

# **iLOOKABOUT Corp.**

## **Unaudited Condensed Interim Consolidated Financial Statements**

For the three months ended March 31, 2013 and 2012

**iLOOKABOUT Corp.**  
**Unaudited Interim Consolidated Statements of Financial Position**

As at	March 31, 2013	December 31, 2012
<b>Assets</b>		
Current Assets:		
Cash	\$ 1,236,123	\$ 1,070,462
Trade and other receivables	449,533	294,017
Prepaid expenses and other current assets	257,189	164,055
	1,942,845	1,528,534
Equipment	286,975	308,754
Intangible asset	209,333	235,500
<b>Total Assets</b>	<b>\$ 2,439,153</b>	<b>\$ 2,072,788</b>
<b>Liabilities and Shareholders' Deficiency</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 405,915	\$ 476,787
Unearned revenue	618,077	528,446
Current portion of long-term debt	184,647	180,138
	1,208,639	1,185,371
Unearned revenue	477,750	503,560
Long-term debt	1,212,702	1,244,292
Provision	22,000	16,500
Shareholders' Deficiency	(481,938)	(876,935)
Going concern (note 2)		
Subsequent events (note 13)		
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 2,439,153</b>	<b>\$ 2,072,788</b>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**iLOOKABOUT Corp.**  
**Unaudited Interim Consolidated Statements of Comprehensive Loss**

	Three months ended	
	March 31, 2013	March 31, 2012
<b>Revenue</b>	\$ 813,710	\$ 549,120
<b>Direct operating expenses</b>	270,373	272,334
<b>Gross margin</b>	543,337	276,786
<b>Other operating expenses:</b>		
Technology	252,241	214,655
Selling and business development	107,384	91,470
General and administration	243,778	264,396
	603,403	570,521
<b>Loss from operations</b>	(60,066)	(293,735)
Finance costs, net of finance income	(57,242)	(166)
Foreign exchange gain (loss)	38,700	(42,702)
<b>Loss for the period</b>	\$ (78,608)	\$ (336,603)
<b>Other comprehensive income (loss):</b>		
Foreign exchange gain (loss) on the translation of foreign operations	(38,718)	47,807
<b>Comprehensive loss for the period</b>	\$ (117,326)	\$ (288,796)
<b>Loss per share</b>		
Basic and diluted (note 7)	-	(0.01)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**iLOOKABOUT Corp.**

**Unaudited Interim Consolidated Statements of Changes in Shareholders' Deficiency**

**Three months ended March 31, 2013**

	<b>Common share capital</b>	<b>Warrant capital</b>	<b>Conversion option reserve</b>	<b>Other reserve</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Translation reserve</b>	<b>Total Deficiency</b>
<b>Balance at December 31, 2012</b>	\$ 8,482,432	\$ 2,649,239	\$ 139,468	\$ (1,413,340)	\$ 2,056,426	\$ (12,825,744)	\$ 34,584	\$ (876,935)
Loss for the period	-	-	-	-	-	(78,608)	-	(78,608)
Other comprehensive loss:								
Foreign exchange loss on the translation of foreign operations	-	-	-	-	-	-	(38,718)	(38,718)
Comprehensive loss for the period	-	-	-	-	-	(78,608)	(38,718)	(117,326)
Dividend conversion (note 5(a))	17,743	-	-	-	-	-	-	17,743
Issuance of common shares and warrants (note 5(b))	280,916	207,254	-	-	-	-	-	488,170
Share-based compensation	-	-	-	-	6,410	-	-	6,410
<b>Balance at March 31, 2013</b>	\$ 8,781,091	\$ 2,856,493	\$ 139,468	\$ (1,413,340)	\$ 2,062,836	\$ (12,904,352)	\$ (4,134)	\$ (481,938)

**Three months ended March 31, 2012**

	<b>Common share capital</b>	<b>Warrant capital</b>	<b>Conversion option reserve</b>	<b>Other reserve</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Translation reserve</b>	<b>Total Deficiency</b>
<b>Balance at December 31, 2011</b>	\$ 8,428,961	\$ 2,242,054	\$ -	\$ (1,006,155)	\$ 1,950,455	\$ (11,998,396)	\$ (6,458)	\$ (389,539)
Loss for the period	-	-	-	-	-	(336,603)	-	(336,603)
Other comprehensive income:								
Foreign exchange gain on the translation of foreign operations	-	-	-	-	-	-	47,807	47,807
Comprehensive income (loss) for the period	-	-	-	-	-	(336,603)	47,807	(288,796)
Equity component of preference shares	-	-	139,468	-	-	-	-	139,468
Warrant modification	-	407,185	-	(407,185)	-	-	-	-
<b>Balance at March 31, 2012</b>	\$ 8,428,961	\$ 2,649,239	\$ 139,468	\$ (1,413,340)	\$ 1,950,455	\$ (12,334,999)	\$ 41,349	\$ (538,867)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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

	Three months ended	
	March 31, 2013	March 31, 2012
<b>Cash flows from operating activities</b>		
Loss for the period	\$ (78,608)	\$ (336,603)
Adjustments for:		
Gain on disposal of equipment	-	(265)
Amortization of equipment	26,921	40,139
Amortization of intangible asset	26,167	-
Unrealized foreign exchange (gain) loss	(36,521)	78,524
Finance costs, net of finance income	57,242	166
Share-based compensation expense	6,410	-
	1,611	(218,039)
Changes in non-cash working capital (note 8)	(270,198)	159,340
Interest paid	(13,400)	(166)
Interest received	148	-
Net cash used in operating activities	(281,839)	(58,865)
<b>Cash flows from financing activities</b>		
Repayment of finance lease liabilities	-	(5,984)
Repayment of debt financing of software licence	(43,378)	-
Corporate transaction costs	(13,433)	(77,638)
Proceeds from issuance of common shares and warrants	499,838	-
Proceeds from issuance of preference shares	-	750,000
Proceeds from secured term credit facility	-	600,000
Net cash provided by financing activities	443,027	1,266,378
<b>Cash flows from investing activities</b>		
Purchase of equipment	(5,142)	(9,617)
Proceeds on disposal of equipment	-	265
Net cash used in investing activities	(5,142)	(9,352)
<b>Increase in cash during the period</b>	156,046	1,198,161
<b>Effect of exchange rate fluctuations on cash</b>	9,615	(5,065)
<b>Cash - beginning of period</b>	1,070,462	303,437
<b>Cash - end of period</b>	\$ 1,236,123	\$ 1,496,533

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**iLOOKABOUT Corp.**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2013 and 2012**

**1. Corporate Information**

iLOOKABOUT Corp. is engaged in the visual and data intelligence business collecting, processing and geo-coding street-level image data, providing image and related data management software, aggregation of additional value-added property based data, custom application programming and professional services. The unaudited condensed interim consolidated financial statements (“interim financial statements”) as at and for the three months ended March 31, 2013 comprise iLOOKABOUT Corp. and its subsidiaries, (together referred to as the “Company”).

The Company is incorporated under the laws of the Province of Ontario, and its principal place of business is located at 383 Richmond Street, Suite 408, London, Ontario, Canada. The Company’s shares are traded in Canada on the TSX Venture Exchange (“TSX-V”) under the symbol ILA.

**2. 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.

During the three months ended March 31, 2013, the Company incurred a loss of \$78,608 (March 31, 2012 – \$336,603). In addition, during the three months ended March 31, 2013, the Company had negative cash flow from operations of \$281,839 (March 31, 2012 – \$58,865). The Company has a history of operating losses resulting in a deficit of \$12,904,352 (December 31, 2012 – \$12,825,744), a shareholders’ deficiency of \$481,938 (December 31, 2012 – \$876,935), and working capital of \$734,206 (December 31, 2012 – \$343,163). Furthermore, the Company has not been able to meet performance milestones to trigger additional disbursements under its secured term credit facility. As a result, significant doubt may exist as to the Company’s ability to continue as a going concern and to execute on its business plan as currently contemplated or that cash generated from operations will be sufficient to satisfy liquidity requirements. The Company’s continued existence is dependent on, but not limited to, management’s ability to successfully execute its business plan, including a substantial increase in revenue while maintaining an appropriate level of expenses. Further, the Company is dependent on key personnel and the need to raise additional funds to support the Company’s development and continued operations, and to meet the Company’s liabilities and commitments as they become due.

Although material uncertainties exist with respect to the events and circumstances required for the continued existence of the Company, at this point in time, none of the criteria exist, as set out above, that would require the Company to prepare the consolidated financial statements other than on the basis of a going concern. Therefore, the Company has determined that the going concern assumption is still appropriate, and these 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 these 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 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.

**iLOOKABOUT Corp.**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2013 and 2012**

**3. Statement of compliance**

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2012, which are available on SEDAR.

**4. Significant Accounting Policies**

Except as described below, these interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended for December 31, 2012.

The accounting policies have been consistently applied by the Company's subsidiaries.

**(a) New accounting pronouncements**

The Company has adopted the following accounting pronouncements during the period, details of which are included in the Company's 2012 year-end Annual Consolidated Financial Statements. These standards did not have a significant impact on the Company's interim financial statements. Additional fair value disclosure was required with respect to the adoption of IFRS 13, Fair Value Measurement, which is included in note 10.

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

**5. Share and warrant capital**

	Expiry date	March 31, 2013		December 31, 2012	
		Issued	Amount	Issued	Amount
Issued and outstanding:					
Common shares		45,537,591	\$ 8,781,091	40,964,535	\$ 8,482,432
Share purchase warrants:					
Series E warrants	April 1, 2013	6,567,500	2,649,239	6,567,500	2,649,239
Series H warrants	January 27, 2016	1,481,000	63,050	-	-
Series I warrants	January 27, 2017	1,481,000	68,044	-	-
Series J warrants	January 27, 2018	1,481,000	76,160	-	-
		11,010,500	2,856,493	6,567,500	2,649,239
Share capital and warrant capital		56,548,091	\$ 11,637,584	47,532,035	\$ 11,131,671

The authorized capital is an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The common shares have no par value and are each entitled to one vote. All issued common shares are fully paid.

**iLOOKABOUT Corp.**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2013 and 2012**

(Note 5 - continued)

The following table presents changes in common share capital:

	Number of shares	Amount
<b>Balance, December 31, 2012</b>	<b>40,964,535</b>	<b>\$ 8,482,432</b>
Shares issued, dividend conversion (a)	130,056	17,743
Shares issued, private placement (b)	4,443,000	280,916
<b>Balance, March 31, 2013</b>	<b>45,537,591</b>	<b>\$ 8,781,091</b>

(a) Dividend conversion

In January 2013, the Company received notices from Preference Share holders to convert unpaid cumulative dividends on Preference Shares totaling \$19,509. As a result, the Company issued 130,056 Common Shares to settle the unpaid cumulative dividends being converted, based on a closing market price of the Common Shares on January 1, 2013 of \$0.15. The Company recorded \$17,743, which represents the conversion of unpaid dividends, net of costs of issuance of \$1,765, as an increase to common share capital and a decrease to accounts payable and accrued liabilities for the accrued dividends.

(b) Private Placement

In January 2013, the Company completed a non-brokered private placement, resulting in the issuance of 1,481 units for \$337.50 per unit. Each Unit consists of 3,000 common shares, 1,000 Series H Warrants, 1,000 Series I Warrants and 1,000 Series J Warrants, with each warrant entitling the holder to purchase one common share of the Company at an exercise price of \$0.15. The warrants expiry dates range from three to five years from the date of issuance.

In total, 4,443,000 common shares and 4,443,000 common share purchase warrants were issued for gross proceeds of \$499,838, or \$488,170 net of issuance costs of \$11,668.

Proceeds from the private placement were allocated to common share capital and warrant capital using the relative fair value method. The fair value of common share capital was determined using the closing price of the Company's common shares on January 21, 2013 and the fair value of warrant capital was determined using the Black-Scholes option pricing model, using the following assumptions:

	Series H Warrants	Series I Warrants	Series J Warrants
Exercise price	\$0.15	\$0.15	\$0.15
Risk free interest rate	1.50%	1.50%	1.50%
Expected dividend yield	0%	0%	0%
Expected share volatility	111.43%	108.24%	115.39%
Expected life	3 years	4 years	5 years

The following table presents changes in warrant capital:

	Number of warrants	Amount
<b>Balance, December 31, 2012</b>	<b>6,567,500</b>	<b>\$ 2,649,239</b>
Warrants issued, private placement (b)	4,443,000	207,254
<b>Balance, March 31, 2013</b>	<b>11,010,500</b>	<b>\$ 2,856,493</b>



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**Notes to Unaudited Interim Consolidated Financial Statements**  
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**6. Related party transactions**

*Key management personnel 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. For the three months ended March 31, 2013, the Company paid rent to the related company of \$3,000 (March 31, 2012 - \$3,000), which is included in general and administration expense.

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

*Preference Shares*

Each of the Directors and Senior Officers of the Company participated in the March 2012 private placement of 750,000 Preference Shares, purchasing an aggregate of 465,000 Preference Shares.

Where dividends on these Preference Shares have accrued, the holder has the option to convert these unpaid dividends into common shares. For the three months ended March 31, 2013, Directors and Senior Officers converted a total of \$14,065 accrued dividends into 93,762 common shares.

The terms of these Preference Shares are the same as those issued to non-related parties.

**7. Loss per share**

For the three months ended March 31	<b>2013</b>	<b>2012</b>
Loss for the year	\$ (78,608)	\$ (336,603)
Weighted average number of common shares (basic)	45,537,591	40,710,417
Effect of redeemable preference shares, stock options and warrants	-	-
Weighted average number of common shares (diluted)	45,537,591	40,710,417
Loss per share:		
Basic and Diluted	\$ (0.00)	\$ (0.01)

There were no dilutive items outstanding at March 31, 2013 or at March 31, 2012. Diluted loss per share does not take into account any outstanding warrants, options, or convertible preference shares as their effect would be anti-dilutive for these periods. As at March 31, 2013, a total of 13,872,451 (March 31, 2012 – 8,830,058) warrants and options were outstanding, and 750,000 convertible preference shares were outstanding, which could be converted into 2,419,355 common shares and 1,209,678 warrants to purchase common shares (March 31, 2012 – 2,419,355 common shares and 1,209,678 warrants) at the option of the holder.

**iLOOKABOUT Corp.**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
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**8. Supplementary cash flow information**

For the three months ended March 31	2013	2012
Changes in non cash working capital:		
Trade and other receivables	\$ (155,516)	\$ (24,736)
Prepaid expenses and other current assets	(93,134)	(32,553)
Accounts payable and accrued liabilities	(73,554)	196,904
Unearned revenue	63,821	45,376
Unrealized foreign exchange losses related to working capital	(11,815)	(25,651)
	\$ (270,198)	\$ 159,340

- Included in accounts payable and accrued liabilities at March 31, 2013 are accrued dividends with respect to the Preference Shares, which were expensed through finance costs. The Company recorded additional dividends in the three months ended March 31, 2013 in the amount of \$22,191.

**9. Financial risk management**

The Company is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial assets and liabilities. Financial risk management strategies are designed to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance. There have been no significant changes to the Company's key financial risks or risk management strategies since December 31, 2012.

**10. Financial instruments**

**Fair values versus carrying amounts**

The fair values of long-term debt, together with the carrying amounts, shown in the consolidated statements of financial position, are as follows:

As at	March 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Secured term credit facility	(562,169)	(462,145)	(559,016)	(448,139)
Preference shares	(634,306)	(643,189)	(621,161)	(613,580)
Debt financing of software licence	(200,874)	(200,874)	(244,253)	(244,253)
	\$ (1,397,349)	\$ (1,306,208)	\$ (1,424,430)	\$ (1,305,972)

The fair value of the Company's long term debt, which is determined for disclosure purposes, is calculated using the present value of future principal and interest payments, discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturity.

**iLOOKABOUT Corp.**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2013 and 2012**

(Note 10 - continued)

**Interest rates used for determining fair value**

The interest rates used to discount the estimated cash flows were as follows:

	March 31, 2013	December 31, 2012
Secured term credit facility	19.00%	19.00%
Preference shares	19.00%	19.00%
Debt financing of software licence	9.93%	9.93%

**11. Segmented information**

The Company operates and reports its results as one operating segment which is the visual knowledge business. Geographically, the Company operates primarily in Canada and United States.

Information regarding the results of each geographic area is included below:

	Three months ended March 31, 2013			
	Canada	United States	United Kingdom	Total
Revenue	\$ 607,836	\$ 193,892	\$ 11,982	\$ 813,710
Equipment	286,975	-	-	286,975
Intangible assets	209,333	-	-	209,333

  

	Three months ended March 31, 2012			
	Canada	United States	United Kingdom	Total
Revenue	\$ 476,573	\$ 60,745	\$ 11,802	\$ 549,120
Equipment	404,187	-	-	404,187
Intangible assets	314,000	-	-	314,000

Three customers each accounted for more than 10% of total revenue, representing 75% of total revenue for the three months ended March 31, 2013.

Two customers each accounted for more than 10% of total revenue, representing 67% of total revenue for the three months ended March 31, 2012.

At March 31, 2013, three customers each accounted for more than 10% of trade accounts receivable, totalling approximately 85% of trade accounts receivable at March 31, 2013, of which 100% was collected subsequent to March 31, 2013.

At March 31, 2012, three customers each accounted for more than 10% of trade accounts receivable, totalling approximately 79% of trade accounts receivable at March 31, 2012, of which 77% was collected subsequent to March 31, 2012. The remaining uncollected balance was fully allowed for in the third quarter of 2012.

**iLOOKABOUT Corp.**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2013 and 2012**

**12. Seasonality**

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

**13. Subsequent events**

(i) Warrant expiry

On April 1, 2013, 6,567,500 Series E common share purchase warrants previously issued for the purchase of 6,567,500 common shares at a price of \$1.00 expired unexercised.

(ii) Conversion of Unpaid Dividends

On April 9, 2013, the Company issued 141,323 Common Shares to settle \$23,320 of accrued but unpaid dividends on its Series 1 Preference Shares, based on a closing market price of the Common Shares on April 1, 2013 of \$0.165.