

# iLOOKABOUT Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2013 (the "Period")

The information set forth below has been prepared as at May 28, 2013, 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, 2013, 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"). 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 2012 audited annual consolidated financial statements prepared in accordance with IFRS which can also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar figures referred to herein are Canadian dollars unless otherwise stated.

### Company Background

iLOOKABOUT is a visual and data intelligence company serving commercial and government enterprises in the assessment, insurance, real estate, municipal, utility and appraisal sectors primarily in Canada and the United States ("US"). iLOOKABOUT is a pioneer in visual and data intelligence with its StreetScape and GeoViewPort™ products.

StreetScape is a proprietary 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 has also developed and markets GeoViewPort™, a proprietary web-based Geographic Information System ("GIS") application that enables the aggregation of property related data such as street level imagery, aerial imagery, validated addresses, property values, property attributes, etc.

Headquartered in London, Ontario, Canada, iLOOKABOUT's common shares are traded on the TSX Venture Exchange under the symbol ILA. Its Series 1 Preference Shares are not listed on any exchange.

### Current Overview

Revenue increased from \$549,120 to \$813,710 for the three months ended March 31, 2012 and 2013, respectively. This increase is primarily attributable to revenue generated from a multi-year agreement initiated late in the first quarter of 2012, as well as a US property assessment project for which delivery occurred late in the first quarter of 2013 and for which there was not comparable delivery during the same period in 2012.

For the three months ended March 31, 2012 and 2013, the Company's gross margin increased from \$276,786 to \$543,337, respectively, and gross margin as a percent of revenue increased from 50% to 67% for such periods, respectively. The improvement in gross margin is attributable to the increase in revenue discussed above, combined with nominal change in direct operating expenses.

Comprehensive loss decreased from \$288,796 to \$117,326 for the three months ended March 31, 2012 and 2013, respectively. This decrease is primarily attributable to the revenue and gross margin improvements discussed above. These improvements in revenue and gross margin were offset somewhat by an increase in other operating expenses and finance costs. In the first quarter of 2013, professional fees, travel and tradeshow related expenses were

approximately 22% higher than the same period in the prior year. In addition, the finance costs incurred by the Company during the first three months of 2013 in respect of the funds received under a secured term credit facility, financing of a software licence, and the issuance of preference shares carrying cumulative dividends, each of which was entered into late in the first quarter or early in the second quarter of 2012 were significantly higher than those incurred during the first quarter of 2012.

Significant developments in the first quarter of 2013 include:

- In January 2013, the Company completed a private placement of 4,443,000 common shares and 4,443,000 common share purchase warrants for gross proceeds of \$499,837. All of the warrants have an exercise price of \$0.15, and were issued in three series, having expiry dates of three, four and five years from the date of issuance.

## 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, 2013 (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 2013</b>					
Revenue	\$ 813,710				
Loss	(78,608)				
Comprehensive loss	(117,326)				
Loss per share (basic and diluted)	-				
<b>Fiscal 2012</b>					
Revenue	\$ 549,120	\$ 901,066	\$ 966,065	\$ 854,540	\$ 3,270,791
Loss	(336,603)	(249,296)	(49,815)	(191,634)	(827,348)
Comprehensive income (loss)	(288,796)	(306,480)	24,233	(215,263)	(786,306)
Loss per share (basic and diluted)	(0.01)	(0.01)	-	-	(0.02)
<b>Fiscal 2011</b>					
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>Three months ended</b>		<b>Three months ended</b>	
	<b>March 31, 2013</b>		<b>March 31, 2012</b>	
<b>Revenue</b>	<b>\$</b>	<b>813,710</b>	<b>\$</b>	<b>549,120</b>
Direct operating expenses		270,373		272,334
<b>Gross margin</b>		<b>543,337</b>		<b>276,786</b>
<b>Other operating expenses:</b>				
Technology		252,241		214,655
Selling and business development		107,384		91,470
General and administration		243,778		264,396
		603,403		570,521
<b>Loss from operations</b>		<b>(60,066)</b>		<b>(293,735)</b>
Finance income (costs), net		(57,242)		(166)
Foreign exchange gains (losses)		38,700		(42,702)
<b>Loss for the period</b>	<b>\$</b>	<b>(78,608)</b>	<b>\$</b>	<b>(336,603)</b>
<b>Other comprehensive income:</b>				
Foreign exchange gain (loss) on the translation of foreign operations		(38,718)		47,807
<b>Comprehensive loss for the period</b>	<b>\$</b>	<b>(117,326)</b>	<b>\$</b>	<b>(288,796)</b>
<b>Loss per share (basic and diluted)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(0.01)</b>

### **Revenue**

Revenue increased 48% to \$813,710 for the three months ended March 31, 2013, compared to the same period in fiscal 2012. This increase is primarily attributable to revenue generated from a multi-year agreement initiated late in the first quarter of 2012, as well as a US property assessment project for which delivery occurred late in the first quarter of 2013 and for which there was not a comparable delivery in the first quarter of 2012.

The Company's US-based revenue increased from \$60,745 to \$193,892 for the three months ended March 31, 2012 and 2013, respectively. The majority of this increase was attributable to the US property assessment project noted above which was delivered late in the first quarter of 2013. The remainder of the increase was due to the recognition of deferred revenue for services delivered in respect of amounts previously collected, and which was greater in the first quarter of 2013 than for the first quarter of 2012.

For the three months ended March 31, 2013, three customers each accounted for more than 10% of total revenue, and together represent approximately 75% of total revenue, as compared to two customers representing approximately 67% of revenue for the three months ended March 31, 2012.

### **Gross margin**

Gross margin as a percent of revenue increased from 50% to 67% for the three months ended March 31, 2012 and 2013, respectively. This increase is attributable to the increase in revenue noted above and nominal change in direct operating expenses. A primary driver of direct operating expenses is the extent of image capture undertaken. As image capture has largely taken place in Canada and the north eastern region of the US, seasonality has limited the extent of image capture that can be completed in the first and last quarters of the year. Therefore, image capture costs in the first quarter of 2013 were comparable to the same period in 2012.

### ***Comprehensive loss***

Comprehensive loss decreased to \$117,326 from \$288,796 for the three months ended March 31, 2013 and 2012, respectively. Increased revenue and stable direct operating expenses generated the improvement in comprehensive loss. This improvement was somewhat offset by increases in other operating expenses and finance costs as discussed above.

### **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 image 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 expand its image capture to the southern US, the impact of seasonality on image capture expenses will be less significant.

### **Outstanding Share Data**

As at the date of this MD&A, iLOOKABOUT had 45,678,914 Common Shares and 750,000 Series 1 Preference Shares issued and outstanding, and outstanding options and warrants to purchase a further 7,304,951 Common Shares, exercisable at prices ranging from \$0.12 to \$0.60 per share.

Conversion of all of the issued and outstanding Series 1 Preference Shares would result in the issuance of 2,419,354 Common Shares and warrants to purchase a further 1,209,677 Common Shares at an exercise price of \$0.31.

See the "*Share capital, warrant capital and contributed surplus*" section above for further detail related to the issuance of shares and warrants, exercise of warrants and options, and expiry of warrants.

### **Liquidity and Capital Resources**

The Company has a history of operating losses with an accumulated deficit of \$12,904,352 (December 31, 2012 - \$12,825,744); shareholders' deficiency of \$481,938 (December 31, 2012 - \$876,935) and working capital of \$734,206 (December 31, 2012 - \$343,163).

Adjusted Working Capital (a non-GAAP measure; see section entitled "*Use of Non-GAAP Financial Measures*") is defined and calculated by the Company as current assets less current liabilities, excluding items that are not financial assets or financial liabilities. Management believes Adjusted Working Capital provides more meaningful information with respect to the liquidity of the Company than does Working Capital. Furthermore, given that one of the covenants under the Company's secured term credit facility is based on Adjusted Working Capital, Management considers Adjusted Working Capital to be a key metric to monitor.

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Working Capital (GAAP measure)</b>	\$ 734,206	\$ 343,163
Less: Prepaid expenses and other current assets	(257,189)	(164,055)
Add: Unearned revenue, current portion	618,077	528,446
<b>Adjusted Working Capital (Non-GAAP measure)</b>	<b>\$ 1,095,094</b>	<b>\$ 707,554</b>

Cash flows provided by (used in) operating, financing and investing activities for the three months ended March 31, 2013 and 2012 are presented below.

Cash flow provided by (used in)	Three months ended March 31, 2013	Three months ended March 31, 2012
Operating activities	\$ (281,839)	\$ (58,865)
Financing activities	443,027	1,266,378
Investing activities	(5,142)	(9,352)
	<b>\$ 156,046</b>	<b>\$ 1,198,161</b>

The following table presents the carrying amounts and the remaining contractual cash outflows, including estimated interest payments of financial liabilities, at March 31, 2013.

As at March 31, 2013	Carrying Amounts	Contractual cash flows				
		Total	within 1 year	1 - 2 years	2 - 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 405,915	\$ (405,915)	\$ (405,915)	\$ -	\$ -	\$ -
Operating leases	-	(133,770)	(116,803)	(16,967)	-	-
Secured term credit facility	562,169	(794,474)	(30,000)	(30,000)	(734,474)	-
Preference Shares	634,306	(937,729)	-	(937,729)	-	-
Debt financing of software licence	200,874	(212,702)	(196,340)	(16,362)	-	-
	<b>\$ 1,803,264</b>	<b>\$ (2,484,590)</b>	<b>\$ (749,058)</b>	<b>\$(1,001,058)</b>	<b>\$ (734,474)</b>	<b>\$ -</b>

The Company is obligated to pay a bonus interest amount with respect to the secured term credit facility at maturity of the loan. An estimated bonus interest amount of \$103,000 has been included in the above-noted contractual cash flows. A very high degree of uncertainty exists with respect to Management's estimates of the future financial results upon which this bonus interest amount will be calculated. Actual results may differ materially from these estimates.

In addition to the above-noted contractual cash flows, the Company expects to incur future capital expenditures primarily in respect of the replacement of its image capture equipment and expansion of its computer hardware which hosts the Company's imagery. Data capture equipment, consisting primarily of vehicles, cameras and lenses, is replaced as this equipment is depleted or the acquisition of improved equipment is determined by Management to be appropriate or advisable. The extent of these capital expenditures will largely be driven by the Company's future image capture activities. The Company expects that capital expenditures required in the remainder of 2013 will be approximately \$295,000.

In order to fund its day-to-day operations and repay the Company's longer term obligations as they become due, the Company must increase net operating cash inflows significantly, raise additional funds through debt and/or equity financing, or some combination thereof. Significant doubt may exist as to the Company's ability to satisfy its funding requirements.

The Company's secured term credit facility (the "Credit Facility") allows the Company to draw up to \$2,000,000 in stages, subject to the Company meeting specified sales and financial performance milestones. Should the Company achieve the sales and financial performance milestones, the Company has the option to receive the related disbursements. In March 2012, the Company achieved the required sales and financial performance milestones to trigger the first disbursement of \$600,000 and received these funds at that time. To trigger the release of the second and third disbursement of funds available under the Credit Facility, as noted above, the Company must meet

predetermined sales and financial performance milestones. Further, the Company must continue to maintain predetermined financial ratios which represent ongoing funding requirements of the Credit Facility. As at March 31, 2013 and the date of this MD&A, the Company was in compliance with these financial ratios.

### **Dividends**

In March 2012, the Company issued 750,000 Series 1 Preference Shares (the “Preference Shares”) at a subscription price of \$1.00 per share. These Preference Shares carry a cumulative dividend rate of 12% per annum and are convertible into Common Shares and warrants to purchase Common Shares at the option of the holder, subject to certain conversion requirements. In June 2012, the Company announced that it does not meet the requirements under the Ontario *Business Corporations Act* to declare or pay the cumulative dividends on the Preference Shares that would otherwise have been payable. At that time it also announced that it intends to reinvest its available cash resources, in excess of its operating and capital needs, over the twelve months following June 2012 to support its business development and growth initiatives, and as such, no dividends will be declared on any of the Company’s shares, including the Preference Shares, until at least June 2013.

Accrued dividends on the Preference Shares may be converted to Common Shares at the option of the holder. To the date of this MD&A, the following conversions of accrued dividends have occurred during the current fiscal year:

- In January 2013, accrued dividends of \$19,509 were converted to 130,056 Common Shares; and
- In April 2013, accrued dividends of \$23,320 were converted to 141,323 Common Shares.

### **Off-Balance Sheet Arrangements**

As at March 31, 2013, iLOOKABOUT had no off-balance sheet arrangements 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, and the Company does not expect to enter into any in the near to mid-term.

### **Financial Instruments**

iLOOKABOUT’s financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, finance lease liability, and long-term debt. Management does not believe that risks related to the Company’s financial instruments have changed significantly since December 31, 2012. Further detail with respect to these financial instruments and related risks are disclosed in the Company’s Annual Consolidated Financial Statements for the year ended December 31, 2012.

### **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 such company in the three months ended March 31, 2013.

Each of the Directors and Senior Officers of the Company participated in the March 2012 private placement of 750,000 Preference Shares, purchasing an aggregate of 465,000 Preference Shares. Where dividends on these Preference Shares have accrued, the holder has the option to convert these unpaid dividends into Common Shares. For the three months ended March 31, 2013, Directors and Senior Officers converted a total of \$14,065 accrued dividends into 93,762 common shares. The terms of these Preference Shares are the same as those issued to non-related parties.

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**

The Company has adopted the following accounting pronouncements during the period, details of which are included in the Company’s 2012 Annual Consolidated Financial Statements. These standards did not have a

significant impact on the Company's interim financial statements. Additional fair value disclosure was required with respect to the adoption of IFRS 13, Fair Value Measurement, which is included in note 10.

- IFRS 10, Consolidated Financial Statements
- IFRS 12, Disclosure of Interest in Other Entities
- IFRS 13, Fair Value Measurement
- Amendments to IAS 1, Presentation of Financial Statements
- Amendments to IAS 19, Employee Benefits
- Amendments to IFRS 7, Offsetting Financial Assets and Liabilities
- Annual improvements to IFRS 2009–2011

## **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 for the year ended December 31, 2012, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **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 2012 Annual Consolidated Financial Statements and Annual Information Form for the year ended December 31, 2012, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).