

**iLOOKABOUT Corp.**  
**Consolidated Financial Statements**

Years Ended December 31, 2010 and 2009



**To the Shareholders of iLOOKABOUT Corp.:**

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements of the Company and its subsidiaries, including responsibility for significant accounting judgments and estimates. Management's responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which judgment is required. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Management is also responsible for establishing and maintaining adequate internal control over financial reporting processes that include those policies and procedures that provide reasonable assurance over the safeguarding of assets and over the completeness, fairness and accuracy of the financial statements and other financial information.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. To fulfill these responsibilities, the Board reviews the financial information prepared by management and discusses relevant and significant matters with management. The Board carries out its responsibility principally through its Audit Committee. The Board appoints an Audit Committee, which meets at least quarterly with management and regularly with the external auditors, KPMG LLP. The Audit Committee reports its findings to the Board who ultimately approve the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

KPMG LLP, an independent firm of Chartered Accountants, was appointed by the shareholders to audit the consolidated financial statements and report directly to them. Their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

"Robin Dyson"  
Robin Dyson, CA  
Chief Financial Officer  
April 25, 2011

"Jeff Young"  
Jeff Young  
Chief Executive Officer  
April 25, 2011

## INDEPENDENT AUDITORS' REPORT

To the Shareholders

We have audited the accompanying consolidated financial statements of iLOOKABOUT Corp., which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of operations and comprehensive loss, deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of iLOOKABOUT Corp. as at December 31, 2010 and December 31, 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements which describes that for the year ended December 31, 2010 the Company incurred a net loss of \$1,834,846, had negative cash flow from operations of \$1,317,482 and as at December 31, 2010 has an accumulated deficit of \$10,803,891. These conditions, along with other matters described in Note 2(a), indicate the existence of a material uncertainty which may cast significant doubt on the Entity's ability to continue as a going concern.

*KPMG LLP*

A handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slanted. A horizontal line is drawn underneath the signature.

Chartered Accountants, Licensed Public Accountants  
April 25, 2011  
London, Canada

**iLOOKABOUT Corp.**  
**Consolidated Balance Sheets**

<b>As at December 31</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,182,580	2,410,006
Trade and other receivables	134,940	115,467
Prepaid expenses and other current assets	161,315	142,329
	<b>1,478,835</b>	<b>2,667,802</b>
Equipment (note 5)	513,953	456,161
Intangible assets (note 6)	-	80,471
<b>Total Assets</b>	<b>\$ 1,992,788</b>	<b>3,204,434</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 334,798	317,808
Deferred revenue	181,016	413,352
	<b>515,814</b>	<b>731,160</b>
Deferred revenue	168,949	40,498
Shareholders' Equity:		
Share capital (note 9)	8,418,442	7,936,201
Warrant capital (note 9)	1,932,054	1,560,329
Contributed surplus (note 9)	1,761,420	1,209,136
Deficit	(10,803,891)	(8,272,890)
	<b>1,308,025</b>	<b>2,432,776</b>
Going Concern (note 2(a))		
Commitments (note 12)		
Subsequent event (note 19)		
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,992,788</b>	<b>3,204,434</b>

See accompanying notes to the consolidated financial statements.

**Approved by the Board of Directors:**

"Ronald Breen"  
Ronald Breen, FCA  
Director

"Jeff Young"  
Jeff Young  
Director

**iLOOKABOUT Corp.**  
**Consolidated Statements of Operations and Comprehensive Loss**

<b>Years ended December 31</b>	<b>2010</b>		<b>2009</b>	
<b>Revenue</b>	\$	2,958,905	\$	2,170,280
<b>Operating expenses (income)</b>				
Operations, technology and research		1,670,520		1,419,205
Selling, general and administration		2,549,896		2,428,472
Investment tax credits and government assistance (note 4)		(102,705)		(148,201)
Amortization of equipment		239,427		229,469
Amortization of intangible assets		17,960		20,918
Stock-based compensation (note 10)		314,439		115,115
		<u>4,689,537</u>		<u>4,064,978</u>
<b>Loss from operations before the undernoted</b>		(1,730,632)		(1,894,698)
<b>Interest and other income (expense), net</b>		(864)		30,908
<b>Gain (loss) on disposal of equipment</b>		642		(1,467)
<b>Impairment of intangible assets (note 6)</b>		(71,534)		-
<b>Foreign exchange loss</b>		(32,458)		(24,057)
<b>Net loss and comprehensive loss for the period</b>	\$	<u>(1,834,846)</u>	\$	<u>(1,889,314)</u>
<b>Loss per share</b>				
Basic and diluted (note 11)	\$	(0.05)	\$	(0.05)

**Consolidated Statements of Deficit**

<b>Years ended December 31</b>	<b>2010</b>		<b>2009</b>	
Deficit - beginning of period	\$	(8,272,890)	\$	(6,383,576)
Loss for the period		(1,834,846)		(1,889,314)
Warrant modification (note 9)		(696,155)		-
Deficit - end of period	\$	<u>(10,803,891)</u>	\$	<u>(8,272,890)</u>

See accompanying notes to the consolidated financial statements.

**iLOOKABOUT Corp.**  
**Consolidated Statements of Cash Flows**

<b>Years ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Net loss for the period	\$ (1,834,846)	\$ (1,889,314)
Adjustments for non-cash items:		
Loss (gain) on disposal of equipment	(642)	1,467
Impairment of intangible assets (note 6)	71,534	-
Amortization of equipment	239,427	229,469
Amortization of intangible assets	17,960	20,918
Stock-based compensation (note 10)	314,439	115,115
	<u>(1,192,128)</u>	<u>(1,522,345)</u>
Changes in non-cash working capital:		
Trade and other receivables	(19,473)	52,654
Investment tax credit receivable	-	258,577
Prepaid expenses and other current assets	(18,986)	(34,565)
Accounts payable and accrued liabilities	16,990	(60,719)
Deferred revenue	(103,885)	308,781
	<u>(125,354)</u>	<u>524,728</u>
Cash flow used by operating activities	<u>(1,317,482)</u>	<u>(997,617)</u>
<b>Financing activities</b>		
Proceeds from warrants exercised (note 9)	395,656	16,008
Proceeds from options exercised	-	6,250
Issuance of common shares and warrants (note 9)	-	1,921,023
Cash flow from financing activities	<u>395,656</u>	<u>1,943,281</u>
<b>Investing activities</b>		
Investment tax credits and government assistance, capital (note 4)	3,125	122,432
Purchase of equipment	(316,933)	(227,052)
Proceeds on disposal of equipment	17,231	100
Purchase of intangible assets	(9,023)	(13,076)
Cash flow used by investing activities	<u>(305,600)</u>	<u>(117,596)</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>(1,227,426)</b>	<b>828,068</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>2,410,006</b>	<b>1,581,938</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,182,580</b>	<b>\$ 2,410,006</b>
<b>Represented by:</b>		
Cash	\$ 177,730	\$ 910,011
Cash equivalents	1,004,850	1,499,995
	<u>\$ 1,182,580</u>	<u>\$ 2,410,006</u>
<b>Supplemental Disclosure</b>		
Cash received for interest	\$ 2,831	\$ 29,009
Cash received for income taxes	72,819	475,719

See accompanying notes to the consolidated financial statements.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

**1. Nature of Business**

iLOOKABOUT Corp. (the “Company”) is engaged in the visual and data intelligence business collecting, processing and geo-coding street-level image data, providing virtual tour services, image management software, custom application programming and professional services.

The Company is incorporated under the laws of the Province of Ontario.

**2. Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). Significant accounting policies adopted by the Company are as follows:

**(a) Going Concern**

Financial statements are required to be prepared on a going concern basis unless management either intends to liquidate the Company or cease trading or has no realistic alternative but to do so within the foreseeable future. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Company is dependent on key personnel and the need to raise additional funds to support the Company’s development and operations to meet the Company’s liabilities and commitments as they become due. During the year ended December 31, 2010, the Company incurred a loss of \$1,834,846 and had negative cash flow from operations of \$1,317,482. Furthermore, the Company has a history of operating losses with an accumulated deficit of \$10,803,891 (December 31, 2009 - \$8,272,890), shareholders’ equity of \$1,308,025 (December 31, 2009 - \$2,432,776) and working capital of \$963,021 (December 31, 2009 - \$1,936,642).

The Company’s continued existence beyond December 31, 2011 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. The Company cannot be certain that it will be able to execute on its business plan or that cash generated from its operations will be sufficient to satisfy its liquidity requirements and it may need to continue to raise funds by selling additional equity or by securing credit facilities. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favourable to the Company.

If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses and the balance sheet classifications used. The Company’s consolidated financial statements do not include adjustments, which could be material, and disclosures that would be required if the going concern assumption was not appropriate.

**(b) Principles of Consolidation**

The consolidated financial statements include the accounts of iLOOKABOUT Corp. and its wholly-owned subsidiaries iLOOKABOUT Inc., iLOOKABOUT Global Inc., and iLOOKABOUT (US) Inc. All material intercompany balances and transactions have been eliminated on consolidation.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 2 – continued)

**(c) Financial Assets and Financial Liabilities**

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and liabilities be recognized on the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale or financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition.

The Company designated its cash and cash equivalents as held for trading, with gains and losses arising from changes in fair value of these instruments recorded in the consolidated statement of operations and comprehensive loss.

Trade and other receivables are classified as loans and receivables which are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other liabilities which are also measured at amortized cost using the effective interest method.

**(d) Cash and cash equivalents**

Cash and cash equivalents include balances with banks and short-term highly liquid investments such as treasury bills and guaranteed investment certificates with maturities at purchase date of one year or less, with all being cashable at face value after 30 days from the purchase date without penalty.

**(e) Revenue recognition**

The Company earns revenue primarily from its StreetScape and Virtual Tour products, and professional services.

StreetScape related revenue is generated through the licensing of geo-coded, street-level images. The related revenue is recognized as service is delivered, persuasive evidence of an arrangement exists, the fee is fixed and determinable and collection is reasonably assured. Revenue for long term licensing contracts is generally recognized over the life of the contract, in accordance with contract terms, as service is provided. Payments received in advance of service delivery are recorded as deferred revenue and recognized as revenue over the term of the license as service is delivered.

Revenue from the Virtual Tour product is recognized when persuasive evidence of an arrangement exists, the fees are fixed and determinable, and collection is considered probable.

Revenue related to professional services is recognized as service is delivered and collection is considered probable.

Revenue from sales arrangements that include multiple elements is allocated amongst the separate units based on a hierarchy of selling prices which includes (1) vendor specific objective evidence of selling price (“VSOE”), if available, (2) third-party evidence (“TPE”) of selling price, if VSOE is unavailable, and (3) best estimate of the selling price (“BESP”) if neither VSOE nor TPE is available.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 2 – continued)

An element is considered to be separately identifiable if the product or service delivered has stand-alone value to the customer and the fair value can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole.

**(f) Equipment**

Equipment is stated at cost less accumulated amortization, and is amortized over the estimated useful life of the asset based on the following:

Asset	Rate	Method
Computer hardware	30%	declining balance method
Computer software	100%	declining balance method
Equipment - Virtual Tours	20%	declining balance method
Equipment - StreetScape Imaging	2 years	straight-line method
Furniture and equipment	20%	declining balance method
Leasehold improvements	lease term	straight-line method
Vehicles	30%	declining balance method

In the year of acquisition, a half-year of amortization is recorded, and no amortization is recorded in the year of disposal.

**(g) Impairment of long-lived assets**

Long-lived assets, including equipment and intangible assets with finite lives, are amortized over their estimated useful lives. Annually, the Company reviews the useful lives and carrying values of these assets to assess continued appropriateness. The Company also performs impairment tests of these assets more frequently if events or changes in circumstances indicate that the carrying amount of the assets may no longer be recoverable. Some of the indicators the Company uses to evaluate whether impairment exists include negative historical financial results and revenue and earnings forecasts.

A long-lived asset is considered to be impaired when the future undiscounted cash flows expected to result from the asset's use and eventual disposition are less than its carrying amount. If a long-lived asset is determined to be impaired, the resulting impairment loss is calculated and recorded as the amount by which the asset's carrying amount exceeds its fair value. Fair value is estimated as the expected future cash flows related to the asset discounted at a rate commensurate with the risks associated with recovery of the asset.

**(h) Intangible assets**

Intangible assets, including patents and trademarks, are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the asset's estimated useful life of between one to three years for patents, and ten to fifteen years for trademarks. Annually, Management assesses the appropriateness of the estimated useful life and carrying value of intangibles assets.

In 2010, the Company determined that it was no longer able to conclude objectively and reliably that future undiscounted cash flows, expected to result from the use of its long-lived assets which include equipment and intangible assets, exceed the carrying amount of these assets. The Company was unable to reliably and objectively, without undue cost and effort, establish the fair value of its intangible assets. Therefore, an impairment loss was recorded against these assets to fully write down their value. Until such time as the Company begins generating positive cash inflows, amounts that would otherwise be capitalized as intangible assets will be expensed as incurred.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 2 – continued)

**(i) Research and development**

Research costs are expensed as incurred. Development costs are expensed as incurred, unless such costs meet the criteria for deferral and amortization under GAAP. To date, the Company has not deferred any development costs.

**(j) Future income taxes**

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that are expected to be in effect when the tax assets or liabilities are to be settled or realized. The effect of future changes in tax rates is recognized in income in the period that includes the date of substantive enactment. To the extent that it is not more likely than not that a future tax asset will be realized, a valuation allowance is provided.

**(k) Investment tax credits and government assistance**

***Investment tax credits:***

The Company applies for Federal and Provincial investment tax credits in relation to scientific research and experimental development expenditures incurred. When the Company has reasonable assurance that these investment tax credits will be realized, they are accounted for as a reduction in the related expenditure for items of a current expense nature, and a reduction of the related equipment cost for items of a capital nature.

***Government assistance:***

Government assistance earned in relation to small and medium-sized enterprise innovation programs is recognized when the Company has reasonable assurance that it is in compliance with the conditions underlying the agreement under which the government assistance was granted. They are accounted for as a reduction in the related expenditure for items of a current expense nature, and a reduction of the related equipment cost for items of a capital nature.

**(l) Foreign currency translation**

Revenues and expenses denominated in foreign currencies are translated to Canadian dollars at rates in effect at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the balance sheet date with the corresponding gains and losses included in the statement of operations and comprehensive loss. Non-monetary items denominated in foreign currencies are translated to Canadian dollars at rates of exchange in effect when the assets are acquired or obligations are incurred.

The accounts of the Company's integrated foreign subsidiaries are translated into Canadian dollars using the temporal method, whereby revenue and expenses, except for amortization expense and the amortization of deferred revenue and prepaids, are translated using the average exchange rates for the month of the respective transaction. Amortization expense and the amortization of deferred revenue and prepaids are translated at historic rates. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the balance sheet date. All non-monetary assets and liabilities are translated at the applicable historical rates in effect at the date the transaction occurred. Foreign exchange gains or losses resulting from these translation adjustments are included in the statement of operations and comprehensive loss.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 2 – continued)

**(m) Stock-based compensation**

Stock options granted under the Company's stock option plan are accounted for using the fair value method. Compensation expense is measured at fair value at the date of grant and is recognized over the period of vesting of options granted, with the counterpart recognized in contributed surplus. Upon exercise of stock options, the exercise proceeds together with amounts previously credited to contributed surplus, are credited to share capital.

**(n) Loss per share**

Basic loss per share is calculated by dividing loss for the period by the weighted average number of shares outstanding during the period. The treasury stock method is used to compute the dilutive effect of stock options and warrants.

Diluted loss per share is calculated by dividing net loss by the weighted average number of shares outstanding including all additional common shares that would have been outstanding if the proceeds, as a result of the exercise of dilutive stock options and warrants, were used to acquire shares at the average market price during the period. When a loss is incurred, basic and diluted loss per share are the same because exercises of options and warrants are anti-dilutive.

**(o) Use of estimates**

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the year in which they become known.

Significant areas requiring the use of management estimates include revenue recognition, valuation of future income taxes, stock-based compensation, accounting for share and warrant capital, valuation of equipment and intangible assets, and valuation of accounts receivable. It is reasonably possible that changes in future conditions could require a material change in recognized amounts.

**3. Accounting Policy Change**

In December 2009, the Canadian Institute of Chartered Accountants (CICA) issued EIC-175, "Multiple Deliverable Revenue Arrangements." This Abstract addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, the Abstract addresses how to determine whether an arrangement with multiple deliverables contains more than one unit of accounting, and if an arrangement consists of more than one unit of accounting, how the arrangement consideration should be allocated among the separate units of accounting. The provisions of EIC-175 must be applied beginning in the first annual fiscal period commencing on or after January 1, 2011, but early adoption is permitted. If an entity chooses to apply this Abstract prospectively, and the fiscal period of adoption is not the first reporting period of the fiscal year, the provisions of the Abstract should be applied retroactively from the beginning of the entity's fiscal year. An entity also may choose to apply this Abstract retroactively, and is required to restate its prior period financial statements if application of this Abstract results in material differences.

This Abstract, when adopted, replaces EIC-142, "Revenue Arrangements with Multiple Deliverables".

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

**(Note 3 – continued)**

Key differences contained in EIC-175 as compared to EIC-142 include:

- i. The criteria in EIC-175 for identifying deliverables in a multiple-element arrangement that represent separate units of accounting has been changed from that required under EIC-142, and entities are no longer required to have objective and reliable evidence of fair value for each deliverable. The allocation of arrangement consideration amongst the separate units will now be based on a hierarchy of selling prices which includes (1) vendor specific objective evidence of selling price (“VSOE”), if available, (2) third-party evidence (“TPE”) of selling price, if VSOE is unavailable, and (3) best estimate of the selling price (“BESP”) if neither VSOE nor TPE is available.
- ii. EIC-142 allowed application of the residual method to allocate arrangement consideration to elements when fair value of the undelivered element could be determined, but fair value of the delivered element could not. EIC-175 does not permit the residual method.

Management believes it is appropriate to adopt EIC-175 early as this accounting policy results in the measurement and recognition of revenues and operating expenses on a basis that is consistent with the way that Management measures and monitors the performance of the Company, and better reflects the economic reality of when revenue is earned. Therefore, effective July 1, 2010, the Company adopted EIC-175 retroactively.

Prior to the adoption of EIC-175, the Company applied EIC-142, “Revenue Arrangements with Multiple Deliverables”, in concluding whether its revenue arrangements containing multiple deliverables could be accounted for as separate units of accounting. The Company reviewed each deliverable to determine whether they represented separate units of accounting and assessed the evidence of fair value for each unit. Where objective and reliable evidence of the fair value of all undelivered elements existed, the Company applied the residual method to allocate arrangement consideration. Where objective and reliable evidence of the fair value of undelivered elements did not exist, the Company recognized revenue evenly over the term of the arrangement.

Upon adoption of EIC-175, the Company has and will continue to review each deliverable within multiple deliverable arrangements to determine whether the unit qualifies as a separate unit of accounting. Where separate units of accounting exist, the Company will allocate arrangement consideration between the elements using the hierarchy of selling prices discussed above which include VSOE, TPE and BESP respectively.

The elements in the Company’s multiple element arrangements typically include one or more of the following: web service, static images/data, hosting, and/or customization and integration services. The timing of recognition of revenue for these elements is typically: evenly over the term of the arrangement for web service and hosting; upon delivery of static images/data; and, upon completion and delivery of customization and integration services. Significant factors, inputs and assumptions considered and methods used by Management in determination of the relative selling price of each element are as follows:

<u>Element</u>	<u>Method</u>	<u>Factors/Inputs/Assumptions</u>
Web Service	BESP	Cost plus target contribution
Static Images/Data	BESP	Cost plus target contribution
Hosting	TPE	Competitor pricing
Customization/Integration	TPE (if available) BESP (if TPE not available)	Competitor pricing Cost plus target contribution

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 3 – continued)

VSOE is generally limited to the price charged when the same or similar product is sold separately. If a product or service is seldom sold separately, it is unlikely that VSOE can be determined. TPE is based on competitor prices for similar deliverables when sold separately. The Company determines BESP for its products and services by considering various factors including, but not limited to, ongoing pricing strategies, market conditions and historical pricing practices.

The adoption of EIC-175 did not have a significant impact on the amount, pattern and timing of revenues recognized during 2009 or prior years. The table below summarizes the impact of adoption of EIC-175 on revenue, net loss and loss per share when compared to amounts that would have been recognized under the requirements of EIC-142, for the year ended December 31, 2010.

	Year ended December 31, 2010
Revenue under EIC 142	\$ 2,773,562
Impact of adoption of EIC 175	<u>185,343</u>
Revenue under EIC 175	\$ 2,958,905
Loss under EIC 142	\$ (1,984,839)
Impact of adoption of EIC 175	<u>149,993</u>
Loss under EIC 175	\$ (1,834,846)
Loss per share under EIC 142	\$ (0.049)
Impact of adoption of EIC 175	<u>\$ 0.003</u>
Loss per share under EIC 175	\$ (0.046)

The adoption of the standard may result in revenues being recognized earlier in future periods as a result of the criteria to be used in determining units of accounting and the use of the relative selling price method.

**4. Investment Tax Credits and Government Assistance**

During the year, the Company received refunds with respect to Scientific Research and Experimental Development (“SR&ED”) tax credits for the periods of January 1 to December 31, 2009 in the amount of \$74,303. Of this amount, \$3,125 was related to capital items, while the remaining \$71,179 was recorded as income in the statement of operations and comprehensive loss.

In 2009, the Company received refunds from the Canada Revenue Agency with respect to SR&ED tax credits for the period of January 1 to December 31, 2007 and 2008. The amount of the refunds exceeded the original estimate accrued by \$270,633 and was recognized as a reduction of equipment and operating expenses in 2009. Of the \$122,432 related to capital items, \$41,221 was recorded as a reduction of equipment and \$81,211 was recorded against amortization expense for amortization previously taken on the related equipment. The remaining \$148,201 was recorded as income in the statement of operations and comprehensive loss.

During the year, the Company received, and/or was entitled to receive, funds from the Government of Canada with respect to the Industrial Research Assistance Program (“IRAP”) for the period of January 1 to December 31, 2010 in the amount of \$31,526. This amount was recorded as income in the statement of operations and comprehensive loss.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

**5. Equipment**

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 630,802	\$ (369,389)	\$ 261,413	\$ 544,256	\$ (275,900)	\$ 268,356
Computer software	193,638	(175,241)	18,397	156,844	(111,885)	44,959
Equipment – Virtual Tours	20,971	(15,376)	5,595	19,786	(14,126)	5,660
Equipment – StreetScape	247,561	(153,657)	93,904	229,945	(219,698)	10,247
Furniture and equipment	134,497	(78,538)	55,959	132,835	(64,756)	68,079
Leasehold improvements	48,678	(26,056)	22,622	48,081	(18,574)	29,507
Vehicles	76,053	(19,990)	56,063	34,270	(4,917)	29,353
	<b>\$ 1,352,200</b>	<b>\$ (838,247)</b>	<b>\$ 513,953</b>	<b>\$ 1,166,017</b>	<b>\$ (709,856)</b>	<b>\$ 456,161</b>

The Company completed its assessment of the potential impairment of long-lived assets, as described in note 6, and concluded there was no impairment of equipment.

**6. Intangible assets**

	2010	2009
Trademarks and patents	\$ 114,200	\$ 113,834
Accumulated amortization	\$ (42,666)	\$ (33,363)
Impairment of long-lived assets	\$ (71,534)	\$ -
	<b>\$ -</b>	<b>\$ 80,471</b>

At least annually, Management conducts its assessment of the potential impairment of long lived assets and the appropriateness of estimates with respect to the useful lives of long lived assets.

The Company has not yet been able to achieve operating net cash inflows, nor progress toward this pivotal point at the rate initially expected, and is therefore no longer able to conclude objectively and reliably that future undiscounted cash flows, expected to result from its long-lived assets' use, exceed the carrying amount of these assets, and are thus impaired. By obtaining an independent appraisal, the Company was able to obtain objective and reliable evidence that, as at December 31, 2010, the fair value of equipment exceeded its carrying value, thus no impairment loss was recorded with respect to equipment. The Company was unable to objectively and reliably, without undue cost and effort, establish the fair value of its intangible assets. Therefore, an impairment loss of \$71,534 was recorded against intangible assets.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

**7. Income taxes**

The recovery of income taxes differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate of 31.0% (2009 - 33%) to the loss before income taxes for reasons as follows:

	Year ended December 31, 2010	Year ended December 31, 2009
Loss before taxes	\$ (1,834,846)	\$ (1,889,314)
Expected income tax recovery using statutory income tax rates	(568,800)	(623,500)
Tax effect of:		
Amounts not deductible for tax	121,600	56,200
Share issuance costs deductible for tax		(70,800)
Change in valuation allowance	350,700	274,600
Change in future income tax rates	132,300	387,000
Ontario harmonization credit	-	(35,700)
Other	(35,800)	12,200
<b>Income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

The tax effects of temporary differences that give rise to future tax assets and liabilities are as follows:

	December 31, 2010	December 31, 2009
<b>Future income tax assets (liabilities):</b>		
Non-capital losses carried forward	\$ 1,879,200	\$ 1,639,100
Scientific research and development incentives	656,300	468,100
Ontario harmonization credit	177,900	191,700
Share issuance costs	116,800	180,400
Equipment and intangible assets	71,500	71,700
	\$ 2,901,700	\$ 2,551,000
Valuation allowance	(2,901,700)	(2,551,000)
<b>Net future tax assets (liabilities)</b>	<b>\$ -</b>	<b>\$ -</b>

In assessing the realizability of the future income tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income. Management considers the likelihood of future profitability, the character of the future income tax assets and available tax planning strategies in making this assessment. To the extent that management believes that the realization of future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is provided against the future income tax assets. Management currently believes that the Company does not meet the more likely than not realization criterion and, therefore, future income tax assets have not been recognized in the consolidated financial statements. Accordingly, the Company has recorded a valuation allowance of \$2,901,700 and \$2,551,000 for the periods ended December 31, 2010 and 2009, respectively.

As at December 31, 2010, the Company has non-capital losses for tax purposes of approximately \$7,338,000 that expire between 2011 and 2030.

As at December 31, 2010, the Company also has undeducted Scientific Research and Experimental Development ("SR&ED") expenditures of approximately \$2,616,000. These SR&ED expenditures do not expire. In addition, the Company has unused investment tax credits of approximately \$459,000.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

**8. Related party transactions**

One of the premises occupied by the Company is rented on an annual basis from a related company owned by an officer and director of the Company. The Company paid rent to the related company of \$12,000 (2009 - \$12,000), which is included in selling, general and administration expense.

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.

**9. Share capital, warrant capital and contributed surplus**

*Share and warrant capital*

	Expiry date	December 31, 2010		December 31, 2009	
		Issued	Amount	Issued	Amount
Authorized:					
Unlimited common shares					
Unlimited preferred shares					
Issued:					
Common shares		40,685,417	\$ 8,418,442	39,966,042	\$ 7,936,201
Share purchase warrants:					
\$0.40 agent warrants	July 13/11	208,640	-	208,640	-
\$0.40 agent warrants	July 3/11	231,100	-	231,100	-
\$1.00 warrants	April 1/11	6,567,500	1,932,054	6,567,500	1,235,899
\$0.55 warrants	July 13/10	-	-	1,304,000	150,585
\$0.55 warrants	July 3/10	-	-	1,444,375	173,845
\$0.80 agent warrants	April 1/10	-	-	515,400	-
		7,007,240	1,932,054	10,271,015	1,560,329
Share capital and warrant capital		47,692,657	\$ 10,350,496	50,237,057	\$ 9,496,530

*Share capital*

	Number of shares	Amount
<b>Balance, December 31, 2008</b>	<b>34,384,492</b>	<b>\$ 6,495,232</b>
Shares issued, private placement	5,496,750	1,761,708
Share issue costs	-	(364,431)
Warrants exercised	34,800	22,654
Options exercised	50,000	21,038
<b>Balance, December 31, 2009</b>	<b>39,966,042</b>	<b>\$ 7,936,201</b>
Warrants exercised	719,375	482,241
<b>Balance, December 31, 2010</b>	<b>40,685,417</b>	<b>\$ 8,418,442</b>

- (i) In June 2010, 719,375 of the warrants issued as part of the July 3, 2009 private placement, with an exercise price of \$0.55 per warrant, were exercised for aggregate consideration of \$395,656.
- (ii) In August 2009, all of the 34,800 agent warrants previously issued for the purchase of 34,800 common shares, at a price of \$0.46 per share were exercised, for aggregate consideration of \$16,008.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 9 – continued)

- (iii) In July 2009, iLOOKABOUT completed a private placement, consisting of two closings, resulting in the issuance of 5,496,750 units for \$0.40 per unit. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Company for an exercise price of \$0.55 per share, during the twelve months following the applicable closing of the private placement. Gross proceeds of this financing were \$2,198,700. Unit issue costs, including the fair value of warrants issued to agents, totalled \$476,993. Agents were issued 439,740 agent warrants in connection with this financing. Each agent warrant entitles the holder to purchase one common share and one-half of one common share purchase warrant for an exercise price of \$0.40 during the twenty-four months following the applicable closing of the private placement. Each resulting whole warrant entitled the holder to purchase an additional common share at an exercise price of \$0.55 during the twelve months following the applicable closing of the private placement.

Total warrants issued to investors and agents in connection with this placement were 3,188,115.

The \$0.55 warrants were allocated \$381,803 of the net proceeds based on their *pro-rata* share of the calculated fair value of the total unit fair value at issuance using a Black-Scholes pricing model and assuming: a risk free interest rate of 1.00%; an expected volatility of 154%; an expected life of one year and no expected dividend yield. The agent warrants issued include the option to purchase one common share and one-half of one common share, and were valued utilizing a Black-Scholes pricing model. The valuation of the common share component of these agent warrants utilized the assumptions of: a risk free rate of 1.25%; an expected volatility of 124%; an expected life of two years and no expected dividend yield. The valuation of the one-half common share component of these agent warrants utilized the assumptions of: a risk free rate of 1.00%; an expected volatility of 154%; an expected life of one year and no expected dividend yield.

***Warrant capital***

	Number of warrants	Amount
<b>Balance, December 31, 2008</b>	<b>8,994,607</b>	<b>\$ 1,444,249</b>
Warrants issued, private placement	3,188,115	436,992
Warrant issue costs	-	(112,562)
Warrants exercised	(34,800)	-
Warrants expired	(1,876,907)	(208,350)
<b>Balance, December 31, 2009</b>	<b>10,271,015</b>	<b>\$ 1,560,329</b>
Warrant modification	-	696,155
Warrants exercised	(719,375)	(86,584)
Warrants expired	(2,544,400)	(237,846)
<b>Balance, December 31, 2010</b>	<b>7,007,240</b>	<b>\$ 1,932,054</b>

(a) Warrant Modification

On March 12, 2010 the Board of Directors passed a resolution to extend the term of the Company's 6,567,500 Series E common share purchase warrants (the "Class E Warrants") that were issued as part of a private placement which closed on February 22, 2008.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 9 – continued)

Each full Class E Warrant entitles its holder to purchase one common share of the Company at an exercise price of \$1.00 per share. The Class E Warrants were scheduled to expire on April 1, 2010. The term of the Class E Warrants was extended to the earlier of (i) April 1, 2011, or (ii) on the 30th calendar day following the Company's common shares attaining a closing price of \$1.20 or greater for ten consecutive trading days on the TSX Venture Exchange.

The Company has recorded the incremental difference in the fair value of these warrants immediately prior to and after the modification. The fair value of the warrants was determined using a Black-Scholes option pricing model applying the following assumptions prior to and as at the date of extension:

	Pre extension	Post extension
Risk free interest rate	1.50%	1.50%
Expected dividend yield	0%	0%
Expected share volatility	102%	104%
Expected life	21 days	386 days

The resulting incremental fair value of \$696,155 associated with the common share purchase warrants held by shareholders was recorded as an increase to deficit, with a corresponding increase to warrant capital.

(b) Exercise of Warrants

- (i) In June 2010, 719,375 of the warrants issued as part of the July 3, 2009 private placement, with an exercise price of \$0.55 per warrant, were exercised for aggregate consideration of \$395,656.
- (ii) In August 2009, all of the 34,800 agent warrants previously issued for the purchase of 34,800 common shares, at a price of \$0.46 per share were exercised, for aggregate consideration of \$16,008.

(c) Expiry of Warrants

- (i) On July 3, 2010, 725,000 of the total 1,444,375 warrants previously issued for the purchase of 725,000 common shares, at a price of \$0.55, expired unexercised. The remaining 719,375 warrants were exercised during the year as noted above.
- (ii) On July 13, 2010, 1,304,000 of the warrants previously issued for the purchase of 1,304,000 common shares, at a price of \$0.55, expired unexercised.
- (iii) On April 1, 2010, 515,400 of the warrants previously issued for the purchase of 515,400 common shares at a price of \$0.80, expired unexercised.
- (iv) On September 17, 2009, 83,320 of the warrants previously issued for the purchase of 83,320 common shares, at a price of \$0.48 per share, expired unexercised.
- (v) On June 19, 2009, 217,391 of the agent warrants previously issued for the purchase of 217,391 common shares, at a price of \$0.46, expired unexercised.
- (vi) On April 7, 2009, 1,576,196 of the warrants previously issued for the purchase of 1,576,196 common shares, at a price of \$0.69 per share, expired unexercised.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 9 – continued)

*Contributed Surplus*

Stock options granted under the Company’s stock option plan are accounted for using the fair value method. Compensation expense is recognized over the period of vesting of options granted, with the counterpart recognized in contributed surplus. Upon exercise of stock options, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

The fair value of warrants issued to agents as compensation with respect to share issuance is accounted for as a capital transaction. The fair value of warrants issued is recorded as a share issuance cost, with the offset recorded as contributed surplus. The Company used a Black-Scholes option pricing model to estimate the fair value. Upon exercise of these warrants, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

The following table presents changes in contributed surplus.

<b>Balance, December 31, 2008</b>	<b>\$ 707,789</b>
Stock-based compensation	115,115
Fair value of warrants granted to agents	199,316
Exercise of stock options	(14,788)
Exercise of warrants	(6,646)
Expiry of warrants	208,350
<b>Balance, December 31, 2009</b>	<b>\$ 1,209,136</b>
Stock-based compensation	314,439
Expiry of warrants	237,845
<b>Balance, September 30, 2010</b>	<b>\$ 1,761,420</b>

**10. Stock-based compensation**

The Company has established a Stock Option Plan (“Plan”) whereby the Company may grant options to purchase common shares of the Company to its directors, officers, employees and consultants.

Under the Plan, the number of authorized common shares that may be issued upon the exercise of options granted under the Plan at any time plus the number of common shares reserved for issuance under outstanding incentive stock options otherwise granted by the Company may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time, and such aggregate number of common shares shall automatically increase or decrease as the number of issued and outstanding common shares changes.

The Board of Directors has authority to determine which eligible persons will be issued options, the number of options to be granted to each, the time when options shall be granted, when such options will vest, when such options will expire, and at what price the options may be exercised.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 10 – continued)

The following table presents changes in the Company’s options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price	Weighted Average Years to Expiry
<b>Outstanding December 31, 2008</b>	1,323,300	\$ 0.411	\$ 0.413	3.5
Granted	495,000	0.392	0.452	
Exercised	(50,000)	0.125	0.384	
<b>Outstanding December 31, 2009</b>	1,768,300	\$ 0.42	\$ 0.44	3.4
Granted	870,000	\$ 0.43	\$ 0.48	
Forfeited	(198,866)	\$ 0.45	\$ 0.10	
<b>Outstanding December 31, 2010</b>	2,439,434	\$ 0.42	\$ 0.48	3.2

Of the 2,439,434 unexercised options as at December 31, 2010; 2,029,434 had vested, with exercise prices ranging from \$0.125 to \$0.60 per share.

The fair value of options granted is determined at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
Exercise price	\$0.37 to \$0.60	\$0.22 to \$0.48
Estimated fair value at grant	\$0.38 to \$0.60	\$0.22 to \$0.60
Risk free interest rate	2.00% to 3.00%	2.00% to 3.00%
Expected dividend yield	0%	0%
Expected share volatility	100% to 104%	96% to 106%
Expected average option life	5 years	5 years

During the year, the Company recorded stock-based compensation expense of \$ 314,439 (2009 - \$115,115) related to stock options granted to employees, officers, directors and consultants.

**11. Loss per share**

Diluted loss per share does not take into account warrants and options, as the effect of common shares issuable upon the exercise of stock options and warrants is anti-dilutive for these periods.

	2010	2009
Loss for the year	\$ (1,834,846)	\$ (1,889,314)
Weighted average number of common shares, options and warrants outstanding:		
Basic	40,325,730	37,173,634
Effect of stock options and warrants	-	-
Diluted	40,325,730	37,173,634
Loss per share:		
Basic and diluted	\$ (0.05)	\$ (0.05)

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

**12. Commitments**

The Company is committed to minimum payments under operating leases for vehicles and premises to the end of 2011 in the amount of \$39,638.

**13. Capital management**

The Company defines capital as the components of shareholders' equity.

The Company's objectives in managing capital are to:

- Ensure financial capacity to meet current obligations is maintained and continue as a going concern;
- Ensure financial capacity to execute strategic plans is maintained; and
- Prevent capital erosion.

In order to manage capital, the Company regularly identifies and assesses risks that threaten the ability to meet the Company's capital management objectives, and determines the appropriate strategy to mitigate these risks.

The Company is not subject to any externally imposed capital requirements.

**14. Financial risk management**

The Company is exposed to liquidity risk, credit risk and market risk. To mitigate exposure to these risks, the Company designs and implements risk management strategies that are consistent with its business objectives and risk tolerance. However, these strategies cannot eliminate risk and no assurance can be provided that these strategies will continue to be effective.

**(a) Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations. On an ongoing basis, the Company monitors and manages its actual and projected cash flows, with the primary objectives of maintaining liquidity and financial flexibility.

The contractual obligations of the Company as at December 31, 2010, were composed of accounts payable, accrued liabilities and commitments in the amount of \$374,436. The Company's cash and cash equivalent resources totalled \$1,182,580 as at December 31, 2010, indicating the Company's ability to meet its current financial obligations. Working capital, defined as current assets less current liabilities, was \$963,021 as at December 31, 2010. All of the Company's financial liabilities have contracted maturities of less than one year.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 14 – continued)

**(b) Credit risk**

Credit risk is the risk that counterparties will fail to meet their obligations to the Company, resulting in a loss to the Company.

*Cash and cash equivalents*

As at December 31, 2010, the Company held cash in bank accounts in the amount of \$177,730 and cash equivalents such as treasury bills and guaranteed investment certificates in the amount of \$1,004,850 with a Schedule I bank. The Company's investment policy requires that the Company only invest in highly rated investment grade securities, with highly rated financial institutions, in order to minimize exposure to loss.

*Accounts receivable*

Trade credit risk arises from the potential that a customer will fail to meet their contractual obligations as they fall due and is primarily attributable to accounts receivable. To reduce exposure to this risk, the Company has implemented a credit policy which incorporates an approval process for new customers expected to carry significant balances, establishment of credit limits and ongoing monitoring of the credit worthiness of customers with significant credit limits. Further, the Company regularly monitors and manages the aging of accounts receivable.

As at December 31, 2010, accounts receivable related to two customers represented approximately 69% of total trade accounts receivable, of which 100% were collected subsequent to December 31, 2010.

Specific provisions are made against trade receivables for any customer that is known to be in poor financial condition or for any other reason it is considered doubtful that the customer's balance outstanding will be settled in full. Of the Company's accounts receivable as at December 31, 2010, \$66,693 was outstanding greater than 30 days and therefore considered overdue. Of this outstanding amount, no amounts were outstanding greater than 180 days. As at December 31, 2010 the Company's allowance for doubtful accounts was \$ 27,978.

The change in allowance for doubtful accounts is as follows:

<b>Allowance for doubtful accounts at December 31, 2009</b>	<b>\$</b>	<b>1,365</b>
Increase in allowance		29,992
Accounts written off		(3,379)
<b>Allowance for doubtful accounts at December 31, 2010</b>	<b>\$</b>	<b>27,978</b>

**(c) Market risk**

Market risk is the risk of loss that may arise from changes in market prices such as foreign exchange rates and interest rates, which will affect the Company's operating results or value of its financial instruments.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

(Note 14 – continued)

*Foreign currency exchange rate risk*

The international operations of the Company expose it to foreign currency exchange risk in the ordinary course of business. The Company is exposed to this risk primarily through its United States dollar denominated cash, accounts receivable and accounts payable. The nature of the Company’s operations provides a natural hedge which is considered by management to be sufficient to mitigate exchange rate risk based on the Company’s risk tolerance. The nature, extent and timing of foreign currency denominated cash flows are regularly monitored to identify changes in exposure and assess the need for active management of the exposure such as through the use of foreign exchange contracts.

All other things being equal, based on the US dollar denominated monetary assets and monetary liabilities of the consolidated Company as at December 31, 2010, the impact of a 5% strengthening (weakening) of the Canadian dollar against the US dollar would not have a significant impact on loss for the year.

*Interest rate risk*

The Company receives a fixed rate of interest on investments in treasury bills and a variable rate of interest, based on movements in the prime interest rate, on guaranteed investment certificates. A change of 1% in the interest rate received on investments with a variable interest rate would not have a significant impact on loss for the year.

**15. Financial instruments**

The carrying amounts of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments.

**16. Segmented information**

The Company operates and reports its results as one operating segment which is the visual knowledge business.

Operations of the Company are in the following geographic areas:

	2010				2009			
	Canada	United States	Other	Total	Canada	United States	Other	Total
Revenue	\$ 2,116,206	\$ 772,269	\$ 70,430	\$ 2,958,905	\$ 1,582,083	\$ 561,539	\$ 26,658	\$ 2,170,280
Equipment	513,953	-	-	513,953	456,161	-	-	456,161
Intangible assets	-	-	-	-	80,471	-	-	80,471

Two customers accounted for approximately 52% of revenue recognized for the year ended December 31, 2010. At December 31, 2010, two customers each accounted for more than 10% of trade accounts receivable, totalling approximately 69% of trade accounts receivable at December 31, 2010, of which 100% was collected subsequent to December 31, 2010.

Two customers accounted for approximately 68% of revenue recognized for the year ended December 31, 2009. At December 31, 2009, two customers each accounted for more than 10% of trade accounts receivable, totalling approximately 90% of trade accounts receivable at December 31, 2009, of which 100% was collected subsequent to December 31, 2009.

**iLOOKABOUT Corp.**  
**Notes to Consolidated Financial Statements**  
**For the Years ended December 31, 2010 and 2009**

**17. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

**18. Future accounting changes**

***International Financial Reporting Standards***

In February 2008, the CICA's Accounting Standards Board confirmed that publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences with respect to recognition, measurement and disclosures. The Company's changeover to IFRS will be required for interim and annual financial statements beginning on January 1, 2011. The adoption of IFRS will require restatement of the Company's consolidated financial statements for comparative purposes for its year ended December 31, 2010 and of the opening balance sheet as at January 1, 2010. The Company is currently assessing the impact of adopting IFRS on its financial statements.

**19. Subsequent events**

- (i) On March 3, 2011, the Company announced that it will extend the term of the 6,567,500 Series E common share purchase warrants (the "Class E Warrants") that were issued as part of a private placement which closed on February 22, 2008.

Each full Class E Warrant entitles its holder to purchase one common share of the Company at an exercise price of \$1.00 per share. The Class E Warrants were scheduled to expire on April 1, 2011. The term of the Class E Warrants was extended to the earlier of (i) April 1, 2012, or (ii) on the 30th calendar day following the Company's common shares attaining a closing price of \$1.20 or greater for ten consecutive trading days on the TSXV.

The incremental difference in the fair value of these warrants immediately prior to and after the modification will be recorded as an increase to deficit, with a corresponding increase to warrant capital.

- (ii) On April 25, 2011, a total of 50,000 stock options were granted at an exercise price of \$0.285. These options expire five years after the grant date and vest over a period of three years.