iLOOKABOUT Corp.

Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

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 International Financial Reporting Standards ("IFRS").

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"	*"Jeff Young"*
Robin Dyson, CA	Jeff Young
Chief Financial Officer	Chief Executive Officer
April 25, 2013	April 25, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of iLOOKABOUT Corp.

We have audited the accompanying consolidated financial statements of iLOOKABOUT Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, the consolidated statements of comprehensive loss, changes in shareholders' (deficiency) equity 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 International Financial Reporting Standards, 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 audit 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, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that iLOOKABOUT Corp. has experienced a net loss and negative cash flows from operations for the year ended December 31, 2012 and has a shareholders' deficiency at December 31, 2012. These conditions, along with other matters described in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 25, 2013

London, Canada

iLOOKABOUT Corp.
Consolidated Statements of Financial Position

As at	December 31, 2012	December 31, 2011
Assets		
Current Assets:		
Cash	$ 1,070,462	$ 303,437
Trade and other receivables	294,017	259,616
Prepaid expenses and other current assets	164,055	179,903
	1,528,534	742,956
Equipment (note 5)	308,754	434,711
Intangible asset (note 6)	235,500	-
Total Assets	$ 2,072,788	$ 1,177,667
Liabilities and Shareholders' Deficiency		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 476,787	$ 438,933
Unearned revenue	528,446	586,034
Finance lease liability	-	11,523
Current portion of long-term debt (note 8)	180,138	-
	1,185,371	1,036,490
Unearned revenue	503,560	530,716
Long-term debt (note 8)	1,244,292	-
Provision (Note 8(a))	16,500	-
Shareholders' Deficiency	(876,935)	(389,539)
Going concern (note 2)		
Subsequent events (note 20)		
Total Liabilities and Shareholders' Deficiency	$ 2,072,788	$ 1,177,667

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

iLOOKABOUT Corp.
Consolidated Statements of Comprehensive Loss

Years ended December 31		2012		2011
Revenue	$	3,270,791	$	2,735,899
Direct operating expenses		1,157,718		1,954,919
Gross margin		2,113,073		780,980
Other operating expenses:				
Technology		951,299		797,219
Selling and business development		486,761		644,349
General and administration		1,288,945		1,250,498
		2,727,005		2,692,066
Loss from operations		(613,932)		(1,911,086)
Finance (costs) income, net (note 19)		(174,788)		1,392
Foreign exchange losses		(38,628)		(4,385)
Loss for the year	$	(827,348)	$	(1,914,079)
Other comprehensive income:				
Foreign exchange gain on the translation of foreign operations		41,042		6,768
Comprehensive loss for the year	**$**	**(786,306)**	**$**	**(1,907,311)**
Loss per share				
Basic and diluted (note 13)		(0.02)		(0.05)

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

iLOOKABOUT Corp.
Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

Year ended December 31, 2012

	Common share capital	Warrant capital	Conversion option reserve	Other reserve	Contributed surplus	Deficit	Translation reserve	Total Deficiency
Balance at December 31, 2011	$ 8,428,961	$ 2,242,054	$ -	$ (1,006,155)	$ 1,950,455	$ (11,998,396)	$ (6,458)	$ (389,539)
Loss for the year	-	-	-	-	-	(827,348)	-	(827,348)
Other comprehensive income:								
Foreign exchange gain on the translation of foreign operations	-	-	-	-	-	-	41,042	41,042
Comprehensive income (loss) for the year	-	-	-	-	-	(827,348)	41,042	(786,306)
Dividend conversion (note 9(a))	38,745	-	-	-	-	-	-	38,745
Equity component of preference shares (note 8(b))	-	-	139,468	-	-	-	-	139,468
Warrant modification (note 9(b))	-	407,185	-	(407,185)	-	-	-	-
Options exercised (note 9)	14,726	-	-	-	(10,351)	-	-	4,375
Share-based compensation (note 11)	-	-	-	-	116,322	-	-	116,322
Balance at December 31, 2012	$ 8,482,432	$ 2,649,239	$ 139,468	$ (1,413,340)	$ 2,056,426	$ (12,825,744)	$ 34,584	$ (876,935)

Year ended December 31, 2011

	Common share capital	Warrant capital	Conversion option reserve	Other reserve	Contributed surplus	Deficit	Translation reserve	Total Equity (Deficiency)
Balance at December 31, 2010	$ 8,418,442	$ 1,932,054	$ -	$ (696,155)	$ 1,761,420	$ (10,084,317)	$ (13,226)	$ 1,318,218
Loss for the year	-	-	-	-	-	(1,914,079)	-	(1,914,079)
Other comprehensive income:								
Foreign exchange gain on the translation of foreign operations	-	-	-	-	-	-	6,768	6,768
Comprehensive income (loss) for the year	-	-	-	-	-	(1,914,079)	6,768	(1,907,311)
Warrant modification (note 9(b))	-	310,000	-	(310,000)	-	-	-	-
Options exercised (note 9)	10,519	-	-	-	(7,394)	-	-	3,125
Share-based compensation (note 11)	-	-	-	-	196,429	-	-	196,429
Balance at December 31, 2011	$ 8,428,961	$ 2,242,054	$ -	$ (1,006,155)	$ 1,950,455	$ (11,998,396)	$ (6,458)	$ (389,539)

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

iLOOKABOUT Corp.
Consolidated Statements of Cash Flows

Years ended December 31	2012	2011
Cash flows from operating activities		
Loss for the year	$ (827,348)	$ (1,914,079)
Adjustments for:		
Loss (gain) on disposal of equipment	863	(1,687)
Amortization of equipment	155,101	260,925
Amortization of intangible asset	78,500	-
Unrealized foreign exchange losses	63,692	8,485
Finance costs (income), net (note 19)	174,788	(1,392)
Share-based compensation expense (note 11)	116,322	196,429
	(238,082)	(1,451,319)
Changes in non-cash working capital (note 14)	(115,766)	710,062
Interest paid	(42,840)	(638)
Interest received	136	2,901
Net cash used in operating activities	(396,552)	(738,994)
Cash flows from financing activities		
Repayment of finance lease liabilities	(11,523)	(18,212)
Repayment of debt financing of software licence	(110,567)	-
Proceeds from options exercised	4,375	3,125
Corporate transaction costs	(78,335)	(1,733)
Proceeds from issuance of preference shares (note 8(b))	750,000	-
Proceeds from secured term credit facility (note 8(a))	600,000	-
Proceeds from debt financing of software licence (note 8(c))	354,820	-
Net cash provided by (used in) financing activities	1,508,770	(16,820)
Cash flows from investing activities		
Investment tax credits and government assistance, capital portion	-	359
Purchase of short-term investments	-	(225,000)
Proceeds on disposal of short-term investments	-	1,229,850
Purchase of equipment	(33,035)	(155,419)
Proceeds on disposal of equipment	1,378	4,804
Purchase of intangible assets	(314,000)	-
Net cash (used in) provided by investing activities	(345,657)	854,594
Increase in cash during the year	766,561	98,780
Effect of exchange rate fluctuations on cash	464	26,927
Cash - beginning of year	303,437	177,730
Cash - end of year	$ 1,070,462	$ 303,437

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

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 consolidated financial statements as at and for the year ended December 31, 2012 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 year ended December 31, 2012, the Company incurred a loss of $827,348 (2011 – $1,914,079). In addition, during the year ended December 31, 2012, the Company had negative cash flow from operations of $396,552 (2011 – $738,994). The Company has a history of operating losses resulting in a deficit of $12,825,744 (2011 - $11,998,396), a shareholders' deficiency of $876,935 (2011 - $389,539), and a working capital surplus (deficiency) of $343,163 (2011 - $(293,534)). Furthermore, the Company has not been able to meet performance milestones to trigger additional disbursements under its secured term credit facility (note 8(a)). 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.

3. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared by management in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the years ended December 31, 2012 and 2011 were authorized for issuance by the Board of Directors of the Company on April 25, 2013.

(b) Basis of measurement

These consolidated financial statements are presented in Canadian dollars ("CAD") and are prepared on the historical basis.

The consolidated statements of comprehensive loss are presented using the functional classification for expenses.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

Critical accounting estimates

The preparation of these consolidated financial statements requires management to apply judgement when making estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results could differ materially from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Key areas of estimation are as follows:

Revenue recognition

Revenue from sales arrangements that include multiple elements is allocated amongst the separately identifiable components based on the relative fair value of the components included in the arrangement. In order to allocate the total revenue from an arrangement with multiple elements, management is required to estimate the fair value of each of those elements. These estimates can affect the timing of revenue recognition over the term of the sales arrangement.

Amortization

Management is required to make certain estimates and assumptions when determining the amortization methods and rates, and residual values of equipment and intangible assets. Useful lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Management reviews amortization methods, rates, and residual values annually and adjusts amortization accordingly on a prospective basis.

(Note 3 - continued)

Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value.

Share-based compensation

Management is required to make certain estimates and assumptions when determining the grant date fair value of stock option awards and the number of awards that are expected to vest. Fair value is determined using the Black-Scholes option pricing model. Estimates are made with respect to risk-free interest rates, expected share volatility, expected dividend yield, forfeiture rates, and expected life.

Warrants

Management is required to make certain estimates and assumptions when determining the fair value of warrants and modifications of warrants, such as the extension of the warrant term. Fair value is determined using the Black-Scholes option pricing model. Estimates are made with respect to inputs to the Black-Scholes model including risk-free interest rates, expected share volatility, expected dividend yield, and expected life.

Compound financial instruments

In order to determine the appropriate allocation between the equity and liability components of financial instruments, Management must determine the fair value of a similar liability that does not contain an equity component. Determining this fair value requires Management to make assumptions with respect to the expected future amount and timing of cash outflows, including the payment of dividends, and an appropriate discount rate to calculate present value.

Term credit facility and provision

To establish the effective interest rate underlying the secured term credit facility and to establish a provision with respect to a bonus interest payment which will be due upon maturity of the debt, Management is required to make estimates with respect to the Company's expected financial results for fiscal 2014 and 2015, as it is these results upon which the bonus interest amount is to be calculated.

Critical judgements in applying accounting policies

In the preparation of these consolidated financial statements management has made judgements, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the financial statements.

Revenue recognition

Management must use judgement in determining whether the Company is acting as an agent or principal in a transaction based on an evaluation of risks and responsibilities taken by the Company. Judgement is required in each applicable revenue arrangement and all relevant facts and circumstances must be considered.

(Note 3 - continued)

Income tax

Management is required to apply judgement in determining whether it is probable that deferred income tax assets will be realized. At December 31, 2012, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable, and as such, has not recognized any deferred income tax assets in the consolidated statements of financial position.

In addition, the measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Accounts receivable

Management is required to use judgement in assessing the collectability of accounts receivable. Factors considered in making theses judgements include but are not limited to age of the receivable, payment history and financial condition of the debtor.

Impairment of non-financial assets

Management exercises judgement in assessing whether there are indications that an asset may be impaired. Factors considered include whether an active market exists for the output produced by the asset or group of assets, as well as how management monitors and makes decisions about the Company's operations. Management must also uses judgement in regularly assessing whether any previously recorded impairment losses should be reversed.

4. Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

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

(a) Basis of consolidation

Subsidiaries are legal entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 intercompany balances and transactions have been eliminated on consolidation.

(b) Revenue recognition

The Company earns revenue primarily from its StreetScape and related services which can be sold on a stand-alone basis or in a sales arrangement with multiple components. The Company also generates revenue from the provision of professional services.

(Note 4 - continued)

Licence and transaction based revenue is primarily generated from the delivery of geo-coded, street-level images and related data. This 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. Transaction based revenue is recognized as transactions are completed and service is provided.

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 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 ("VSOE") of selling price, 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 licence as service is delivered.

(c) Financial instruments – non-derivative

(i) Initial recognition

The Company recognizes loans and receivables on the date that they originate. All other financial assets and financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. All of the Company's financial assets are classified as loans and receivables. Under IFRS, loans and receivables are defined as financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value less any directly attributable transaction costs.

All of the Company's financial liabilities are classified as other liabilities. Other liabilities are recognized initially at fair value less any directly attributable transaction costs.

(ii) Measurement

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less any impairment losses. Loans and receivables comprise cash and trade and other receivables.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, long-term debt and finance lease liability are classified as other liabilities.

(iii) Offsetting policy

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

(Note 4 - continued)

(iv) De-recognition policy

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset is measured at amortized cost, calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the statements of comprehensive loss and reflected in an allowance account against accounts receivable.

(vi) Compound financial instruments

The financial liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, representing the holders' option to convert into common shares, is recognized initially at fair value determined as the excess of the face value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss.

(d) Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of an item of equipment have different useful lives, those components are accounted for as separate items of equipment and amortized separately.

(Note 4 - continued)

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized in gain (loss) on disposal of equipment in profit or loss.

Equipment is amortized over the estimated useful life of the asset based on the following:

Asset	Rate	Depreciation Method	Recorded as
Computer hardware	30%	Declining balance	Direct operating expenses
Computer software	100%	Declining balance	Direct operating expenses
Equipment – Virtual Tours	20%	Declining balance	Direct operating expenses
Equipment – StreetScape Imaging	2 years	Straight-line	Direct operating expenses
Furniture and equipment	20%	Declining balance	General and administration expenses
Leasehold improvements	lease term	Straight-line	General and administration expenses
Vehicles	30%	Declining balance	Direct operating expenses
Leased vehicles	30%	Declining balance	Direct operating expenses

In the year of acquisition, a half-year of amortization is recorded.

Management reviews amortization methods, rates, and residual values annually and adjusts amortization accordingly on a prospective basis.

(e) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. The balance of intangible assets relates to a software licence which was acquired to service a revenue contract. Amortization is recorded in technology expense on a straight-line basis over three years which corresponds to the term of the licence. Annually, Management assesses the appropriateness of the estimated useful lives and amortization methods.

(f) 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.

At each reporting date, Management assesses whether there is an indication that a previously recognised impairment loss has reversed, and accordingly whether the impairment loss should be reversed.

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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

(Note 4 - continued)

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.

(g) Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred, unless certain criteria are met for recognition as an intangible asset. Software development costs incurred prior to establishment of technological feasibility do not meet these criteria. To date, the Company has not recognized any development costs as intangible assets.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. While estimates inherently involve varying degrees of uncertainty, only in extremely rare circumstances will a reliable estimate not be able to be made.

(i) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized through profit or loss unless they arise from business combinations or items charged directly to equity or in other comprehensive loss.

Current tax is the expected taxes payable or receivable within the following twelve months and is based on taxable income or loss using tax rates enacted or substantively enacted at the reporting date, combined with any adjustments to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levies by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced when, in management's judgement, it is no longer probable that the related tax benefit will be realized.

(Note 4 - continued)

(j) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service by the employee and the obligation can be estimated readily.

(k) Investment tax credits and government grants

Scientific Research and Experimental Development investment tax credits:

The Company applies for 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 received, they are accounted for as a reduction in the related expenditure or as a reduction of the related equipment cost.

Government grants:

Government grants are recognized when the Company has reasonable assurance that they will be received and that it is in compliance with the conditions underlying the agreement under which the government grants were granted. They are accounted for as a reduction in the related expenditure or as a reduction of the related equipment cost.

(l) Lease payments

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 as the payments become due.

(m) Finance Costs

Finance costs consist of interest on borrowings and finance leases, long-term debt accretion, and dividends on preference shares. Finance costs are recognized as they accrue using the effective interest method.

(n) 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 income (loss) in the translation reserve in shareholders' equity (deficiency).

(Note 4 - continued)

(o) Share-based compensation

All stock options granted to employees and directors are settled with shares of the Company. The expense and corresponding increase in contributed surplus in shareholders' equity (deficiency) are determined based on the grant date fair value of the award and recognized using the graded method over the period that the employees unconditionally become entitled to the awards. Upon the exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no adjustment for difference between expected and actual outcomes.

Share-based awards issued to contractors are measured based on the fair value of the goods and services received unless that fair value cannot be estimated reliably. If the fair value of the goods and services cannot be reliably measured, then the fair value of the equity instruments granted will be used to recognize the expense.

(p) Loss per share

The Company presents basic and diluted loss per share data. Basic loss per share is calculated by dividing net loss for the period by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. When a net loss is incurred, basic and diluted loss per share are the same because the exercise of options and warrants are anti-dilutive.

(q) Recent accounting pronouncements not yet adopted

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

IFRS 9, Financial Instruments
In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9, which replaced IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

(Note 4 - continued)

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). IFRS 10, which replaces the consolidation requirements of SIC-12 *Consolidation-Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements,* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company intends to adopt IFRS 10, including the amendments issued in June 2012, in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 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* ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company intends to adopt IFRS 12, including the amendments issued in June 2012, in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 12 to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. 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 amended IAS 1, *Presentation of Financial Statements* ("IAS 1"). This amendment requires an entity to separately present the items of OCI as items that may or may not be reclassified to profit and loss. 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.

IAS 19 *Employee Benefits*

In June 2011 the IASB published an amended version of IAS 19, *Employee Benefits*. The amendments impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 *Provisions*, and when the entity can no longer withdraw the offer of the termination benefits. 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.

IAS 32 and IFRS 7, *Offsetting Financial Assets and Liabilities*

In December 2011, the IASB amended IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures*. This amendment clarified the circumstances under which an entity has a legally enforceable right to offset financial assets and financial liabilities, and contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar arrangements. The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

(Note 4 - continued)

Annual Improvements to IFRSs – 2009-2011 Cycle
In May 2012, the IASB published Annual Improvements to IFRSs – 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to the following four standards with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements
  - Comparative information beyond minimum requirements
  - Presentation of the opening statement of financial position

- IAS 16 Property, Plant and Equipment
  - Classification of servicing equipment

- IAS 32 Financial Instruments: Presentation
  - Income tax consequences of distributions

- IAS 34 Interim Financial Reporting
  - Segment assets and liabilities

The Company intends to adopt the amendments to the standards 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.

5. Equipment

	Computer hardware	Computer software	Equipment – Virtual Tours	Equipment – StreetScape	Furniture and equipment	Leasehold improvements	Vehicles	Leased vehicles	Total
Cost or deemed cost									
Balance at December 31, 2010	630,802	193,638	20,971	247,562	134,497	48,677	76,053	-	1,352,200
Additions	96,994	-	-	57,853	572	-	-	29,735	185,154
Disposals	-	-	-	(8,280)	-	-	(4,804)	-	(13,084)
Balance at December 31, 2011	727,796	193,638	20,971	297,135	135,069	48,677	71,249	29,735	1,524,270
Additions	20,561	3,020	-	8,879	575	-	-	-	33,035
Reclassification	-	-	-	-	-	-	29,735	(29,735)	-
Disposals	-	-	-	(27,861)	-	-	(9,056)	-	(36,917)
Balance at December 31, 2012	748,357	196,658	20,971	278,153	135,644	48,677	91,928	-	1,520,388
Amortization and impairment losses									
Balance at December 31, 2010	369,389	175,241	15,376	153,657	78,538	26,056	19,990	-	838,247
Amortization	92,973	18,397	1,119	108,367	11,249	7,541	16,819	4,460	260,925
Disposals	-	-	-	(8,280)	-	-	(1,333)	-	(9,613)
Balance at December 31, 2011	462,362	193,638	16,495	253,744	89,787	33,597	35,476	4,460	1,089,559
Amortization	82,715	1,510	895	35,012	9,114	7,541	14,523	3,791	155,101
Reclassification	-	-	-	-	-	-	8,251	(8,251)	-
Disposals	-	-	-	(27,646)	-	-	(5,380)	-	(33,026)
Balance at December 31, 2012	545,077	195,148	17,390	261,110	98,901	41,138	52,870	-	1,211,634
Carrying amounts									
At December 31, 2012	203,280	1,510	3,581	17,043	36,743	7,539	39,058	-	308,754
At December 31, 2011	265,434	-	4,476	43,391	45,282	15,080	35,773	25,275	434,711

6. Intangible assets

Cost		
At December 31, 2010 and 2011	$	122,857
Addition		314,000
At December 31, 2012	$	436,857

Accumulated Amortization and Impairment Loss		
At December 31, 2010 and 2011	$	122,857
Amortization		78,500
At December 31, 2012	$	201,357

Carrying amount at December 31, 2012	$	235,500

In March 2012, the Company acquired a software licence, which is being amortized on a straight-line basis over the licence term of 3 years, until March 2015.

7. Income taxes

The components of income tax expense (benefit) for the years ended December 31, 2012 and 2011 were as follows:

		Year ended December 31, 2012		Year ended December 31, 2011
Current tax expense	$	-	$	-
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	$	(135,000)	$	(391,000)
Effect of tax rate changes		(180,500)		54,500
Change in unrecognized deductible temporary differences		231,500		284,700
Other		84,000		51,800
Deferred tax benefit	$	-	$	-

(Note 7 - continued)

The recovery of income tax differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate to the comprehensive loss before income taxes for reasons as follows:

		December 31, 2012		December 31, 2011
Statutory income tax rate		**26.50%**		**28.25%**
Computed income tax expense (recovery)	$	(208,400)	$	(538,800)
Increase (decrease) in income tax resulting from:				
Amounts not deductible for tax		72,800		80,200
Change in unrecognized deductible temporary differences		231,500		284,700
Effect of tax rate changes		(180,500)		54,500
Other		84,600		119,400
Income tax expense	$	-	$	-

The Canadian income tax rate declined during the year due to changes in enacted federal and provincial corporate income tax rates in Canada.

As at December 31, 2012 and 2011, deferred tax assets have not been recognized in respect of the following items:

		December 31, 2012		December 31, 2011
Non-capital losses	$	2,302,700	$	2,137,700
Deductible temporary differences		1,115,200		1,048,700
	$	3,417,900	$	3,186,400

In assessing the ability to realize the benefit of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers the likelihood of future profitability, the character of the deferred tax assets and available tax planning strategies in making this assessment. To the extent that management believes it is probable the deferred tax assets will be realized, that portion of the deferred tax assets is recognized in the financial statements. Based on this assessment, the deferred tax assets as at December 31, 2012 and 2011 have not been recognized in the consolidated financial statements.

As at December 31, 2012, the Company had non-capital loss carry-forwards of approximately $8,432,000 that expire between 2013 and 2032.

As at December 31, 2012, the Company also had Scientific Research and Experimental Development ("SR&ED") expenditures of approximately $3,221,000 available for future years. These SR&ED expenditures do not expire. In addition, the Company has unused investment tax credits of approximately $636,500.

8. Long-term debt

		December 31, 2012
(a) Secured term credit facility	$	559,016
(b) Debt component of Series 1 Preference Shares		621,161
(c) Debt financing of software licence		244,253
	$	**1,424,430**

Due within 1 year	$	180,138
Due between 1 and 5 years		1,244,292
Due thereafter		-
	$	**1,424,430**

(a) *Secured term credit facility*

		Face Value		Carrying Value
Balance, as at issuance	$	600,000	$	549,558
Accretion expense		-		9,458
Balance, December 31, 2012	**$**	**600,000**	**$**	**559,016**

The Company has a term credit facility which allows the Company to draw up to $2,000,000. The facility provides for the distribution of the financing in stages, subject to the Company meeting specified performance milestones.

In March 2012, the Company achieved the required performance milestones to trigger the first disbursement of $600,000 and received these funds in the period.

Key terms of the credit facility include the following:

- Principal of $2,000,000 to be released in three disbursements of $600,000, $500,000 and $900,000;
- Disbursements are to be triggered by the achievement of pre-determined performance milestones;
- Acceptance of triggered disbursements is at the option of the Company;
- Interest at the rate of 5% per annum;
- Maturity date of April 15, 2016;
- Bonus interest payment, to be calculated and paid at maturity, based on the Company's financial performance in the final two fiscal years of the loan;
- Provides for monthly interest payments only. All principal amounts are due and payable at maturity or earlier in the event of default; and
- The credit facility is collateralized by a first ranking general security agreement covering all assets of the Company and a first assignment of two key man life insurance policies for up to $2,000,000.

(Note 8 - continued)

As at December 31, 2012, the Company had not achieved the pre-determined milestones required to trigger further disbursements.

A provision has been recorded with respect to a bonus interest payment. In order to estimate the expected bonus amount, Management has estimated the expected financial results for fiscal years 2014 and 2015, as this is the basis for the bonus calculation. A very high degree of uncertainty exists with respect to the reliability of Management's estimates of the future financial results upon which this bonus will be calculated. Actual results could differ materially from these estimates.

The initial bonus amount estimate of $103,000 established at the inception of the loan will be accreted over the term of the loan. When a material change in the expected financial results occurs, Management will reassess the bonus estimate and adjust the provision accordingly, by discounting the revised estimated cash flows using the original effective interest rate of 8.5%, calculated at the inception of the loan. At the inception of this loan, March 2012, the provision was nil, and has increased to $16,500 as at December 31, 2012.

(b) *Series 1 Preference Shares*

		Face Value		Carrying Value
Balance, as at issuance	$	750,000	$	583,335
Accretion expense		-		37,826
Balance, December 31, 2012	**$**	**750,000**	**$**	**621,161**

In March 2012, the Company issued 750,000 Series 1 Preference Shares ("Preference Shares") at a subscription price of $1.00 per share. These Preference Shares are fully paid, have no par value and have no voting rights. They carry a cumulative dividend rate of 12% per annum and are convertible into common shares and warrants at the option of the holder, subject to certain conversion requirements.

The key terms of the Preference Shares include the following:

- Redeemable after the third anniversary of issuance at the option of the Company or the holder at a Redemption Amount of $1.00 per share;
- Fixed preferential cumulative dividends at a rate of 12% per annum. Dividends shall be paid when declared by the Board of Directors or the cumulative balance can be converted to common shares, in certain circumstances, at the option of the holder, at the market price of common shares on the day before the conversion right is exercised.;
- Convertible at the option of the holder at a conversion rate of 1/0.31 (being approximately 3.226) Units per share until the third anniversary of the issuance of these shares, subject to certain earlier conversion requirements and later conversion rights in specified circumstances; and
- Each Unit consists of one common share and one-half of a warrant to purchase one common share at an exercise price of $0.31 per full warrant, which warrants are exercisable until the last business day preceding the fifth anniversary of the issuance of the Preference Shares, subject to certain earlier exercise requirements in specified circumstances.

(Note 8 - continued)

The liability component of these shares was recognized initially at fair value of $605,284 less transaction costs of $21,949. The fair value was determined based on the present value of the contractual principal and dividend payments to the initial redemption date, using a discount rate of 19%, being the market rate applicable to a non-convertible financial instrument at the date of issuance. Subsequent to initial recognition, this liability component will be accreted to the initial redemption date of the Preference Shares through the recording of an accretion expense using the effective interest method. The equity component, representing the conversion option, was recognized at the fair value of $144,716 net of transaction costs of $5,248 in the conversion option reserve.

As at December 31, 2012 accrued but unpaid dividends with respect to the Preference Shares totaled $28,859 and are included in accounts payable and accrued liabilities in the consolidated statement of financial position.

(c) *Debt financing of software licence*

		Carrying Value
Balance, as at issuance	$	354,820
Repayment of financing		(110,567)
Balance, December 31, 2012	**$**	**244,253**

In April 2012, the Company executed an agreement, at an effective interest rate of 9.93%, to finance a software licence in the amount of $354,820. This financing arrangement requires equal monthly payments of $16,361 over a two year term.

9. Share and warrant capital

		December 31, 2012		December 31, 2011	
	Expiry date	**Issued**	**Amount**	**Issued**	**Amount**
Issued and outstanding:					
Common shares		40,964,535	$ 8,482,432	40,710,417	$ 8,428,961
Share purchase warrants:					
$1.00 warrants	April 1/13	6,567,500	2,649,239	6,567,500	2,242,054
		6,567,500	2,649,239	6,567,500	2,242,054
Share capital and warrant capital		47,532,035	$ 11,131,671	47,277,917	$ 10,671,015

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.

(Note 9 - continued)

The following table presents changes in common share capital:

		Number of shares		Amount
Balance, December 31, 2010		**40,685,417**	**$**	**8,418,442**
Options exercised		25,000		10,519
Balance, December 31, 2011		**40,710,417**	**$**	**8,428,961**
Shares issued, dividend conversion	(a)	219,118		38,745
Options exercised		35,000		14,726
Balance, December 31, 2012		**40,964,535**	**$**	**8,482,432**

(a) Dividend conversion

In October 2012, the Company received notices from Preference Share holders to convert unpaid dividends on Preference Shares totaling $39,442. As a result, the Company issued 219,118 Common Shares to settle the unpaid dividends being converted, based on a closing market price of the Common Shares on October 1, 2012 of $0.18. The Company recorded $38,745, which represents the conversion of unpaid dividends, net of costs of issuance, as an increase to common share capital and a decrease to accounts payable and accrued liabilities for the accrued dividends.

The following table presents changes in warrant capital:

		Number of warrants		Amount
Balance, December 31, 2010		**7,007,240**	**$**	**1,932,054**
Warrant modification	(b)	-		310,000
Warrants expired	(c)	(439,740)		-
Balance, December 31, 2011		**6,567,500**	**$**	**2,242,054**
Warrant modification	(b)	-		407,185
Balance, December 31, 2012		**6,567,500**	**$**	**2,649,239**

(b) Warrant Modifications

In March 2011, an extension of the term of the Company's 6,567,500 Class E Warrants was approved by the Board of Directors and the TSX Venture Exchange.

Each full Class E Warrant entitled 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. Their term 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 TSX Venture Exchange.

(Note 9 - continued)

The Company has calculated 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	1.78%	1.78%
Expected dividend yield	0%	0%
Expected share volatility	138%	103%
Expected life	23 days	389 days

The resulting incremental fair value of $310,000 associated with the common share purchase warrants held by shareholders was recorded as an increase to warrant capital within shareholders' equity (deficiency), with the offset to other reserve, also within shareholders' equity (deficiency).

In February 2012, a further extension of the term of the Company's 6,567,500 Class E Warrants was approved by the Board of Directors and the TSX Venture Exchange.

The Class E Warrants were scheduled to expire on April 1, 2012. The term was extended to the earlier of (i) April 1, 2013, 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 calculated 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	1.05%	1.05%
Expected dividend yield	0%	0%
Expected share volatility	85%	120%
Expected life	45 days	410 days

The resulting incremental fair value of $407,185 associated with the Class E Warrants held by shareholders was recorded as an increase to warrant capital within shareholders' deficiency, with the offset to other reserve, also within shareholders' deficiency.

(c) Expiry of Warrants

(i) On July 3, 2011, 231,100 of the agent compensation warrants previously issued for the purchase of 231,100 common shares, at a price of $0.40, expired unexercised.

(ii) On July 13, 2011, 208,640 of the agent compensation warrants previously issued for the purchase of 208,640 common shares, at a price of $0.40, expired unexercised.

10. Related party transactions

Key management personnel compensation
In addition to their salaries and any bonuses, the Company also provides non-cash benefits to key management personnel. Key management personnel also participate in the Company's Stock Option Plan discussed in note 11.

Key management personnel include the directors and officers of the Company.

Key management personnel compensation is included in General and administration, and Technology expenses and comprised the following:

		2012		2011
Short-term employee benefits	$	591,375	$	530,398
Share-based compensation		94,142		190,576
	$	**685,517**	**$**	**720,974**

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 year ended December 31, 2012, the Company paid rent to the related company of $12,000 (2011 - $12,000), 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. In 2012, Directors and Senior Officers converted a total of $28,435 accrued dividends into 157,968 common shares.

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

11. Personnel expenses and share-based compensation

Personnel expenses

Personnel expenses consist of and are presented in the consolidated statements of comprehensive loss as follows:

		2012		**2011**
Wages, salaries and benefits	$	1,953,977	$	1,991,984
Share-based compensation		116,322		196,429
	$	**2,070,299**	**$**	**2,188,413**
Direct operating expenses		285,388		326,807
Technology		864,053		789,509
Selling and business development		289,162		424,126
General and administration		631,696		647,971
	$	**2,070,299**	**$**	**2,188,413**

Share-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. 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. 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.

The number and weighted average exercise prices of share options are as follows:

	Number of Options		**Weighted Average Exercise Price**		**Weighted Average Share Price**	**Weighted Average Years to Expiry**
Outstanding December 31, 2010	2,439,433	$	0.42	$	0.48	3.2
Granted	608,125	$	0.33	$	0.34	
Exercised	(25,000)	$	0.13	$	0.38	
Forfeited	(565,000)	$	0.42	$	0.52	
Outstanding December 31, 2011	2,457,558	$	0.40	$	0.43	2.8
Granted	1,203,826	$	0.14	$	0.15	
Exercised	(35,000)	$	0.13	$	0.38	
Expired	(419,433)	$	0.49	$	0.41	
Forfeited	(345,000)	$	0.41	$	0.50	
Outstanding December 31, 2012	2,861,951	$	0.28	$	0.31	3.5

The options outstanding at December 31, 2012 have exercise prices ranging from $0.12 to $0.60. All options outstanding had a contractual life of 5 years upon grant.

(Note 11 - continued)

No options were granted to contractors in 2012 or 2011.

The terms relating to options outstanding as at December 31, 2012 are as follows:

Personnel entitled and Grant Date	Options Granted		Exercise Price	Vesting conditions	Contractual life of options
Key management personnel:					
January 2, 2009	120,000	$	0.220	Fully vested upon grant.	5 years
May 29, 2009	125,000	$	0.380	Vesting is 50% upon grant and 50% at January 1, 2010	5 years
March 15, 2010	115,000	$	0.370	Vesting is 25% upon grant and 25% on each of next 3 anniversaries.	5 years
June 1, 2010	200,000	$	0.600	Fully vested upon grant.	5 years
December 1, 2010	255,000	$	0.380	Fully vested upon grant.	5 years
May 25, 2011	281,875	$	0.370	Fully vested upon grant.	5 years
December 30, 2011	276,250	$	0.300	Fully vested upon grant.	5 years
April 25, 2012	100,000	$	0.120	Vesting is 25% upon grant and 25% on each of next 3 anniversaries.	5 years
June 29, 2012	329,688	$	0.150	Fully vested upon grant.	5 years
September 28, 2012	88,318	$	0.170	Fully vested upon grant.	5 years
December 31, 2012	485,820	$	0.150	Fully vested upon grant.	5 years
Other employees and contractors:					
September 22, 2008	400,000	$	0.375	Fully vested upon grant.	5 years
November 18, 2009	250,000	$	0.480	Vesting is 25% upon grant and 25% on each of next 3 anniversaries.	5 years
March 15, 2010	300,000	$	0.370	Vesting is 25% upon grant and 25% on each of next 3 anniversaries.	5 years
April 25, 2011	50,000	$	0.290	Vesting is 25% upon grant and 25% on each of next 3 anniversaries.	5 years
April 25, 2012	200,000	$	0.120	Vesting is 25% upon grant and 25% on each of next 3 anniversaries.	5 years

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

	2012	2011
Exercise price	$0.12 to $0.60	$0.22 to $0.60
Estimated fair value at grant	$0.15 to $0.60	$0.22 to $0.60
Risk free interest rate	0.88% to 3.00%	2.00% to 3.00%
Expected dividend yield	0%	0%
Expected share volatility	96% to 109%	96% to 108%
Expected average option life	5 years	5 years

For the year ended December 31, 2012, the Company recorded share-based compensation expense of $116,322 (2011 - $196,429) related to stock options granted to employees, officers, contractors and directors, which is included in technology expense, selling and business development expense, and general and administration expense.

Of the 2,861,951 unexercised options as at December 31, 2012, 2,541,951 had vested and were exercisable, with exercise prices ranging from $0.12 to $0.60 per share.

12. Investment Tax Credits and Government Assistance

The Company received refunds with respect to Scientific Research and Experimental Development ("SR&ED") tax credits in the amount of $55,726 during the year ended December 31, 2012 (2011 - $54,981). Of this amount, $nil (2011 – $358) was related to capital items, and $55,726 (2011 – $54,623) was recorded as a reduction of direct operating expenses in the consolidated statements of comprehensive loss.

During the year, the Company did not receive funds from the Government of Canada with respect to the Industrial Research Assistance Program ("IRAP") (2011 – received funds in the amount of $17,474). This amount was recorded as a reduction of direct operating expenses in the consolidated statements of comprehensive loss.

13. Loss per share

		2012		2011
Loss for the year	$	(827,348)	$	(1,914,079)
Weighted average number of common shares (basic)		40,785,613		40,702,084
Effect of redeemable preference shares, stock options and warrants		-		-
Weighted average number of common shares (diluted)		40,785,613		40,702,084
Loss per share:				
Basic and Diluted	$	(0.02)	$	(0.05)

There were no dilutive items outstanding at December 31, 2012 or at December 31, 2011. 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 December 31, 2012, a total of 9,429,451 (2011 – 9,025,058) 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 (2011 – all amounts nil) at the option of the holder.

14. Supplementary cash flow information

		2012		2011
Changes in non cash working capital:				
Trade and other receivables	$	(32,751)	$	(122,762)
Prepaid expenses and other current assets		15,848		(18,587)
Accounts payable and accrued liabilities		8,995		104,135
Unearned revenue		(84,744)		775,925
Unrealized foreign exchange losses related to working capital		(23,114)		(28,649)
	$	**(115,766)**	**$**	**710,062**

(Note 14 - continued)

- At December 31, 2012 the Company had accrued dividends, which were expensed through finance costs, with respect to the Preference Shares in the amount of $28,859. This amount has been included in accounts payable and accrued liabilities.

- The Company sold equipment during the year for proceeds of $1,650 and took back a note which is included in trade and other receivables at year end.

15. Commitments

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

As at	December 31, 2012	December 31, 2011
Due within 1 year	$ 116,229	$ 119,532
Due from 1 to 5 years	46,216	162,444

16. 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.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for assisting in developing and monitoring the Company's financial risk management policies. The Audit Committee reports regularly to the Board of Directors.

The Company's financial risk management policies are established to identify and analyze the financial risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits and controls. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the financial risks faced by the Company.

(Note 16 - continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash.

Trade and other receivables
The Company's exposure to credit risk is influenced by the individual characteristics of each customer. Given the current volume of customers, the Company assesses the credit worthiness of each customer on a customer by customer basis.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is comprised entirely of a specific loss component that relates to individually significant exposures.

Cash
The credit risk related to cash is minimized by ensuring cash is held only in highly rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency 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 and accrued liabilities. 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.

Interest rate risk
All of the Company's debt has fixed interest rates; therefore, changes in interest rates do not have an impact on the results of the Company.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's operational processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

(Note 16 - continued)

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Officers of the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk. Annually, management identifies key risks and key controls. Where significant gaps are identified, consideration is given to likelihood and expected impact of the risk. Appropriate actions are taken based on this analysis.

A key component of the Company's risk management program is the maintenance of an insurance program. Annually, management reviews the appropriateness of its insurance coverage.

Capital management

The Company defines capital as debt and equity, which it determines as follows:

As at	December 31, 2012	December 31, 2011
Finance lease liability	-	11,523
Secured term credit facility	559,016	-
Preference shares	621,161	-
Debt financing of software licence	244,253	-
Shareholders' Deficiency	(876,935)	(389,539)
	$ 547,495	$ (378,016)

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. In order to maintain or adjust the capital structure, the Company may incur or repay debt, issue new shares, purchase shares for cancellation, or a combination thereof.

The Company is subject to certain financial covenants related to its long-term debt. These covenants are with respect to Adjusted Working Capital and Debt to Net Tangible Worth. Adjusted Working Capital is defined and calculated as current assets less current liabilities, excluding items that are not financial assets or financial liabilities. Management monitors covenant compliance and the factors affecting their calculation. The Company complied with all externally imposed covenants during the year and was in compliance as at December 31, 2012.

17. Financial instruments

Concentration of risk

Management regularly assesses its financial instruments to determine if there is a concentration of risk. Factors including but not limited to currency, geography and customer characteristics are considered. As at December 31, 2012 and 2011, Management determined that the only significant concentration of risk to which the Company's financial instruments are potentially exposed is that of geographic location of customers and foreign currency.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

As at		December 31, 2012		December 31, 2011
Cash	$	1,070,462	$	303,437
Trade and other receivables		294,017		259,616
	$	1,364,479	$	563,053

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was as follows:

As at		December 31, 2012		December 31, 2011
Canada	$	282,429	$	199,930
United States		11,588		59,686
	$	294,017	$	259,616

Significant customers

At December 31, 2012, three customers each accounted for more than 10% of trade accounts receivable, totalling approximately 91% of trade accounts receivable at December 31, 2012, of which 81% was collected subsequent to December 31, 2012.

At December 31, 2011, two customers each accounted for more than 10% of trade accounts receivable, totalling approximately 73% of trade accounts receivable at December 31, 2011, of which 65% was collected subsequent to December 31, 2011.

(Note 17 - continued)

Impairment losses

The aging of loans and receivables at the reporting date was:

As at	December 31, 2012	December 31, 2011
Current	$ 240,741	$ 169,331
Past due 1-90 days	50,421	62,990
Past due over 90 days	2,855	27,295
	$ 294,017	$ 259,616

The movement in the allowance for doubtful accounts in respect of loans and receivables during the year was as follows:

Allowance for doubtful accounts at December 31, 2010	**$ 27,978**
Accounts collected	(19,505)
Increase in allowance	42,375
Accounts written off	(4,565)
Allowance for doubtful accounts at December 31, 2011	**$ 46,283**
Increase in allowance	84,812
Allowance for doubtful accounts at December 31, 2012	**$ 131,095**

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade and other receivables. The allowance above has been established based on management's assessment of the likelihood of collection for specific customer balances.

Liquidity risk

The following are the remaining contractual cash flows, including estimated interest payments of financial liabilities at the end of the reporting dates:

		Contractual cash flows				
As at December 31, 2012	Carrying Amounts	Total	within 1 year	1 - 2 years	2 - 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 476,787	$ (476,787)	$ (476,787)	$ -	$ -	$ -
Operating leases	-	(162,444)	(116,229)	(44,772)	(1,443)	-
Secured term credit facility	559,016	(801,974)	(30,000)	(30,000)	(741,974)	-
Preference shares	621,161	(937,729)	-	-	(937,729)	-
Debt financing of software licence	244,253	(261,787)	(196,340)	(65,447)	-	-
	$ 1,901,217	$ (2,640,721)	$ (819,356)	$ (140,219)	$ (1,681,146)	$ -

(Note 17 - continued)

		Contractual cash flows				
As at December 31, 2011	**Carrying Amounts**	**Total**	**within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 438,933	$ (438,933)	$ (438,933)	$ -	$ -	$ -
Operating leases	-	(281,976)	(119,532)	(116,229)	(46,215)	-
Finance lease liability	11,523	(12,300)	(12,300)	-	-	-
	$ 450,456	$ (733,209)	$ (570,765)	$ (116,229)	$ (46,215)	$ -

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

Currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts (all amounts shown in CAD):

As at	**December 31, 2012**			
	CAD	**USD**	**GBP**	**Total**
Cash	$ 688,564	$ 381,898	$ -	$ 1,070,462
Trade and other receivables	282,429	11,588	-	294,017
Accounts payable and accrued liabilities	(402,034)	(41,437)	(33,316)	(476,787)
Long-term debt	(1,424,430)	-	-	(1,424,430)
	$ (855,471)	$ 352,049	$ (33,316)	$ (536,738)

As at	**December 31, 2011**			
	CAD	**USD**	**GBP**	**Total**
Cash	$ 88,415	$ 215,022	$ -	$ 303,437
Trade and other receivables	199,930	59,686	-	259,616
Accounts payable and accrued liabilities	(332,326)	(50,383)	(56,224)	(438,933)
Finance lease liability	(11,523)	-	-	(11,523)
	$ (55,504)	$ 224,325	$ (56,224)	$ 112,597

(Note 17 - continued)

Sensitivity analysis
A 3% strengthening of the CAD against the USD at December 31, 2012 would have decreased equity and the loss for the year by approximately $11,000 (2011 – $6,000). A 3% weakening of the CAD against the USD at those dates would have had the equal but opposite effect, on the basis that all other variables remain constant.

A 3% strengthening of the CAD against the GBP at December 31, 2012 and 2011 would have had a nominal impact on equity and losses for the years then ended.

Interest rate risk

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not hold any variable rate financial assets or liabilities; therefore, a change in interest rates at the reporting date would not affect profit or loss.

Fair Values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position, are as follows:

As at	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	$ 1,070,462	$ 1,070,462	$ 303,437	$ 303,437
Trade and other receivables	294,017	294,017	259,616	259,616
Accounts payable and accrued liabilities	(476,787)	(476,787)	(438,933)	(438,933)
Finance lease liability	-	-	(11,523)	(11,523)
Secured term credit facility	(559,016)	(448,139)	-	-
Preference shares	(621,161)	(613,580)	-	-
Debt financing of software licence	(244,253)	(244,253)	-	-
	$ (536,738)	$ (418,280)	$ 112,597	$ 112,597

Interest rates used for determining fair value
The interest rates used to discount the estimated cash flows were as follows:

	2012	2011
Finance lease liability	n/a	6.95%
Secured term credit facility	19.00%	n/a
Preference shares	19.00%	n/a
Debt financing of software licence	9.93%	n/a

18. 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:

	Year ended December 31, 2012			
	Canada	United States	United Kingdom	Total
Revenue	$ 2,663,673	$ 559,368	$ 47,750	$ 3,270,791
Finance (costs) income, net	(174,788)	-	-	(174,788)
Amortization	233,601	-	-	233,601
Trade and other receivables	282,429	11,588	-	294,017
Equipment	308,754	-	-	308,754
Intangible assets	235,500	-	-	235,500

	Year ended December 31, 2011			
	Canada	United States	United Kingdom	Total
Revenue	$ 2,072,558	$ 616,413	$ 46,928	$ 2,735,899
Finance (costs) income, net	1,392	-	-	1,392
Amortization	260,925	-	-	260,925
Trade and other receivables	199,930	59,686	-	259,616
Equipment	434,711	-	-	434,711
Intangible assets	-	-	-	-

Three customers each accounted for more than 10% of total revenue, representing 80% of total revenue for the year ended December 31, 2012.

Three customers each accounted for more than 10% of total revenue, representing 71% of total revenue for the year ended December 31, 2011.

19. Finance (costs) income, net

		2012		2011
Finance income	$	136	$	2,030
Finance costs:				
Finance lease liability		(302)		(638)
Secured term credit facility - accretion expense		(9,458)		-
Secured term credit facility - interest costs		(22,211)		-
Secured term credit facility - bonus provision		(16,500)		-
Debt component of Series I Preference Shares - accretion expense		(37,826)		-
Debt component of Series I Preference Shares - accrued dividends		(68,301)		-
Debt financing of software licence		(20,326)		-
	$	**(174,788)**	**$**	**1,392**

20. Subsequent events

(i) Private placement

On January 21, 2013, the Company closed a non-brokered private placement for gross proceeds of $499,837, resulting in the issuance of 4,443,000 common shares and 4,443,000 common share purchase warrants. These warrants have an exercise price of $0.15 per warrant and have expiry dates ranging from three to five years from the date of issuance.

(ii) 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.

(iii) Conversion of Unpaid Dividends

In January 2013, the Company issued 130,056 Common Shares to settle $19,509 of accrued but unpaid dividends on its Series 1 Preference Shares, based on a closing market price of the Common Shares on December 31, 2012 of $0.15.

In April 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.

(iv) iLOOKABOUT Global Inc.

On March 28, 2013, the Company dissolved iLOOKABOUT Global Inc., a wholly owned subsidiary of iLOOKABOUT Corp. iLOOKABOUT Global Inc. has been inactive since its inception.