# iLOOKABOUT Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months from January 1, 2011 to September 30, 2011 (the "*Period*")

*The information set forth below has been prepared as at November 24, 2011, 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 "Unaudited Interim Consolidated Financial Statements") for the nine months ended September 30, 2011 (the "Period"), including the accompanying notes, which can be found on SEDAR at 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.*

These Unaudited Interim Consolidated 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. While the Company's annual consolidated financial statements for the year ended December 31, 2010 have been audited in accordance with Canadian GAAP ("*CGAAP*"), they were not audited in accordance with IFRS. Further discussion related to the impact of the transition to IFRS is noted where appropriate throughout this MD&A, including, but not limited to, the section "Transition to IFRS" below.

By their nature, the Unaudited Interim Consolidated 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 2010 audited annual consolidated financial statements prepared in accordance with CGAAP and the unaudited interim consolidated financial statements for the three months ended March 31, 2011 prepared in accordance with IFRS. A summary of significant accounting policies were disclosed in note 4 of the March 31, 2011 unaudited interim consolidated financial statements.

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 knowledge company, with its primary focus being to provide street-level, geo-spatial imaging. iLOOKABOUT uses proprietary hardware and software systems to capture, process and geo-code street-level image data from a moving vehicle. Each high resolution image is captured with a digital camera and geo-coded using public GPS and proprietary technologies to record location specific information and other data. iLOOKABOUT collects data from public streets in its targeted geographic areas, creating a database of images and associated metadata (data about data or content items). The iLOOKABOUT StreetScape™ ("*StreetScape*") image database is compatible with all major mapping applications (Google, Yahoo, MSN, ESRI, Intergraph, Bentley, etc.) and is accessible through iLOOKABOUT's secure web service. iLOOKABOUT intends to continue to build its image database in North America and select cities in the United Kingdom, and to license its image data to governments and related agencies, including property assessment and emergency services, and businesses in a variety of industries, such as insurance, real estate, utilities, and financial institutions.

In 2010, the Company released GeoViewPort™, a web-based geographic information system ("*GIS*") application which enables the aggregation of additional property-related information such as enhanced validated addresses, property values and property features. Also in 2010, the Company further diversified its product and service offering by partnering with the industry's leading Automated Valuation Model ("*AVM*") supplier to develop a unique valuation product, the AVM Comparable Report. This report combines aerial and street-level imagery with accurate geo-coding and several different property characteristics for a subject property and up to three comparable properties. The model uses an algorithm which looks for comparables based on like building attributes, rather than relying solely on recent sales in the neighbourhood, and provides the front view of the structure, complete with a date stamp as to when the image was taken. A dynamic aerial view, included in the report, clearly depicts the proximity of the subject property to its selected comparables adding credence to the valuation. The AVM product is distributed through the Company's GeoViewPort™ application.

iLOOKABOUT also provides Virtual Tour products, which it will continue to offer and support. However, iLOOKABOUT's principal focus for the near- and long-term will be to further develop, market and license its StreetScape product and derivatives of the StreetScape product.

**Current Overview and Outlook**

Revenue decreased from $879,188 to $579,647 for the three months ended September 30, 2010 and 2011 respectively. While total contract value of new agreements entered with US property assessment customers more than tripled by September 30, 2011 to over $1,500,000 as compared to the full year for 2010 at approximately $500,000, together with revenue within the Canadian property assessment and insurance sectors continuing to grow, a number of factors contributed to the decline in revenue in the quarter and year to date. The timing of completion of data collection and post-collection processing has been later this year than last, resulting in delayed revenue recognition in 2011 as compared to 2010. Revenue recognition cannot commence until delivery has occurred. As at September 30, 2011, image capture and processing were in progress for seven agreements, with completion and initial delivery expected to occur in the fourth quarter. Also contributing to the revenue decline was the expiry of a US real estate sector agreement late in 2010; coupled with the expiry of a Canadian municipal sector agreement early in the fourth quarter of 2010 that was not renewed until the fourth quarter of 2011; non-recurring revenue streams for custom work delivered in 2010; and the cancellation of services by a Canadian partner in the third quarter of 2011.

Total operating expenses, which include direct operating, technology, selling and business development, and general and administration expenses, increased from $1,148,868 to $1,213,753 for the three months ended September 30, 2010 and 2011 respectively. Increases of these expenses in the third quarter of 2011 compared to the same period of the prior year are largely attributable to greater data capture and processing expense in the third quarter of 2011 due to a combination of the increased data capture requirements to support new sales agreements and a later start to the data capture season in 2011. These increases were somewhat offset by decreased royalties which are recognized over the same period as the associated revenue, and decreased commissions which are impacted by the nature and timing of new contracts signed.

The application of financial reporting standards, with respect to the timing of revenue and expense recognition, typically results in data collection and post-collection processing expenses being recognized in the financial statements in advance of revenue recognition related to these expenses. Also as a result of the application of financial reporting standards, amounts invoiced and collected are recorded as unearned revenue until the related service is delivered, which is typically at the time of delivery of static images to the client and/or over the term of access to the imagery database provided to the client. Unearned revenue increased to $1,279,449 as at September 30, 2011 as compared to $299,135 as at September 30, 2010.

The impact of the above noted items was an increase of the Company's comprehensive loss to $632,422 for the three months ended September 30, 2011 from $256,575 for the comparative period of 2010.

Significant developments commenced or completed in the third quarter of 2011 include:

- Completed image capture for geographic regions of British Columbia, Alberta and the Maritime Provinces for which the Company was contracted by SCM Risk Management Services ("*SCM*") to provide StreetScape imagery and geo-coding services for SCM's iClarify application for an expanded national territory. Post collection processing is underway and is expected to be complete by the end of the fourth quarter.

- Completed development of a geo-referencing application which enabled the Company to secure an agreement, subsequent to the third quarter, to process approximately 40,000 maps. Processing is expected to be complete by the end of the fourth quarter.

- Completed development of a property survey record index application which enabled the Company to secure an agreement, subsequent to the third quarter, with a regional survey association.

## Overall Performance and Results of Operations

The financial information set forth below is derived from, and should be read in conjunction with, iLOOKABOUT's Unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2011 (the "*Reporting Date*"), which can be found on SEDAR at www.sedar.com.

### Summary of Quarterly Results

| | Three months ended | | | | Year ended |
|---|---|---|---|---|---|
| | **March 31** | **June 30** | **Sept 30** | **Dec 31** | **Dec 31** |
| **Fiscal 2011 (under IFRS)** | Unaudited | | | | Unaudited |
| Revenue | $ 577,366 | $ 719,885 | $ 579,647 | | |
| Loss | (454,378) | (511,208) | (524,051) | | |
| Comprehensive loss | (412,945) | (539,609) | (632,422) | | |
| Loss per share (basic and diluted) | (0.01) | (0.01) | (0.01) | | |
| **Fiscal 2010 (under IFRS)** | Unaudited | | | | Unaudited |
| 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) |
| **Fiscal 2009 (under Canadian GAAP)** | Unaudited | | | | Audited |
| Revenue | $ 431,062 | $ 551,339 | $ 569,526 | $ 618,353 | $ 2,170,280 |
| Loss and comprehensive loss | (514,494) | (573,089) | (408,684) | (393,047) | (1,889,314) |
| Loss per share (basic and diluted) | (0.01) | (0.02) | (0.01) | (0.01) | (0.05) |

### Cumulative Quarterly Results Summary

| | Three Months Ended Mar 31 | Six Months Ended June 30 | Nine Months Ended Sept 30 | Year Ended Dec 31 |
|---|---|---|---|---|
| **Fiscal 2011 (under IFRS)** | Unaudited | | | Unaudited |
| Revenue | $ 577,366 | $ 1,297,250 | $ 1,876,897 | |
| Loss | (454,378) | (965,586) | (1,489,637) | |
| Comprehensive loss | (412,945) | (952,554) | (1,584,976) | |
| Loss per share (basic and diluted) | (0.01) | (0.02) | (0.04) | |
| **Fiscal 2010 (under IFRS)** | Unaudited | | | Unaudited |
| Revenue | $ 704,386 | $ 1,403,166 | $ 2,282,354 | $ 2,959,445 |
| Loss | (287,409) | (983,846) | $ (1,243,269) | (1,811,427) |
| Comprehensive loss | (260,346) | (1,026,972) | $ (1,283,547) | (1,824,653) |
| Loss per share (basic and diluted) | (0.01) | (0.02) | (0.03) | (0.04) |
| **Fiscal 2009 (under Canadian GAAP)** | Unaudited | | | Audited |
| Revenue | $ 431,062 | $ 982,401 | $ 1,551,927 | $ 2,170,280 |
| Loss and comprehensive loss | (514,494) | (1,087,583) | (1,496,267) | (1,889,314) |
| Loss per share (basic and diluted) | (0.01) | (0.03) | (0.04) | (0.05) |

## Revenue and Operating Expense Analysis

| | Unaudited | | Unaudited | |
|---|---|---|---|---|
| | Three months ended September 30, 2011 | Three months ended September 30, 2010 | Nine months ended September 30, 2011 | Nine months ended September 30, 2010 |
| **Revenue** | **$ 579,647** | **$ 879,188** | **$ 1,876,897** | **$ 2,282,354** |
| Direct operating expense | 610,966 | 486,297 | 1,440,652 | 1,432,509 |
| **Gross Margin** | **(31,319)** | **392,891** | **436,245** | **849,845** |
| **Other operating expenses:** | | | | |
| Technology | 196,771 | 170,953 | 626,329 | 543,096 |
| Selling and business development | 158,203 | 201,438 | 501,829 | 640,153 |
| General and administration | 247,813 | 290,180 | 901,641 | 947,968 |
| | 602,787 | 662,571 | 2,029,799 | 2,131,217 |
| **Loss from operations before the undernoted** | **(634,106)** | **(269,680)** | **(1,593,554)** | **(1,281,372)** |
| Foreign exchange gains (losses) | 108,445 | (5,615) | 99,285 | 24,535 |
| Other items | 1,610 | 15,872 | 4,632 | 13,568 |
| **Loss** | **$ (524,051)** | **$ (259,423)** | **$ (1,489,637)** | **$ (1,243,269)** |
| **Other comprehensive income (loss):** | | | | |
| Foreign exchange gain (loss) on the translation of foreign operations | (108,371) | 2,848 | (95,339) | (40,278) |
| **Comprehensive loss** | **$ (632,422)** | **$ (256,575)** | **$ (1,584,976)** | **$ (1,283,547)** |
| **Loss per share (basic and diluted)** | **$ (0.01)** | **$ (0.01)** | **$ (0.04)** | **$ (0.03)** |

### *Revenue*

Revenue decreased from $879,188 to $579,647 for the three months ended September 30, 2010 and 2011, respectively. The total contract value of new agreements entered with US property assessment customers more than tripled by September 30, 2011 to over $1,500,000 as compared to approximately $500,000 for the full year of 2010. However, in 2011, the timing of completion of data collection and post collection processing has been later than in the prior year, resulting in delayed revenue recognition in 2011 as compared to 2010, as revenue recognition cannot commence until delivery has occurred. Also contributing to this decrease was the expiry of a US real estate sector agreement, the expiry of a Canadian municipal sector agreement early in the fourth quarter of 2010 that was subsequently renewed in the fourth quarter of 2011, non-recurring revenue streams for custom work delivered in 2010, and the cancellation of services through a Canadian licensee in the third quarter of 2011. These decreases were somewhat offset by revenue growth in the Canadian property assessment and insurance sectors.

Revenue decreased from $2,282,354 to $1,876,897 for the nine months ended September 30, 2010 and 2011, respectively. This decline is attributable to the above noted items.

As a percentage of total revenue, revenue related to the Company's US-based customers decreased to 16% from 42%, and to 16% from 30% for the three and nine months ended September 30, 2011 and 2010, respectively. This decrease is largely attributable to the expiry of a multi-year agreement with a US customer in late 2010 and delayed revenue recognition with respect to US property assessment in 2011 compared to 2010, as discussed above.

### *Direct Operating Expense*

This expense category is composed primarily of direct operating costs of sales, including amortization related to equipment and vehicles.

This expense increased from $486,297 to $610,966 for the three months ended September 30, 2010 and 2011 respectively. Data capture and processing expense was greater in the third quarter of 2011 than 2010 due to a combination of increased data capture requirements to support new sales agreements and a later start in the data capture season in 2011. The increase in direct operating expense related to increased data capture and processing costs was somewhat offset by decreased royalties which are recognized over the same period as the associated revenue, and decreased commissions which are impacted by the nature and timing of new contracts signed.

Direct operating expense increased nominally from $1,432,509 to $1,440,652 for the nine months ended September 30, 2010 compared to 2011. Primary fluctuations for the 2010 to 2011 nine month periods included increased material costs to support an increase in value added reseller sales associated with the StreetScape offering, offset by decreased data capture and processing costs due to a later start to the image capture season and greater efficiency in 2011.

***Gross margin***

Gross margin as a percent of revenue decreased from 45% to (5%), and from 37% to 23% for the three and nine months ended September 30, 2010 and 2011 respectively, due to the decrease in revenue and increase in direct operating expenses for the respective comparable periods in 2011 and 2010. As discussed, a later commencement of the image capture season in 2011 compared to 2010 has shifted the timing of a significant amount of data capture and processing costs from the second to third quarter of the year. Further, as revenue recognition does not commence until delivery occurs, which follows image capture and post collection processing, revenue recognition related to this season's image capture will also be delayed as compared to the prior year. As at September 30, 2011, image capture and processing were in progress for seven agreements, with completion and initial delivery expected to occur in the fourth quarter.

***Technology expense***

This expense is composed primarily of salaries, contractor fees and support costs related to the technology function.

This expense increased from $170,953 to $196,771 and from $543,096 to $626,329 for the three and nine months ended September 30, 2010 and 2011, respectively. In both periods, this increase was attributable to increased technology-related human resource costs incurred to further product development. This increase was somewhat offset by a decrease in share based compensation associated with technology staff due to the grant of stock options in 2010 that was not extended in 2011.

***Selling and business development expense***

This expense is composed primarily of salaries and support costs related to the selling and business development function, as well as promotion-related expenses.

This expense decreased from $201,438 to $158,203 for the three months ended 2010 and 2011, and from $640,153 to $501,829 for the nine months ended 2010 and 2011. The primary drivers of the decrease in this expense are reduced sales related human resource and marketing costs related to the elimination of a sales position, reduced but more targeted participation in tradeshows and other marketing activities, and decreased share based compensation associated with sales and business development staff due to the grant of stock options in 2010 that was not extended in 2011.

***General and administration expense***

This expense is composed primarily of salaries and related support costs of corporate, finance and administration staff; general costs of office administration such as rent and communications; regulatory and compliance costs; insurance and professional fees; and amortization related to office equipment and leasehold improvements.

This expense decreased from $290,180 to $247,813 for the three months ended 2010 and 2011, and from $947,968 to $901,641 for the nine months ended 2010 and 2011. Professional fees, primarily related to the conversion to international financial reporting standards, increased general and administration expense in

2011. However, this increase was more than offset by a decrease in share based compensation expense associated with corporate, finance and administration staff due to the grant of stock options in 2010 that was not extended in 2011, and Management's continued focus on cost reduction.

***Foreign exchange, other items and other comprehensive income (loss)***

Other items include finance income and costs, other income and expense, gains on disposal of equipment and foreign exchange gains or losses. Other comprehensive income (loss) includes foreign exchange gains (losses) on the translation of foreign operations.

Under CGAAP, foreign exchange on transactions and the translation of subsidiaries designated as integrated operations were included in foreign exchange gains (losses) recognized in the period. Under IFRS, like CGAAP, transaction-related foreign exchange gains and losses are reported in profit (loss). However unlike CGAAP, under IFRS, if the functional currency of a subsidiary is different than the functional currency of the reporting entity, the financial statements of the subsidiary are translated using the current rate method upon consolidation and the translation gains (losses) are recorded as other comprehensive income (loss). The functional currency of iLOOKABOUT (US) Inc., a wholly-owned subsidiary of iLOOKABOUT Corp., is the US dollar; therefore, the financial statements of this subsidiary under IFRS are translated to the reporting currency using the current rate method, with related foreign exchange gains (losses) reported as other comprehensive income (loss).

For the three months ended September 30, 2011 foreign exchange gain included in loss was $108,445 and foreign exchange loss included in other comprehensive loss was $108,371. For the three months ended September 30, 2010 foreign exchange loss included in loss was $5,615 and foreign exchange gain included in other comprehensive income was $2,848.

For the nine months ended September 30, 2011 foreign exchange gain included in loss was $99,285 and foreign exchange loss included in other comprehensive loss was $95,339. For the nine months ended September 30, 2010 foreign exchange gain included in loss was $24,535 and foreign exchange loss included in other comprehensive loss was $40,278.

## Assets, Liabilities and Share Capital Analysis

| | September 30, 2011 (Unaudited) | December 31, 2010 (Unaudited) |
|---|---|---|
| Assets | $ 1,603,899 | $ 1,993,841 |
| Liabilities | $ 1,738,206 | $ 675,623 |
| Share and warrant capital | $ 10,671,015 | $ 10,350,496 |
| Common shares outstanding | 40,710,417 | 40,685,417 |
| Options and warrants outstanding | 9,278,809 | 9,446,674 |

***Assets***

Total assets held by the Company at September 30, 2011 and December 31, 2010 were composed primarily of cash, short-term investments, trade and other receivables, prepaid expenses and other current assets, and equipment. Short-term investments were composed of guaranteed investment certificates and treasury bills, with maturity dates at purchase of greater than three months but less than one year.

The Company has not yet achieved positive net cash inflows in any year and did not derive funds from equity or debt financing during 2010 or the first three quarters of 2011. As a result, the Company has experienced a decrease in cash and short-term investments from $1,182,580 as at December 31, 2010 to $663,193 as at September 30, 2011.

The Company continues to seek additional cash inflows through new sales, federal and provincial government incentive programs, and debt and/or equity financing.

Trade and other receivables increased from $137,725 at December 31, 2010 to $167,581 at September 30, 2011.

Prepaid expenses and other current assets increased from $159,583 at December 31, 2010 to $289,053 at September 30, 2011. Prepaid expenses relate primarily to prepaid royalties and insurance. The increases in both trade and other receivables and prepaid royalties are attributable to an increase in sales contracts entered in 2011 compared to 2010, for which a significant portion of the total contract value is billed, and the related royalty remitted, at the inception of the contract.

Equipment, net of accumulated amortization, decreased from $513,953 at December 31, 2010 to $484,072 at September 30, 2011, mainly due to amortization of these assets. In the first three quarters of 2011 the Company acquired additional computer hardware, data capture equipment and vehicles totaling $167,273 and made no significant disposals.

***Liabilities***

As at September 30, 2011, the Company's liabilities totaled $1,738,206, of which $441,353 represented accounts payable and accrued liabilities, $1,279,449 represented unearned revenue, and $17,404 represented finance lease liability. As at December 31, 2010, the Company's liabilities totaled $675,623, of which $334,798 represented accounts payable and accrued liabilities and $340,825 represented unearned revenue. Unearned revenue relates to payments received from customers in advance of providing services and for which revenue has not yet been earned.

The Company does not currently hold or have outstanding any long-term debt, short-term debt or operating lines of credit.

***Share and warrant capital***

With the exception of the expiry of 439,740 agent warrants there were no changes in share capital or warrant capital during the period,

***Outstanding Share Data***

As at September 30, 2011, iLOOKABOUT had 40,710,417 common shares issued and outstanding, and outstanding options and warrants to purchase a further 9,278,809 common shares, exercisable at prices ranging from $0.125 to $1.00 per share.

***Stock options***

During the period, a total of 25,000 stock options were forfeited by a former employee, no options were granted, no options were exercised and no options expired unexercised. As at September 30, 2011, a total of 2,711,309 options were outstanding and unexercised, of which 2,341,309 had vested and were exercisable with exercise prices ranging from $0.125 to $0.60 per share.

**Liquidity, Financing Activities and Capital Resources**

The Company is subject to risks including, but not limited to, dependence on key personnel and the potential need to raise additional funds through debt or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they become due. Specifically, the Company has a history of operating losses with an accumulated deficit of $11,573,954 (December 31, 2010 - $10,084,317); shareholders' deficit of $134,307 (December 31, 2010 - shareholders' equity of $1,318,218) and a working capital deficit of $222,221 (December 31, 2010 –

working capital of $968,067). The Company also has commitments for finance and operating leases of $132,661 due within the twelve months following September 30, 2011, and $192,841 due thereafter.

The working capital deficit (calculated as current assets less current liabilities) as at September 30, 2011 was $222,221 and consisted of cash of $663,193, trade and other receivables of $167,581, prepaid and other current assets of $289,053, accounts payable and accrued liabilities of $441,353, current unearned revenue of $883,291, and finance lease liability of $17,404. 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 $372,017 as at September 30, 2011 (December 31, 2010 - $985,507) and consisted of the working capital items noted above with the exception of prepaid expenses and other current assets, and current unearned revenue.

The Company has assessed that it is presently able to meet its current financial obligations as they become due. However, in the near term, the Company will need to increase net cash inflows from operations and/or raise additional funds through debt or equity financing to meet the Company's liabilities and commitments as they become due.

Net cash used in operating activities decreased from $292,961 to $78,052, and from $1,117,164 to $377,052 for the three and nine months ended September 30, 2010 and 2011, respectively.

The Company's continued viability is dependent on, but not limited to, Management's ability to successfully execute its business plan, including continuing to increase the Company's revenues from operations while maintaining an appropriate level of expenses. 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 that new sources of operating revenue will be secured, or that such additional equity and/or debt financing will be available, or if available, such financing can be obtained on terms favourable to the Company.

Although material uncertainties exist with respect to the events and circumstances required for the continued viability of the Company, at this point in time, Management has no intent to liquidate the entity or to cease trading. Accordingly, the Company has determined that the going concern assumption is still appropriate, and the Unaudited Interim Consolidated Financial Statements have been prepared on the basis of accounting principles applicable to a going concern.

If the going concern basis was not appropriate for the Unaudited Interim Consolidated Financial Statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses and the statement of financial position classifications used. The Company's Unaudited Interim 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.

**Commitments**

The following table presents the Company's commitments under finance and operating leases related to vehicles and facilities.

| | | |
|---|---|---|
| 2011 | $ | 41,471 |
| 2012 | | 121,587 |
| 2013 | | 116,229 |
| 2014 | | 44,772 |
| 2015 | | 1,443 |
| Thereafter | | - |

## Off Balance Sheet Arrangements

As at September 30, 2011, 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.

## Financial Instruments

iLOOKABOUT's financial instruments consist of cash and cash equivalents, short-term investments, trade and other receivables, accounts payable and accrued liabilities, and finance lease liability. Management does not believe that these financial instruments expose iLOOKABOUT to any significant interest, currency or credit risks.

## Transactions with Related Parties

One of the premises occupied by the Company is rented on an annual basis from a company which is owned by an officer and director of the Company and his father. The Company paid rent of $9,000 to the related company in the nine month period ended September 30, 2011. 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.

During the third quarter, the Company disposed of a vehicle through an officer and director of the Company for $4,050, reflected as due from related party. The transaction was accounted for at the fair value of the asset disposed of and the Company recognized a gain on disposal as a result of the transaction

## Significant Accounting Policies

### *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, when persuasive evidence of an arrangement exists, the fee is fixed and determinable and collection is considered probable. Revenue for long term licensing contracts is generally recognized over the life of the contract, in accordance with contract terms, as service is provided.

Revenue from the Virtual Tour products is recognized on delivery of services when 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 components is allocated amongst the components based on the relative fair value of the components included in the arrangement. 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. The fair value of each component is based on a hierarchy of (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) the cost-plus-margin ("CPM") method if neither VSOE nor TPE is available.

Payments received in advance of service delivery are recorded as unearned revenue and recognized as revenue over the term of the license as service is delivered.

### *Intangible assets*

Intangible assets, including patents and trademarks, are stated at cost less accumulated amortization and accumulated impairment losses. 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 lives and amortization methods.

### *Impairment of non-financial assets*

At each reporting date, the Company's non-financial assets, such as equipment and intangible assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years.

### *Lease payments*

<u>Operating lease payments</u>
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

<u>Finance lease payments</u>
Leased assets from which the Company receives substantially all of the risks and rewards of ownership of the asset are capitalized as finance leases and measured initially at the lower of the fair value of the asset and the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded as lease liabilities in the statement of financial position. These liabilities are reduced as payments are made. A finance charge is recognized using the rates implicit in the leases.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognized in each period during the lease term in a manner that produces a constant periodic rate of interest on the remaining balance of the liability.

### *Foreign currency translation*

The Company's functional and presentation currency is the Canadian dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency.

Transactions denominated in a foreign currency are translated into Canadian dollars using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rates of exchange in effect at each reporting date. Foreign exchange gains and losses are recognized in profit or loss.

Assets and liabilities of a foreign operation that has a functional currency other than the Canadian dollar are translated into Canadian dollars at the reporting date exchange rate, and transactions are translated using the exchange rate prevailing at the dates of the transaction. All resulting changes are recognized in other comprehensive loss and in the translation reserve in shareholders' equity (deficit).

**Changes in Accounting Policies**

***First-time adoption of IFRS***

The Company's Unaudited Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 and with IFRS 1. These Unaudited Interim Financial Statements do not include all of the information required for full annual financial statements.

The impact of adopting IFRS is fully described in the notes to the financial statements. Management believes the following standard has the most significant ongoing impact to the Company's financial statements and should be considered if comparing IFRS financial statements with the Company's financial statements under CGAAP prior to the adoption of IFRS.

<u>IAS 21 – The Effects of Changes in Foreign Exchange Rates</u>

Under CGAAP, an entity is not explicitly required to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenues and expenses. Under CGAAP, an entity applies criteria to determine only whether a foreign subsidiary's operations is integrated or self-sustaining, in which case the temporal or current methods of translation respectively, are then applied to the subsidiary's financial statement balances and results of operations. Under CGAAP, the Company prepared its financial statements in Canadian dollars and its US subsidiaries were determined to be integrated foreign operations, and were translated using the temporal method.

Under IFRS, the functional currency of the Company and each of its subsidiaries must be assessed independently, giving consideration to the primary economic environment in which each operates. IFRS provides guidance in respect of factors to be considered in determining an entity's functional currency that are similar to those noted in Canadian GAAP, however, unlike Canadian GAAP, IFRS distinguishes between primary and secondary factors in making such an assessment. Based on the assessment under IFRS, Management has determined that the functional currency of iLOOKABOUT (US) Inc. is the US dollar (USD) (Canadian dollar under CGAAP). Accordingly, the change in functional currency has been reflected in reporting the Company's consolidated financial position and results of operations under IFRS.

As a result of this change, non-monetary assets and liabilities are translated at the current rate (historic rate under CGAAP) at each reporting period and the unrealized translation gain or loss for the foreign operation is recognized as part of other comprehensive income (loss) and included in translation reserve in shareholders' equity (deficit), whereas under CGAAP, it was included in loss and deficit.

The Company applied this change in an accounting policy retrospectively in conjunction with the application of the first-time adoption exemption to deem the cumulative translation adjustment to be zero at the Transition Date, leaving shareholders' equity unchanged as at January 1, 2010.

**Future Accounting Policy Changes**

***IFRS 9 Financial Instruments***

In November 2009, the IASB issued IFRS 9 *Financial Instruments* ("IFRS 9 (2009)"), and in October 2010 the IASB published amendments to IFRS 9 ("IFRS 9 (2010"). IFRS 9 (2009) replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date.

IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 except as described below.

Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. Amounts presented in OCI will not be reclassified to profit or loss at a later date.

IFRS 9 (2010) also added the requirements of IAS 39 for the de-recognition of financial assets and liabilities to IFRS 9 without change.

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. For annual periods beginning before January 1, 2013, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

***IFRS 12 Disclosure of Interests in Other Entities***

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it needs not to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time.

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. When applied, it is expected that the amendment to IFRS 12 will increase the current level of disclosure of interests in the other entities.

***IFRS 13 Fair Value Measurement***

In May 2011, the IASB published IFRS 13 - *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

***IAS 1 Presentation of Financial Statements***

In June 2011, the IASB published amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted.

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

**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.

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. 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 2010 Consolidated Financial Statements and Annual Information Form, may be found on SEDAR at www.sedar.com.