for increased revenue through expanded breadth of service offering by cross selling and upselling within existing Uniserve customers and newly acquired RootCellar customers.

During the second quarter Uniserve continued streamlining operations within its core business in an effort to reduce operational costs as well as to improve processes and efficiencies across the entire organization. The company will continue to monitor, assess and adjust accordingly to work towards maximum efficiency and profitability. Demand for digital services has never been greater. Customers want a constant in a world of change. The growth in infrastructure and software as a service as well as the outsourced IT model continues to accelerate 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.

Overall Business Outlook

The company continues to focus on improvements and automation of sales processes and procedures which will allow the company to scale rapidly with faster onboarding, order processing and opening opportunities for cross sell and upsell in existing markets and territories as well as new ones.

The Company expects that new additions to the sales team during the first two quarters of fiscal 2019 will continue to allow for increased revenue and market penetration.

The Company finished the second quarter with revenues above $3.25M, exceeding the previous quarter by over $200K and keeping the company on track to its highest annual revenue figure this decade. In the quarter ended November 30, 2018, the Company generated revenue of $3.25M, compared to $2.15M in the same period of the last fiscal year, a growth of 51%. 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. Efforts are underway to reduce operational expenditures as well as increase margins on core lines of business.

During October of 2018, the Company substantially completed the integration of RootCellar. The Company expects that the complimentary nature of RootCellar and Uniserve's business offerings will allow for increased traction within existing customers as well as an expanded scope to more easily attract new customers.

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 three months ended November 30, 2018, the Company had a consolidated net loss of $870,466 and consolidated net loss of $855,181 during the same three month period in the prior year. For the six months ended November 30, 2018, the Company had a consolidated net loss of $2,109,716 and consolidated net loss of $1,301,620 during the same six month period in the prior year. As at November 30, 2018, the Company had a consolidated working capital deficiency of $4,252,728 (May 31, 2018 - $4,579,145).

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.

Rapidly 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 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).

For the six months ended November 30, 2018, EBITDA was a loss of $1,549K compared to a loss of $1,143K for the six months ended November 30, 2017. This increased EBITDA loss is due to significant one time costs related to the acquisition of Root Cellar, including $100K in legal costs as well as 30K in consulting costs, as well as approximately $250K of restructuring costs, including $220K in severance. The acquisition and restructuring have positioned the Company for improved EBITDA performance in coming quarters.

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)		2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
	$	$	$	$	$	$	$	$	$	$	$	$	$
Revenues		1,624	1,634	1,624	1,807	2,208	1,466	2,110	2,148	2,531	2,026	3,037	3,253
Gross Margin		814	837	815	755	882	1,021	876	895	1,291	849	1,021	1,210
Operations and service delivery costs		773	933	761	576	588	944	1,226	1,364	1,626	1,232	1,573	1,567
Sales & marketing		125	156	90	94	87	125	150	174	171	518	394	247
Amortization		93	97	76	74	92	89	127	136	148	75	158	153
Interest expense & Foreign Exchange		12	340	145	171	77	108	72	79	45	(13)	121	105
Other expenses (income)		(555)	(2)	-	-	(328)	(367)	(252)	(3)	(185)	1,237	15	8
Net income (loss) before taxes		**366**	**(687)**	**(257)**	**(160)**	**366**	**122**	**(446)**	**(855)**	**(514)**	**(2,201)**	**(1,239)**	**(870)**

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

In thousands (000's)		2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
	$	$	$	$	$	$							
Net income (loss) before taxes		366	(687)	(257)	(160)	366	122	(446)	(855)	(514)	(2,201)	(1,239)	(870)
Amortization expense[1]		93	97	76	74	92	89	127	136	148	75	158	153
Other expenses (income)		(555)	(2)	-	-	(328)	(367)	(252)	(3)	(185)	1,237	15	8
Interest expense & Foreign Exchange[2]		12	340	145	171	76	107	72	79	45	(13)	121	105
EBITDA[3]		**(84)**	**(253)**	**(35)**	**86**	**206**	**(49)**	**(500)**	**(644)**	**(506)**	**(901)**	**(945)**	**(604)**

EBITDA RECONCILIATION

(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.

Second Quarter and six months ended November 30, 2018

Revenues

Revenue increased by $1.1 million (51%) for the three months ended November 30, 2018, when compared to the same period in the prior year. The increase in revenue year over year for the second quarter is primarily due to new revenues from the acquisition of Root Cellar.

Revenue increased by $2.03 million (48%) for the six months ended November 30, 2018, when compared to the same period in the prior year. The increase in revenue for the six month period ended November 30, 2018 over the same period in the prior year is primarily due to new revenues from the acquisition of Root Cellar.

The Company's focus in the fiscal year 2019 will be the continued growth in the sales team to grow managed services and expansion into larger enterprise, and Municipalities, Universities, Schools & Hospitals customer segments opened up by the company's acquisition of Root Cellar Technologies in July 2018. As well, Uniserve will focus on lean operations to maximize profitability and increase speed of delivery and invoicing.

Gross margin

Gross margin increased by $315K (35%) for the three months ended November 30, 2018, when compared to the same period in the prior year. The increase in gross margin year over year for the second quarter is primarily due to increased revenues from the acquisition of Root Cellar.

Gross margin increased by $460K (26%) for the six months ended November 30, 2018, when compared to the same period in the prior year. The increase in gross margin for the six month period ended November 30, 2018 over the same period in the prior year is primarily due to increased revenues from the acquisition of Root Cellar.

Gross margin as a percentage of sales was 37% in the current quarter, which is up 3 percentage points (37% vs 34%) from last quarter but down 5 percentage points (37% vs 42%) from the same quarter in fiscal 2018. Gross margin as a percentage of sales was 35% for the six months ended November 30, 2018, which is down 7 percentage points (35% vs 42%) from the same six month period in fiscal 2018. The decrease in gross margin as a percentage of sales from FY 2018 is due to increased sales of lower margin products particularly after the acquisition of Root Cellar who specializes in large storage systems and other hardware sales.

Operations and service delivery costs

Operations and service delivery costs increased by $203K (15%) for the three months ended November 30, 2018, when compared to the same period in the prior year. The increase in operations and service delivery costs year over year for the second quarter is primarily due to costs associated with ongoing restructuring efforts including severance costs (approximately $100K) as well as increased volume of business operations after acquiring Root Cellar. Mostly increased staffing which totalled approximately $140K in the quarter. These were offset in part by other cost reduction efforts of management including staff reductions and a line by line review of operating expenses.

Operations and service delivery costs increased by $550K (21%) for the six months ended November 30, 2018, when compared to the same period in the prior year. The increase in operations and service delivery costs for the six month period ended November 30, 2018 over the same period in the prior year is due to costs associated with ongoing restructuring efforts including severance costs (approximately $220K) as well as increased volume of operations after acquiring Root Cellar. Mostly increased staffing which totalled approximately $210K in the six month period. Also included in the increase was bad debt expense of approximately $100K related to a significant customer entering receivership.

Sales and marketing

Sales and marketing costs increased by $73K (42%) for the three months ended November 30, 2018, when compared to the same period in the prior year. The increase in sales and marketing costs year over year for the second quarter is due to recording some expenses previously classified as overhead as sales and marketing, including salaries of marketing staff, as well as increased sales commissions.

Sales and marketing costs increased by $317K (98%) for the six months ended November 30, 2018, when compared to the same period in the prior year. The increase in Sales and marketing costs for the six month period ended November 30, 2018 over the same period in the prior year is due to recording some expenses previously classified as overhead as sales and marketing, including salaries of marketing staff, as well as increased sales commissions.

Amortization

Amortization costs increased by $18K (13%) for the three months ended November 30, 2018, when compared to the same period in the prior year. The increase in amortization costs year over year for the second quarter is due to amortization of intangible assets acquired from Glenbriar.

Amortization costs increased by $49K (18%) for the six months ended November 30, 2018, when compared to the same period in the prior year. The increase in Amortization costs for the six month period ended November 30, 2018 over the same period in the prior year is due to amortization of intangible assets acquired from Glenbriar.

Interest expense

Interest expense increased by $16K (25%) for the three months ended November 30, 2018, when compared to the same period in the prior year. The increase in interest expense year over year for the second quarter is due to increased fees from trade suppliers.

Interest expense increased by $42K (33%) for the six months ended November 30, 2018, when compared to the same period in the prior year. The increase in interest expense for the six month period ended November 30, 2018 over the same period in the prior year is mostly due to increased fees from trade suppliers ($28K) as well as a temporary increase in interest expense due to short term financing ($15K).

Liquidity and capital resources

Working capital and liquidity

As at November 30, 2018, the Company had a working capital deficiency of $4,252,728 (May 31, 2018 - $4,579,144). During Q1 the company obtained short term debt financing of $500K that was repaid in September 2018. During Q2 the company obtained short term debt financing of $313K that is due in January 2019. In January of 2019 as at the date of this report, the Company is completing approximately $500K of debt financing.

Loans payable

As at November 30, 2018 the Company had loans payable outstanding of $2,244,211. Included in this amount is a loan made on September 29, 2017, whereby the Company borrowed $700,000 from a third party company, with a joint and several promise made by the Company and a director of the Company to pay the third party company. The loan bears interest at a rate of 3.5% per annum. The loan was due on September 30, 2018 and $200,000 has been repaid as of the date of this report and is currently being renegotiated. Further details are contained in Note 8 of the Financial Statements.

Convertible Debentures

On July 31, 2018 the Company issued a secured Convertible Debenture which is secured by general security agreement with a Principal Sum of $570,000 and Maturity Date of July 31, 2020. The holder shall be entitled, on or before the maturity date, to convert all or any portion of the Principal Sum, excluding accrued but unpaid interest then outstanding, in whole or in part, into shares of the Corporation at the Conversion Price being equal to $0.17 per Conversion Share if converted within 12 months from the date of issuance of the debenture, and $0.20 if converted on or after 12 months from the date of issuance of the Debenture. During the three months ended November 30, 2018, the Company accrued and paid interest of $12,825 (2017 - $Nil) Further details are contained in Note 9 of the Financial Statements.

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 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 November 30, 2018, the current debt portion of the convertible preferred shares is $64,000 (May 31, 2018 - $64,000) and accrued dividends in arrears owing to preferred shareholders are $43,093 (May 31, 2018 - $40,533). Further details are contained in Note 10 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 $0.50 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 10 of the Financial Statements. As at November 30, 2018, a current liability of $301,102 (May 2018 - $582,746 short-term liability) remains for the Promissory Notes. The decrease is attributed to the Company's focus on debt negotiations. Further details are contained in Note 10 of the Financial Statements.

Summary

During the second quarter of the fiscal year of 2019, the Company has focused on integrating Root Cellar operations and realizing efficiency and savings, has focused sales 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, recently launching Internet 300 residential and SOHO services. The company has focused on top line growth in recent quarters with revenue growing 51% from Q2 2018. The company will continue to focus on improving the balance sheet and operating results in 2019 by continuing to implement operational efficiencies.

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:

	2019	2020	2021	Total
	$	$	$	$
Finance Leases	4,342	5,789	-	10,132
Operating Leases	172,496	229,995	229,995	632,486
	176,838	235,784	229,995	642,618

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 six months ended November 30, 2018 including short-term benefits totaled $254,250 (2017 - $371,280).

Transactions with related parties:

(a) Operating Lease – Vancouver Office Rent

For the six months ended November 30, 2018, the Company recognized rent expenses of $75,000 (2017 - $75,000) related to this agreement. The Company also recognized an additional $16,662 (2017 - $17,194) to rent expense for parking fees.

Lease inducement of $Nil (2017 - $4,054) was recognized as a reduction to rent expense. As of November 30, 2018, none of the lease inducement remains.

During the six months ended November 30, 2018, the Company temporarily rented additional office next to the existing office for the months of June and July 2018 amounting to $5,303.

(b) Operating Lease – Vancouver Data Centre

For the six months ended November 30, 2018, the Company recognized $122,451 (2017 - $77,984) which included the hydro cost of $53,856 (2018 - 21,000), to cost of sales and operating expenses related to this agreement.

(c) Loans Payable

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

	November 30, 2018	May 31, 2018
	$	$
Loan amounts owed to a company controlled by a director and significant shareholder	**1,313,000**	1,610,000
	1,313,000	1,610,000

Further details on these loans are disclosed in Note 7.

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

	November 30, 2018	May 31, 2018
	$	$
Interest paid or accrued to a company controlled by a director and significant shareholder	**64,456**	71,393
	64,456	71,393

(d) Revenues

Included in revenue for the year six months ended November 30, 2018 are sales totaling $67,549 (2017 - $84,900) 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	78,779,075
Option to purchase Common Shares	
Shares Purchase Warrants	40,249,983

Share issuances during the six months ended November 30, 2018 and year ended May 31, 2018 are outlined in note 11 of the Financial Statements.

Critical Accounting Estimates

The interim consolidated financial statements for the six months ended November 30, 2018 were prepared using the same IFRS accounting policies and methods as those disclosed in Notes 3 and 4 and used in the Company's 2018 financial statements for the year ended May 31, 2018, except for the implementation of IFRS 15 and IFRS 9 which have had a minimal impact on financial statements. Further details are discussed below in the section, Changes to Accounting Policies.

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 a 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.

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 including Initial Adoption

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

On June 1, 2018, the Company adopted the new accounting standard IFRS 15 to all revenue contracts using the modified retrospective approach, and this adoption did not have a material impact on our timing of revenue recognition policies previously disclosed in the May 31, 2018 audited consolidated financial statements.

IFRS 15 supersedes previous accounting standards and interpretations for revenue and introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:
1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

IFRS 9 Financial Instruments ("IFRS 9")
On June 1, 2018, the Company also adopted IFRS 9 and this adoption did not result in a material impact to the Company's consolidated financial statements.

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IFRS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. There was no change to the initial measurement of the Company's financial assets. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. ECL's are a probability-weighted estimate of credit losses. The Company has calculated ELC's based on consideration of customer specific factors and factual credit loss experience over the past five years. As a percentage of revenue, the Company's historical credit loss experience has not been material.

The adoption of IFRS 9 has not had an effect on the Company's accounting policies related to financial liabilities.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces IAS 17, Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1,

2019. Earlier application is permitted if IFRS 15 has also been applied. The Company has begun initial assessment of the standard, the effect not yet assessed the impact of the adoption of this standard.

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 fully assessed the impact of the adoption of this standard however it does not expect it will have a material impact on the 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.

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 are 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 maximum amount of credit risk exposure is limited to the carrying amounts of these balances in the consolidated financial statements.

As at November 30, 2018 the balance from Six customers made up 49% of trade receivables (25.3% of the balance at November 30, 2017). As at November 30, 2018, one customer accounts for $242,000 (17%) of the trade receivables balance.

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

	November 30, 2018	**May 31, 2018**
	$	**$**
Current	1,158,489	772,958
31-60 days past billing date	157,287	204,212
61-90 days past billing date	83,656	94,184
Greater than 90 days past billing date	275,414	314,437
Total Receiveables	1,674,846	1,385,791
Less - allowance for Doubtful Accounts	(199,610)	(181,786)
	1,475,236	1,204,005

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 November 30, 2018 the Company was exposed to interest rate risk as significant interest bearing debt matures within 12 months or less.

	$
Convertible Preferred Shares	64,000
Loans Payable	2,244,211
	2,308,211

A 1% change in interest rates would affect the Company's net income by $23,082 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. The Company currently does not use financial instruments to hedge this risk.

At November 30, 2018, the Canadian dollar equivalent value of the Company's United States dollar denominated financial instruments is as follows:

	$
Cash	7,162
Trade receivables	9,374
Trade payables	(106,001)
	(89,463)

A 10% movement in US currency versus the Canadian dollar would affect the Company's net income by approximately $8,946.

(d) Liquidity risk exposure

Liquidity risk arises from the Company's general and capital funding needs.

(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

[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.

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.