

Uniserve Communications Corporation

Management's Discussion and Analysis

August 31, 2025

October 24, 2025

Overview

The following discussion of results contains information relevant to the operations of Uniserve Communications Corporation (the "Company" or "Uniserve") as of the date of issuance of this MD&A. 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 IFRS Accounting Standards ("IFRS").

The following should also be read in conjunction with the audited Consolidated Financial Statements ("financial statements") as of May 31, 2025 and the notes thereto.

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

About the Business

Uniserve was incorporated on January 19, 1988, under the Company Act of British Columbia. The Company provides consulting, delivery and integration of voice, data, and media services over multiple redundant and resilient networks, selling directly to residential and business 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 tens of thousands of 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 turnkey solutions.

Uniserve offers products across three verticals: Residential, Small Business and Enterprise. For residential customers, the Company offers telecommunications, and high-speed internet services. For small business, the Company offers Office in a Box technology bundles for start-ups, professionals, creative industries, and retail outlets. For enterprise customers, the Company can deliver leading-edge, comprehensive managed IT services with a focus on security, business continuity, communications, disaster recovery, cloud and application hosting, all backed with 24/7 technical support based in Canada. The Company has its own T2 data centre in Vancouver, B.C. (with backup / disaster recovery, and failover in Calgary). Uniserve differentiates itself with a relentless focus on customer service.

Overall Business Outlook

The Company's continued focus on improvements to sales processes and operational procedures has resulted in increased efficiency throughout the service delivery lifecycle. The Company is in a strong position for adding to its customer base and increasing value from the existing customer base.

During the last year, Uniserve has continued streamlining operations within its core business in an effort to improve its operational cost structure as well as to improve processes and efficiencies across the entire organization. Uniserve has also focused on developing high value-added products and services to support businesses in all things IT related. In the fiscal year 2025 the Company has worked to improve its sales pipeline with a focus on recurring revenue and to sign existing customers to new contracts.

In the last half of 2025, the Company defined its growth strategy in 3 main areas of our business:

1. Growth of our Data Centre infrastructure and capacity;
2. Growth of our managed services monthly recurring revenue;
3. Growth in our internet service provision ("ISP") infrastructure.

In response to this strategy the Company started construction on its new 2MW Vancouver data centre facility at 369 Terminal Ave. This project is expected to bring \$7,000,000 of top line revenue when complete. The first phase is expected to be in operation by the summer of 2026.

In February of 2025 the Company acquired all of the assets of Cyclone Systems Inc. ("Cyclone") This acquisition increased the Company's monthly recurring revenue by approximately \$195,000. The customers that came with Cyclone increased Uniserve's business base throughout Western Canada and allowed the Company to further drive operational efficiencies within the organization.

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Uniserve is committed to a strategy of acquisition in the MSP space to drive growth and is continually assessing new opportunities in the MSP and ISP spaces.

On September 15, 2025 the Company announced it has entered into a lease with 369 Terminal Holdings Ltd. for a new state-of-the-art data centre development in Vancouver, British Columbia. Under the terms of the lease, Uniserve will lease 10,000 square feet of premium space at 369 Terminal Avenue. The new facility is designed to power the next-generation AI workloads, high density compute and the digital economy at scale. As part of the agreement, the landlord is providing a \$1,000,000 lease inducement to support the capital buildout of the advanced facility, and a \$1,000,000 forgivable loan in consideration for 1,000,000 Warrants in the Company convertible into 1,000,000 common shares at \$0.60 per share for a one year term. This new facility is the cornerstone of Uniserve's national data centre expansion strategy, with additional projects already under evaluation in major Canadian markets. By establishing high-density AI-ready capacity in Vancouver, Uniserve is positioning itself at the heart of Canada's sovereign digital and AI infrastructure buildout—a market expected to scale rapidly as enterprises and institutions accelerate AI adoption. Management believes that the lease represents a transformational step for Uniserve. "It allows us to immediately advance construction of a flagship facility that will support both conventional enterprise workloads and the explosive demand for AI compute. With 2MW of initial capacity, this site positions Uniserve as a critical player in the next wave of Canadian AI Infrastructure.

Strategic Significance

- 2MW of scalable AI-ready power in downtown Vancouver, a key North American technology hub.
- Financially accretive structure with \$2 million in combined landlord incentives, strengthening Uniserve's balance sheet and growth runway.
- National expansion platform with future facilities under review in other Tier-1 Canadian markets.
- Long-term growth tailwinds from accelerating AI adoption, digital transformation, and sovereign cloud demand.

Pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI61-101"), this transaction is considered a "related party transaction" as the landlord is an insider of the Company. As the fair market value of the transaction is not more than 25% of the Company's market capitalization, this related party transaction is exempt from the formal valuation requirement of section 5.4 of MI 61-101 and the minority shareholder approval requirement of section 5.6 of MI 61-101.

On October 8 2025 the Company announced that it has entered into a Memorandum of Understanding (MOU) with Railtown AI Technologies Inc. ("Railtown"), a developer of AI Agentic Frameworks and Observability tools. The partnership aims to develop and deliver scalable AI solutions tailored for small and medium-sized enterprises (SMEs).

The partnership combines Uniserve's infrastructure in three core service areas: Data Centre infrastructure and services, ISP infrastructure and services, and Managed IT Services, supporting approximately 3,000 SME customers. The introduction of Railtown's AI tools into the Uniserve ecosystem enables our customers with the capability to articulate and actualize a modernization strategy while being able to address the rising demand for cost effective AI solutions. Representing over 90% of Canadian businesses, SMEs present a significant market opportunity, and this collaboration aims to deliver practical AI applications, such as workflow automation and predictive analytics, to enhance efficiency and competitiveness for these businesses.

By combining Railtown's Agentic frameworks and Observability tools with Uniserve's established SME client base and national infrastructure, the partnership is positioned to deliver practical and rapidly deployable AI solutions at scale.

The Company plans to leverage its established relationships and infrastructure to develop and host AI applications, GPUs, and customized cloud solutions for its clients and partners. This will lead to new revenue streams for Uniserve and allow us to serve the current customer base as well as continue strong revenue growth by adding customers in this area of support and service.

Additionally, Uniserve intends to implement agentic AI applications internally to improve operational efficiencies, particularly in its managed service provider (MSP) help desk operations, with the goal of enhancing margins and workflows. These applications may be refined for broader market distribution, potentially creating additional revenue streams.

This partnership will also serve as a springboard for Uniserve to increase its GPU compute capacity as its existing customer base begins the adoption of these types of agentic solutions in their day-to-day business operations.

The SME market represents a significant opportunity due to its size and limited access to AI solutions. Uniserve's existing network of SME customers provides a strong foundation for deploying AI solutions, enabling the Company to expand its service offerings and strengthen its position in the Canadian IT services market through this partnership with Railtown.

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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 three months ended August 31, 2025 the Company had a net loss of \$264,034. As of August 31, 2025, the Company had working capital deficit of \$269,328 and an accumulated deficit of \$38,960,706.

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 to continue to meet its obligations as they come due.

The imposition or escalation of U.S. tariffs on imported goods and raw materials may increase the Company's cost of sales, reduce margins, and impair competitiveness in certain markets. These trade barriers could further strain cash flows, restrict access to key inputs, and adversely affect the Company's ability to forecast and manage costs.

Rapidly evolving global economic conditions and trade tensions have also made access to credit and capital markets more challenging, which could hinder the Company's ability to secure timely and adequate financing. 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.

If the Company is unable to generate positive cash flows or obtain adequate financing, the Company would need to slow operations. This indicates the existence of a material uncertainty that may cast significant 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 significantly 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 comprehensive 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 on 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. The most comparable IFRS financial measure is net comprehensive income.

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For the three months ended August 31, 2025, EBITDA was a loss of \$130K compared to a loss of \$87K for the three months ended August 31, 2024.

A summary of the Company's financial results by quarter is presented in the table below.

In thousands (000's)	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,569	1,622	1,664	1,651	1,865	1,712	1,744	2,122
Cost of revenues	883	900	877	986	1,099	1,009	770	1,299
Operations and service delivery expenses	641	576	580	624	865	1,209	567	832
Sales and marketing expenses	165	180	165	128	176	71	260	66
Amortization of property and equipment	20	21	24	21	23	23	29	31
Amortization of intangible assets	6	6	6	-	-	41	38	59
Finance charges	13	21	(20)	15	13	23	255	46
Loss on foreign exchange	2	0	-	2	2	2	(3)	1
Gain on settlements and reversals of debts	-	-	(21)	-	-	-	-	-
Share-based compensation	2	-	-	-	-	-	714	56
Finance Income	(14)	(43)	18	(14)	(34)	(45)	0	(4)
Net and comprehensive income (loss)	(147)	(38)	36	(112)	(279)	(621)	(886)	(264)

EBITDA RECONCILIATION

In thousands (000's)	Note	2024 Q2	2024 Q3	2024 Q4	2024 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
		\$	\$	\$	\$	\$	\$	\$	\$
Net income (loss) before taxes		(147)	(38)	36	(112)	(279)	(621)	(886)	(264)
Amortization expenses	1	26	27	30	21	23	64	68	91
Other expenses (income)		(14)	(43)	(4)	(14)	(34)	(45)	714	(4)
Interest expense & Foreign Exchange	3	15	21	(20)	17	15	25	252	48
EBITDA		(120)	(33)	42	(87)	(275)	(577)	148	(130)

The table above reconciles net income (loss) to EBITDA on a quarterly basis:

- (1) Amounts include amortization of property and equipment and intangible assets.
- (2) Amounts include share-based compensation.
- (3) Amounts include dividends and accrued dividends on convertible preferred shares, interest on notes payable, capital leases, lease receivables and other interest.

Quarter ended August 31, 2025

Revenues

Revenue for the three months ended August 31, 2025, increased by \$470K (28.5%) compared to the same period in the prior year. The increase was primarily driven by higher connectivity services revenue of \$250K, reflecting contributions from the acquisition of Cyclone's customer relationships. This growth was largely attributable to increases in Cable and DSL services \$60K Voice services \$145K, and Hosting services \$45K. Additional revenue growth came from higher equipment and software sales \$159K and IT professional services \$61K compared to the same period in the prior year..

Cost of revenues

Cost of revenues for the three months ended August 31, 2025, increased by \$313K (31.8%) compared to the same period in the prior year. The change was mainly due to higher connectivity costs of \$114K, driven by increases in Cable and DSL services \$66K and Voice services \$48K. This is partially offset by lower equipment and software costs (\$166K) and IT professional services costs (\$27K) compared to the same period in the prior year.

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Operations and service delivery costs

Operations and service delivery costs increased by \$207K (33.2%) for the three months ended August 31, 2025, compared to the same period in the prior year. The increase was primarily attributable to higher consulting fees \$104K, audit fees \$30K, legal fees \$9K, and regulatory fees \$8K.

Sales and marketing

Sales and marketing expenses decreased by \$63K (48.9%) for the three months ended August 31, 2025, compared to the same period in the prior year. The decrease was primarily due to lower salaries, benefits, and commission expenses \$52K.

Amortization

Amortization of property and equipment increased by \$10K (46.7%) for the three months ended August 31, 2025, compared to the same period in the prior year. The increase was mainly related to network hardware (\$4K) and modems (\$4K).

Amortization of intangible assets increased by \$60K for the three months ended August 31, 2025, compared to nil in the same period of the prior year. The increase was due to the amortization of the Cyclone customer relationship intangible asset acquired during the prior fiscal year.

Share-based compensation

During the three months ended August 31, 2025, the Company granted a total of 300K share purchase options to a consultant. As a result, \$55.8K was recognized as share-based compensation expense, compared to nil in the same period of the prior year.

Other expenses and income

Other expenses increased by \$31K for the three months ended August 31, 2025, compared to the same period in the prior year. The increase was primarily mainly related to a loan advance and debenture balances.

Other income decreased by \$10K for the three months ended August 31, 2025, the decrease mainly because of decrease of GICs interest income compared to the same period in the prior year.

Income tax

No income tax expense was recorded for the three months ended August 31, 2025, as the Company reported a net loss for the period. As of August 31, 2025, the Company has not recognized a deferred tax asset.

Liquidity and capital resources

Working capital and liquidity

For the three months ended August 31, 2025, net cash provided in operating activities was \$178K, compared to net cash used by operating activities of \$(47K) during the same period in the prior year. The cash provided in operating activities was primarily due to changes in working capital of \$289K offset by \$(264K) used by net loss offset non-cash items of \$153K. In the same period of the prior year, net cash used by operating activities was mainly due to changes in working capital of \$43K and an adjusted loss of \$(90K) after non-cash items.

Net cash used in investing activities totaled \$211K for the three months ended August 31, 2025, compared to \$15K in the same period of the prior year. Cash used in investing activities during the current period related primarily to the purchase of equipment.

Net cash provided by financing activities was \$1.79 million for the three months ended August 31, 2025, compared to net cash used of \$0.4K in the prior-year period. Cash provided by financing activities was attributable to proceeds from the private placement of common shares, net of share issuance costs.

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As a result, the Company reported a net increase in cash of approximately \$1.76 million for the three months ended August 31, 2025.

Loans payable

As of August 31, 2025, the Company had a loan payable of \$1,000,000 to 369 Terminal Holdings Ltd., bearing interest at 8% per annum (May 31, 2025 – \$1,000,000 at 8%), and a loan payable of \$500,000 to Fibre-Crown Manufacturing Inc., bearing interest at 10% per annum (May 31, 2025 – \$500,000 at 10%). Both entities are controlled by a significant shareholder.

Convertible Debentures

	August 31, 2025	May 31, 2025
Convertible debenture	\$650,000	\$ 1,000,000
Convertible debenture -current portion	(100,000)	(100,000)
Discount	(103,304)	(103,304)
Accretion	31,307	10,014
	<u>\$478,003</u>	<u>\$806,710</u>

On February 5, 2025, pursuant to an Asset Purchase Agreement dated January 24, 2025, the Company completed the purchase of substantially all the assets of Cyclone. As part of the acquisition-date fair value of the total consideration transferred, the Company issued a secured convertible debenture ("The Debenture") at closing, with a preliminary fair value of \$1,230,959. This amount is comprised of a debt component with a principal sum and fair value of \$896,696 and an equity component with fair value of \$334,263, attributable to the Debenture's conversion feature. (Note 3).

The Debenture has a three-year term, bears interest at a rate of 6% per annum, payable monthly, and is secured by the acquired Cyclone assets. An amount of \$103,304 was allocated to accretion to reflect the difference between the initial carrying value and the face value of the debenture. The accretion is recognized over the three-year term using the effective interest method.

In each of the three years following the closing date, the Company may elect to repay up to 50% of the then outstanding principal. If such a repayment is proposed, Cyclone may opt to convert up to 50% of that amount into common shares of the Company (each, a "Share") at the then applicable conversion price. Additionally, on the first and second anniversaries of the closing, 10% of the then-outstanding principal (less any prepayments) becomes due and payable in cash, unless Cyclone opts to receive payment in Shares. Shares issued under the Debenture will be priced based on the year of issuance as follows: Year 1: Convertible at \$0.35 per share, Year 2: Convertible at \$0.45 per share and Year 3: Convertible at \$0.55 per share.

The Debenture also includes an acceleration clause whereby, if the 10-day volume-weighted average trading price of the Company's Shares on the TSX-V equals or exceeds 150% of the applicable conversion price at any time during the term, the Company may choose to convert up to 50% of the outstanding Debenture into Shares at the applicable conversion price, or alternatively, pay the holder up to 50% of the outstanding Debenture in cash.

In accordance with the repayment terms, the portion of the Debenture due within one year has been classified as a current liability, while the remaining balance is classified as a long-term liability.

During the quarter ended August 31, 2025, the Company settled \$350,000 of the debenture through the issuance of 1,000,000 common shares at \$0.35 per share with the corresponding adjustment recognized in the accretion accounts. The remaining balance of \$650,000 continues to accrue interest and accretion in accordance with the original terms.

For the three months ended August 31, 2025, the Company paid interest of \$11,500 compared to \$Nil for the same period in the prior year.

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Preferred shares

As of August 31, 2025, the current debt portion of the convertible preferred shares is \$23,000 (May 31, 2025 - \$23,000) and accrued dividends in arrears owing to preferred shareholders are \$27,907 (May 31, 2025 - \$27,446).

Common Shares

On October 31, 2024, the Company consolidated its common shares on a 3 to 1 basis. All common share and per common share disclosure numbers have been restated to reflect this share consolidation.

As of August 31, 2025, there were 34,921,256 common shares outstanding (May 31, 2025 – 26,841,256).

	Number Outstanding
Common Shares	34,921,256

Share purchase warrants

The changes in warrants outstanding during the three month period ended August 31, 2025 and the years ended May 31, 2025 and 2024 are as follows:

	Number of warrants	Weighted average exercise price	Expiry date
Outstanding balance as of May 31, 2024	-	-	
Issued during year ended May 31, 2025	1,000,000	\$0.30	February 4, 2026
Outstanding balance as of May 31, 2025	1,000,000	-	
Outstanding balance as of May 31, 2025	1,000,000	\$0.30	
Exercised during period ended August 31, 2025	(1,000,000)	\$0.30	
Issued during period ended August 31, 2025	3,000,000	\$0.40	July 18, 2026
Outstanding balance as of August 31, 2025	3,000,000	\$0.40	

On February 5, 2025, the Company issued 1,000,000 share purchase warrants in connection with a \$1,000,000 demand loan (refer to Note 10) related to the acquisition of Cyclone. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.30 per share and is exercisable for a one-year term, expiring on February 4, 2026. As at May 31, 2025, all warrants remained outstanding and unexercised. The fair value assigned to the warrants was \$196,700, determined using the Black-Scholes Option Pricing Model with the following assumptions: Expected life: 1 year; Risk-free interest rate: 2.71%, Expected stock price volatility: 211%, Dividend yield: Nil

During the three months ended August 31, 2025, the Company issued 3,000,000 share purchase warrants as part of the private placement completed on July 18, 2025. Each share purchase warrant is exercisable into one common share at \$0.40 per share until July 18, 2026. The fair value of \$320,700 assigned to the 3,000,000 warrants was estimated using the Black-Scholes model (risk-free rate 2.82%, volatility 115%, life 12 months, no dividends).

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Share purchase options

The changes in share purchase options during the three months period ended August 31, 2025 and the years ended May 31, 2025 are as follows:

	Number of options	Weighted average exercise price	Expiry date
Outstanding balance as of May 31, 2024	-	-	
Issued during year ended May 31, 2025	2,684,000	\$0.35	May 29, 2027
Outstanding balance as of May 31, 2025	2,684,000	\$0.35	
Outstanding balance as of May 31, 2025	2,684,000	\$0.35	
Issued during period ended August 31, 2025	300,000	\$0.42	
Exercised during period ended August 31, 2025	(8,000)	\$0.35	
Outstanding balance as of August 31, 2025	2,976,000	\$0.36	

On May 29, 2025, the Company granted 2,684,000 stock options to directors, officers, employees, and consultants. Each option entitles the holder to purchase one common share at an exercise price of \$0.35 per share. The options vested immediately and are exercisable for two years, expiring on May 29, 2027. The fair value of \$714,000 was estimated using the Black-Scholes option pricing model (expected life – 2 years, risk-free interest rate – 2.60%, expected volatility – 184%, no dividend).

During the three months ended August 31, 2025, 8,000 common shares were issued from the exercise of stock options at \$0.35 per share.

On Jul 22, 2025, the Company granted 300,000 stock options to a consultant. Each option entitles the holder to purchase one common share at an exercise price of \$0.42 per share. The options vested immediately and are exercisable for one year, expiring on July 22, 2026. The fair value of \$55,800 was estimated using the Black-Scholes option pricing model (expected life – 1 year, risk-free interest rate – 2.87%, expected volatility – 115%, no dividend).

As at August 31, 2025, a total of 2,976,000 options remained outstanding and unexercised.

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 three months ended August 31, 2025 including short-term benefits totaled \$68,750 (2024 - \$77,772).

Transactions with related parties:

- (a) Operating Cost

The Company rents office space on a month-to-month basis from 369 Terminal Holdings Ltd., a company controlled by a significant shareholder for a monthly rent of \$1,500. For the period ended August 31, 2025, the Company recognized gross rent expenses of \$4,500 (2024 - \$4,500) and \$799 (2024 - \$670) to rent expenses for parking fees.

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The Company also recognized marketing expenses from companies controlled by a significant shareholder of \$3,000 (2024 - \$3,300) to 333 Terminal Holdings Ltd. for signage and recognized \$600 (2024 - \$600) to 333 Terminal Holdings Ltd. to rent expense for rooftop space for communications equipment.

The Company also recognized \$2,000 (2024 - \$3,000) for dark fiber cost in the cost of goods sold and Company secretarial office support work of \$9,045 (2024 - \$7,545) from 369 Terminal Holdings Ltd, a company controlled by a significant shareholder.

The Company has a lease agreement with 333 Terminal Holdings Ltd, a company controlled by a significant shareholder of the Company for its data centre space since November 1, 2014 with the renewal term that expired on August 31, 2022, now on the month-to-month basis. For the period ended August 31, 2025 the Company made payments of \$43,411 (2024 - \$39,551) in connection with certain of the Company's leases which included electricity cost of \$8,334 (2024 - \$6,948), The electricity cost was included in cost of revenue.

(b) Loans Payable

The Company has a loan payable of \$500,000 to Fibre-Crown Manufacturing Inc. and a loan payable of \$700,000 to 369 Terminal Holdings Ltd. at August 31, 2025. Both entities are controlled by a significant shareholder. The amounts outstanding in connection with these loans are as follows:

	August 31, 2025	May 31, 2025
Loan amounts owed to companies controlled by a significant shareholder	\$ 1,200,000	\$ 1,500,000
	<u>\$ 1,200,000</u>	<u>\$ 1,500,000</u>

On July 4, 2017, the Company borrowed \$500,000 from Fibre-Crown Manufacturing Inc., a related company controlled by a significant shareholder. This loan bears interest at 10% per annum. On February 5, 2025, the Company borrowed an additional \$1,000,000 from 369 Terminal Holdings Ltd., also a related company controlled by a significant shareholder. This loan bears interest at 8% per annum and, in connection with the financing, 1,000,000 warrants exercisable at \$0.30 per share were issued, having a fair value of \$196,700. The fair value of these warrants was recognized as a finance cost during the prior fiscal year.

On June 9, 2025, the lender exercised 1,000,000 share purchase warrants at an exercise price of \$0.30 per share, for total proceeds of \$300,000, which were applied as a partial repayment of the loan principal Both loans are repayable on demand. Interest expense includes expense includes the following amounts paid or accrued in connection with these related party loans:

	Three months ended	
	August 31, 2025	August 31, 2024
Interest paid or accrued to companies controlled by a significant shareholder	\$ 27,310	\$ 12,568
	<u>\$ 27,310</u>	<u>\$ 12,568</u>

(c) Revenue

Included in revenue for the three months ended August 31, 2025 are sales of \$84,888 (2024 - \$60,112) in hardware and other services sold to Nita Lake Lodge, a company controlled by a significant shareholder and \$8,800 (2024 - \$7,020) to 369 Terminal Holdings Ltd, a company controlled by a significant shareholder.

(d) Website and software development costs

For the three months ended August 31, 2025, the Company paid \$120,000 as a deposit on a website and related software development project with total projected costs of \$300,000 to Apply Digital Ulc, a company controlled by a member of the Board of Directors.

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(e) Lease commitment

The Company signed a lease agreement on Sep 12, 2025 for approximately ten thousand square feet for ten-year term commencing on September 1, 2026 with 369 Terminal Holdings Ltd. a related company controlled by a significant shareholder. The rent estimated at approximate \$448,000 per annum for year 1-5 and \$478,000 per annum for year 6-10. As part of the term, the landlord is providing a \$1,000,000 lease inducement to support the capital buildout of the advanced facility, and a \$1,000,000 forgivable loan in consideration for 1,000,000 Warrants in the Company convertible into 1,000,000 common shares at \$0.60 per share for a one-year term. The fixturing period commenced on signing and payment of a deposit of \$74,610.

Outstanding share data

As of August 31, 2025, there were 34,921,256 common shares outstanding (May 31, 2025 – 26,841,256) and 2,300 preferred shares outstanding (May 31, 2025 – 2,300).

From August 31, 2025, to the date of this report, the Company issued a total of 34,921,556 common shares. The details are as follows:

1. September 2, 2025 – Exercise of Stock Options: One employee of the Company exercised options to purchase a total of 300 shares at \$0.35 per share, generating total proceeds of \$105.

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

	Number Outstanding
Common Shares	34,921,556
Share Purchase Options	2,976,000
Share Purchase Warrants	3,000,000

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:

Expected Credit Losses

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.

The Company's financial assets measured at amortized cost consist of assets as discussed in Notes 5 and 16 of the May 31, 2025 Consolidated Financial Statements.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are expected credit losses ("ECLs") that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances for trade receivables and any contract assets at an amount equal to lifetime Expected Credit Losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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Loss allowances on financial assets measured at amortized cost are deducted from the gross carrying amount of the asset and the related impairment loss is recorded in operations and service delivery costs on the statement of comprehensive loss. The Company subsequently writes off financial assets where it is not economical to pursue recovery and when all reasonable legal avenues of pursuit for material assets have been exhausted.

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.

Revenue from contracts with customers

Some of the Company's revenue is derived from fixed price service contracts that may extend beyond one reporting period. Management must use estimates to determine the percentage of work completed and revenue to recognize at the financial reporting period end date.

Estimated Useful Life of Intangible Assets

Finite-lived intangible assets consist of customer relationships. The useful life used to amortize intangible assets relates to management's judgement of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness.

Share-based Payments

The Company applies IFRS 2, Share-based Payment in accounting for equity-settled share-based compensation. Equity-settled share-based payments to directors, officers, employees, and consultants are measured at the fair value of the equity instruments granted at the grant date. Fair value is determined using an option-pricing model, most commonly the Black-Scholes Option Pricing Model, incorporating all factors and assumptions that market participants would consider in setting a price.

Key assumptions include:

Expected volatility – based on the Company's historical share price volatility and, where applicable, the volatility of comparable entities.

Expected life of options – based on the contractual term, adjusted for management's expectations of option holders' exercise behavior.

Risk-free interest rate – determined using government bond yields at the grant date with maturities consistent with the expected life of the options.

Dividend yield – based on the Company's historical dividend policy and future expectations.

These assumptions involve inherent uncertainty. Changes in these inputs could materially affect the estimated fair value of the options granted and the related expense recognized in the consolidated financial statements.

The fair value determined at the grant date is recognized as an expense, with a corresponding credit to contributed surplus, over the period in which the related services are rendered. Where options vest immediately, the fair value is recognized in full on the grant date. Upon exercise of options, the proceeds received, together with the amount previously recognized in contributed surplus, are credited to share capital.

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 which apply to 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;

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- 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 exists indicators that the Company's property and equipment are impaired;
- whether or not business acquisitions have occurred and whether they constitute a business combination or an acquisition of assets;
- the recognition / disclosure of provisions / contingent liabilities;
- whether the Company is acting as principal or agent in its contracts with customers; and
- the classification of financial instruments.

Changes in Accounting Policies including Initial Adoption

There have been no changes to accounting policies or new policies adopted during fiscal year 2025 or fiscal year 2026 to date.

New or Revised Accounting Standards not yet Adopted.

IFRS 18, Presentation and Disclosure in Financial Statements, is effective for annual periods beginning on or after January 1, 2027. The Company has not yet adopted this standard and is assessing its impact on future financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective and that would be expected to have a material 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 with its trade receivables. The Company performs ongoing credit evaluations of its customers' financial condition to determine the extent of expected credit losses. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances in the consolidated financial statements.

The following table sets forth details of the aged receivables as well as the related allowance for the expected credit losses:

	August 31, 2025	May 31, 2025
Current	\$ 678,778	\$ 728,841
31-60 days past billing date	156,859	119,171
61-90 days past billing date	11,898	172,423
Greater than 90 days past billing date	11,134	729,421
Total Receivables	858,669	1,749,856
Less: loss allowance	(54,310)	(910,204)
	\$ 804,359	\$ 839,652

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The Company is exposed to credit concentration risk due to one customer accounting for more than 5% of receivables.

During the three months ended August 31, 2025, the movement of the credit loss allowance in respect of receivables was as follows:

	August 31, 2025
Balance, beginning of the year	\$ 839,652
Amount written off	(871,204)
Remeasurement of loss allowance	85,862
Balance, end of the period	<u>\$ 54,310</u>

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. On August 31, 2025, the Company was exposed to interest rate risk as significant interest-bearing debt matures within 12 months or less.

	August 31, 2025
Convertible Debenture	\$ 650,000
Convertible Preferred Shares	23,000
Loans payable	1,200,000
	<u>\$ 1,973,000</u>

A 1% change in interest rates would impact the Company's net income by \$19,230 over the next twelve months.

(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 August 31, 2025, the Canadian dollar equivalent value of the Company's United States dollar denominated financial instruments is as follows:

	August 31, 2025
Cash	\$ 9,147
Trade payables	(54,956)
	<u>\$(45,809)</u>

A 10% movement in US currency versus the Canadian dollar would affect the Company's net income by approximately \$4,580.

(d) Liquidity risk exposure

Liquidity risk arises from the Company's general and capital funding needs. Substantially all of the Company's financial liabilities are either due on demand or are due within the next 12 months. Further discussion on liquidity risk is included in note 2.

(e) Fair values

The fair value of the Company's financial assets and liabilities other than non-current receivables, and convertible debenture approximate their fair values due to the short-term nature of these instruments.

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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. 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.