

## **iLOOKABOUT Corp.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months from January 1, 2012 to March 31, 2012 (the "Period")**

The information set forth below has been prepared as at May 17, 2012, and is derived from, and should be read in conjunction with, iLOOKABOUT Corp.'s ("iLOOKABOUT" or the "Company") unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") for the three months ended March 31, 2012 (the "Period"), including the accompanying notes, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). This Management Discussion and Analysis ("MD&A") is intended to assist in understanding the dynamics of the Company's business and key factors underlying its financial results. The Company's Annual Information Form ("AIF") can also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

These Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The Company adopted IFRS effective January 1, 2010.

By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements, and so should be read in conjunction with the Company's 2011 audited annual consolidated financial statements prepared in accordance with IFRS.

All dollar figures referred to herein are Canadian dollars unless otherwise stated. The Company's presentation currency is the Canadian dollar. The functional currency of iLOOKABOUT (US) Inc., a wholly-owned subsidiary of iLOOKABOUT Corp., is the United States ("US") dollar.

A cautionary note regarding forward-looking statements and non-GAAP measures follow in the sections "*Forward Looking Statements*" and "*Non-GAAP Financial Measures*" below.

#### **Company Background**

iLOOKABOUT is a visual and data intelligence company serving commercial enterprise in the real estate, insurance, municipal, utility, assessment and appraisal sectors in Canada, the US and the United Kingdom ("UK"). iLOOKABOUT is a pioneer in visual and data intelligence with its StreetScape™ and Virtual Tour products. StreetScape is a visual and data intelligence product for the geo-spatial market, providing panoramic, comprehensive, street-level perspective visual data, geo-coded with latitude and longitude coordinates for accuracy and supported by patented software processes and proprietary security and storage systems. The Company also offers GeoViewPort™, a web-based Geographic Information System (GIS) application that enables the federation of additional value-added data such as validated addresses, aerial imagery, property values, property attributes, etc. with StreetScape imagery. Headquartered in London, Ontario, Canada, iLOOKABOUT's common shares are traded on the TSX Venture Exchange under the symbol ILA.

#### **Current Overview**

Revenue decreased from \$577,366 to \$549,120 for the three months ended March 31, 2011 and 2012, respectively. Revenue generated from the property assessment and insurance verticals was significantly greater in the first quarter of 2012 than the prior year, but was more than offset by the cancellation of services of a Canadian licensee in the third quarter of 2011 and the expiry of a financial sector agreement in the fourth quarter of 2011. Gross margin increased from \$200,927 to \$276,786 for the three months ended March 31, 2011 and 2012, respectively. Although, revenue decreased for the first quarter of 2012 compared to the same period of 2011, this was more than offset by a decrease in direct operating expenses primarily attributable to lower royalties and commissions in the first quarter of 2012 compared to 2011, which related to the extent and timing of new sales contracts executed. For the three months ended March 31, 2011 and 2012, respectively, comprehensive loss decreased from \$412,945 to \$288,796. This decrease in comprehensive loss was primarily driven by the decrease in direct operating expenses noted, as well as a

decrease in selling and business development costs resulting from reduced sales related human resource expenses and travel and marketing costs related to the elimination of a sales position, and reduced but more targeted participation in tradeshow and other marketing activities.

Significant developments completed in the first quarter of 2012 include:

- Executed a multi-year services contract with the Municipal Property Assessment Corporation (“MPAC”) with respect to the provision of digital imagery and related spatial products and services. This contract establishes the Company as the vendor of record for street level and ortho-imagery as well as spatial data. MPAC is responsible for administering a province-wide property assessment system for Ontario. According to MPAC’s web site, Ontario is one of the largest property assessment jurisdictions in the world, assessing nearly five million properties. This recent sales win confirms the Company’s growing acceptance within the property assessment market. This contract was executed late in the first quarter of 2012.
- Completed a private placement of 750,000 Series 1 Preference Shares for gross proceeds of \$750,000.
- Established a credit facility for up to \$2,000,000 subject to the attainment by iLOOKABOUT of pre-determined financial and sales related performance milestones. The performance milestones to trigger the first disbursement were met by the Company in March 2012, resulting in a disbursement of \$600,000. These funds will be used to support the aggressive pursuit of new growth opportunities, including the expansion of iLOOKABOUT’s product/service offering.

### Overall Performance and Results of Operations

The financial information set forth below is derived from, and should be read in conjunction with, iLOOKABOUT’s Interim Financial Statements for the three months ended March 31, 2012 (the “*Reporting Date*”), which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

	Three months ended				Year ended
	March 31	June 30	Sept 30	Dec 31	Dec 31
<b>Fiscal 2012</b>	Unaudited				
Revenue	\$ 549,120				
Loss	(336,603)				
Comprehensive loss	(288,796)				
Loss per share (basic and diluted)	(0.01)				
<b>Fiscal 2011</b>	Unaudited				Audited
Revenue	\$ 577,366	\$ 719,885	\$ 579,647	\$ 859,001	\$ 2,735,899
Loss	(454,378)	(511,208)	(524,051)	(424,442)	(1,914,079)
Comprehensive loss	(412,945)	(539,609)	(632,422)	(322,335)	(1,907,311)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)
<b>Fiscal 2010</b>	Unaudited				Audited
Revenue	\$ 704,386	\$ 698,780	\$ 879,188	\$ 677,091	\$ 2,959,445
Loss	(287,409)	(696,437)	(259,423)	(568,158)	(1,811,427)
Comprehensive loss	(260,346)	(766,626)	(256,575)	(541,106)	(1,824,653)
Loss per share (basic and diluted)	(0.01)	(0.02)	(0.01)	(0.01)	(0.04)

	<b>Unaudited</b>	
	<b>Three months ended</b>	<b>Three months ended</b>
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
<b>Revenue</b>	<b>\$ 549,120</b>	<b>\$ 577,366</b>
Direct operating expenses	272,334	376,439
<b>Gross margin</b>	<b>276,786</b>	<b>200,927</b>
<b>Other operating expenses:</b>		
Technology	214,655	203,119
Selling and business development	91,470	163,305
General and administration	264,396	244,785
	570,521	611,209
<b>Loss from operations before the undernoted</b>	<b>(293,735)</b>	<b>(410,282)</b>
Finance (costs) income, net	(166)	1,339
Foreign exchange losses	(42,702)	(45,435)
<b>Loss for the period</b>	<b>\$ (336,603)</b>	<b>\$ (454,378)</b>
<b>Other comprehensive income:</b>		
Foreign exchange gain on the translation of foreign operations	47,807	41,433
<b>Comprehensive loss for the period</b>	<b>\$ (288,796)</b>	<b>\$ (412,945)</b>
<b>Loss per share (basic and diluted)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

### ***Revenue***

Revenue decreased 5% for the three months ended March 31, 2012 as compared to the prior year. While revenue generated from the property assessment and insurance verticals was significantly greater in the first quarter of 2012 than the prior year, this growth was more than offset by the cancellation of services of a Canadian licensee in the third quarter of 2011 and the expiry of a financial sector agreement in the fourth quarter of 2011.

As a percentage of total revenue, revenue related to the Company's US-based customers increased to 11% from 9% for the three months ended March 31, 2012 and 2011, respectively. This increase is largely attributable to the Company's sales growth in the US assessment market.

### ***Gross margin***

Gross margin as a percent of revenue increased to 50% from 35% for the three months ended March 31, 2012 and 2011 respectively. As discussed, revenue for the first quarter of 2012 was lower than the first quarter of 2011. However, this was more than offset by the decrease in direct operating expense for the same periods. The decrease in direct operating expense is primarily attributable to lower royalties and commissions in the first quarter of 2012 compared to 2011, which related to the extent and timing of new sales contracts executed.

### ***Comprehensive loss***

For the three months ended March 31, 2012 compared to the same period of 2011, the comprehensive loss decreased approximately 30%. This improvement is attributable to the decreased direct operating expenses discussed above and a significant decrease in selling and business development costs resulting from

reduced sales related human resource costs and travel and marketing costs related to the elimination of a sales position, and reduced but more targeted participation in tradeshow and other marketing activities.

### Seasonality

The number of hours per day of daylight suitable for image capture and weather conditions vary with the seasons and impact peak periods of data capture. As the Company's image capture activity to date has primarily been focused in Canada, the northeastern region of the US and the UK, the majority of costs associated with image capture are incurred in the second and third quarters of the year. Should the Company be successful in expanding its image capture to the southern US, the impact of seasonality on image capture will be less significant.

### Outstanding Share Data

	Expiry date	March 31, 2012		December 31, 2011	
		Issued	Amount	Issued	Amount
Issued:					
Common shares		40,710,417	\$ 8,428,961	40,710,417	\$ 8,428,961
Preference shares		750,000	139,468	-	-
Share purchase warrants:					
\$1.00 warrants	April 1/13	6,567,500	2,649,239	6,567,500	2,242,054
		6,567,500	2,649,239	6,567,500	2,242,054
Share capital and warrant capital		48,027,917	\$ 11,217,668	47,277,917	\$ 10,671,015

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series, of which an unlimited number of Series 1 Preference Shares have been created. As at May 17, 2012, the issued and outstanding capital consisted of 40,710,417 common shares and 750,000 Series 1 Preference Shares (at December 31, 2011 – 40,710,417 and 0, respectively).

Each Series 1 Preference Share ("Preference Share") is convertible into Units, at the option of the holder, at a conversion rate of 1/0.31 (being approximately 3.226 Units per share) until the third anniversary of the issuance of these shares, subject to certain earlier conversion requirements and later conversion rights in specified circumstances. Each Unit consists of one common share and one-half of a warrant to purchase one common share at an exercise price of \$0.31 per full warrant, which warrants are exercisable until the last business day preceding the fifth anniversary of the issuance of the Preference Shares, subject to certain earlier exercise requirements in specified circumstances. The Preference Shares are redeemable after the third anniversary by the Company or the holder. These Preference Shares are accounted for as a compound financial instrument, due to the retraction feature, and accordingly \$605,284, or \$583,335 net of transaction costs, has been classified as part of long term debt and \$144,716, or \$139,468 net of transaction costs, as an equity instrument.

As at the date of this MD&A, a total of 9,130,058 options and warrants to purchase common shares were outstanding, exercisable at prices ranging from \$0.12 to \$1.00 per share.

### Liquidity, Financing Activities and Capital Resources

The Company has a history of operating losses with an accumulated deficit of \$12,334,999 (December 31, 2011 - \$11,998,396); shareholders' deficiency of \$538,867 (December 31, 2011 – \$389,539) and working capital of \$413,151 (December 31, 2011 – working capital deficiency of \$293,534).

Adjusted working capital (a non-GAAP measure; see section entitled "Use of Non-GAAP Financial

*Measures*”) defined and calculated by the Company as current assets less current liabilities, excluding items that are not financial assets or financial liabilities, was \$825,509 as at March 31, 2012 (December 31, 2011 - \$112,597). The table below presents a reconciliation of working capital (GAAP measure) to adjusted working capital (non-GAAP).

	March 31, 2012	December 31, 2011
<b>Working Capital (GAAP measure)</b>	\$ 413,151	\$ (293,534)
less:		
Prepaid expenses and other current assets	(212,456)	(179,903)
Unearned revenue, current portion	624,814	586,034
<b>Adjusted Working Capital (Non-GAAP measure)</b>	<b>\$ 825,509</b>	<b>\$ 112,597</b>

Cash flows provided by (used in) operating, financing and investing activities for the Period and the comparative period of the prior year are presented below.

Cash flow provided by (used in)	Three months ended March 31, 2012	Three months ended March 31, 2011
Operating activities	\$(58,865)	\$(167,559)
Financing activities	\$1,226,378	-
Investing activities	\$(9,352)	\$194,428

In March 2012, the Company completed a private placement of Series 1 Preference Shares for gross proceeds of \$750,000. During the Period, the Company also established a secured term credit facility (the “Credit Facility”) for up to three disbursements totaling \$2,000,000 upon the attainment of pre-determined financial and sales related performance milestones. The sales and financial performance milestones to trigger the first disbursement from this credit facility were met by the Company in March 2012, resulting in the receipt of \$600,000.

The Company’s ability to continue operations is dependent on, but not limited to, Management’s ability to successfully execute its business plan, including a substantial increase in revenue while maintaining an appropriate level of expenses. Further, the Company is dependent on key personnel and the need to raise additional funds through operating revenues or financing activities, including meeting the sales and financial performance milestone required to trigger the release of the second and third disbursements from the Credit Facility, to support the Company’s development and continued operations, to continue to meet the Company’s liabilities and commitments as they become due, and to maintain the ongoing funding requirements of the term credit facility.

Material uncertainty exists with respect to the Company’s ability to generate sufficient amounts of cash and cash equivalents to maintain the Company’s capacity, to meet the Company’s planned growth and to fund its development activities.

#### **Commitments and Contingent Liabilities**

The Company is committed to minimum payments under operating leases for vehicles and premises in the following amounts:

As at	March 31, 2012	December 31, 2011
Due within 1 year	\$ 121,078	\$ 119,532
Due from 1 to 5 years	133,770	162,444
Due thereafter	-	-

The Credit Facility established by the Company during the Period carries an interest rate of 5% per annum

payable monthly in arrears, and is subject to a bonus payment due at maturity, being April 15<sup>th</sup>, 2016. This bonus will be calculated based on future events that are currently not determinable, including the amount of total disbursements under the facility and financial performance for the last two fiscal years of the loan, as revenue and earnings before interest, taxes, depreciation and amortization are components of the bonus calculation.

The Preference Shares issued by the Company provide for cumulative dividends at a rate of 12% per annum, payable quarterly in arrears.

The Company does not current have any capital expenditure commitments.

### Off Balance Sheet Arrangements

Off balance sheet arrangements include items such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company. As at March 31, 2012, iLOOKABOUT had no off balance sheet arrangements, other than the commitments and contingent liabilities disclosed above.

### Financial Instruments

iLOOKABOUT's financial instruments held as at March 31, 2012, consist of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, finance lease liability, a secured term credit facility and the debt component of convertible preference shares. Management does not believe that these financial instruments expose iLOOKABOUT to any significant interest, currency or credit risks.

Financial instrument	Financial statement classification	Income, expense, gains and losses for the three months ended March 31, 2012
Cash and cash equivalents	Cash and cash equivalents	Foreign exchange loss of \$5,065
Trade and other receivables	Trade and other receivables	Bad debt expense of \$10,594
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	Nil
Finance lease liability	Finance lease liability	Nominal interest for the period.
Secured term credit facility	Long-term debt	Inception date of March 30, 2012; nominal interest for the period.
Debt component of convertible preference shares	Long-term debt	Inception date of March 30, 2012; nominal interest accrued to March 31, 2012.

All financial instruments are measured at fair value on initial recognition. The carrying amounts of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments.

The fair value of the secured term credit facility was determined by present valuing the expected cash inflows and outflows associated with this financial instrument including loan disbursements, interest, expected bonus payment at maturity and principal repayment. Key assumptions in this analysis included the discount rate, which was determined to be 19%, expected amount and timing of loan disbursements, and projected revenue and earnings before interest, tax, depreciation and amortization for the last two fiscal years of the loan, as these amounts are components of the calculation of the bonus payment due at maturity.

The fair value of the debt component of the Series 1 convertible preference shares was determined by present valuing the expected cash inflows and outflows associated with this financial instrument. Key assumptions in this analysis included the discount rate, which was determined to be 19%, expected timing of cash dividend payments, and expected amount and timing of redemption.

## **Transactions with Related Parties**

One of the premises occupied by the Company is rented on an annual basis from a company which is partially owned by an officer and director of the Company. The Company paid rent of \$3,000 to the related company in the three month period ended March 31, 2012.

During 2011, the Company disposed of a vehicle to an officer and director of the Company for proceeds equal to the fair value of the disposed asset resulting in a recognized gain on the disposal. Subsequent to March 31, 2012, the amount outstanding, related to this transaction, was paid by the related party to the Company.

These transactions are in the normal course of operations and are disclosed at the exchange amount, being the amount of consideration established and agreed to by the related parties.

## **Changes in Accounting Policies**

### ***IFRS 7, Financial Instruments: Disclosures***

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets. This amendment is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2012. Management has assessed the impact of this amendment and determined there is no impact on the Company's interim financial statements.

## **Future Accounting Policy Changes**

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards that have not been applied in preparing the Company's Interim Financial Statements. Unless otherwise indicated, the following accounting pronouncements are required to be applied beginning on or after January 1, 2013. Refer to pages 18 and 19 of the Company's 2011 MD&A and note 4(t) of the Company's audited consolidated financial statements for the year ended December 31, 2011, for a brief description of each accounting pronouncement. The Company is assessing the impact of the following accounting pronouncements on its consolidated financial statements:

- IFRS 10, Consolidated Financial Statements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 1, Presentation of Financial Statements
- IAS 27, Separate Financial Statements
- IFRS 9, Financial Instruments

## **Risk Factors**

Significant risks that could materially affect iLOOKABOUT's future financial and/or operating results are contained in the Company's Annual Information Form that can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Significant doubt exists as to whether the Company will be able to execute on its business plan as currently contemplated or that cash generated from operations will be sufficient to satisfy liquidity requirements. The Company will need to raise funds in the near term by securing debt and/or equity financing. No assurance can be given at this time that new sources of operating revenue will be secured or that such additional equity or debt financing will be available or, if available, such financing can be obtained on terms favourable to the Company.

Further discussion with respect to the above noted risks is contained in the section “Liquidity, Financing Activities and Capital Resources”.

### **Use of Non-GAAP Financial Measures**

Management has included a non-GAAP financial measure, “Adjusted Working Capital”, to supplement information contained in the MD&A. This non-GAAP measure does not have any standardized meaning prescribed under IFRS and therefore it may not be comparable to similar measures employed by other issuers. Adjusted Working Capital is defined and calculated by the Company as current assets less current liabilities, excluding items that are not financial assets or financial liabilities. The measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Management believes that Adjusted Working Capital, calculated as current financial assets less current financial liabilities, provides more meaningful information with respect to the liquidity of the Company.

### **Forward-Looking Statements**

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws and regulations, related to, amongst other things, expected future events and anticipated financial and operating results of the Company. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “anticipate”, “plan”, “foresee”, “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. Forward-looking statements are based on Management’s expectations as at the date of this MD&A and are subject to various known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to differ materially from those expressed or implied in this MD&A. While Management considers the assumptions upon which such forward-looking statements are based to be reasonable and appropriate in light of the current information available to it, there is risk that such assumptions may not be correct or complete.

Certain factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this MD&A include, but are not limited to, risks associated with general economic conditions, risks associated with the Company’s stage of development, operational risks (such as risks involved in developing new products and services, product performance warranties, risks associated with doing business with partners, risks from regulatory and legal proceedings, risks relating to the Company’s dependence on certain customers, and human resource risks), financing risks (such as risks relating to liquidity and access to capital markets or debt financing) and market risks (including foreign currency fluctuations and changing interest rates). Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. Additional information about some of these risk factors can be found in the Company’s Annual Information Form which is incorporated herein by reference and can be found at [www.sedar.com](http://www.sedar.com). Unless otherwise required by applicable securities laws, the Company expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Additional Information**

Additional information relating to iLOOKABOUT, including the Company’s 2011 Consolidated Financial Statements and Annual Information Form, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).