

GUESTLOGIX INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED AUGUST 31, 2008

The following is a discussion and analysis of the interim unaudited consolidated financial position, results of operations and cash flows of GuestLogix Inc. for the three and nine-month periods ended August 31, 2008 and should be read in conjunction with the discussion and analysis of the financial position, results of operations and cash flows for the year ended November 30, 2007 along with the consolidated financial statements for such period and accompanying notes. The effective date of this Management's Discussion and Analysis ('MD&A') is October 20, 2008. The Company reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles. References herein to 'GuestLogix', 'the Company', 'we' and 'our' mean GuestLogix Inc.

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning GuestLogix' future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of GuestLogix are preceded by, followed by or include the words 'believes', 'expects', 'anticipates', 'estimates', 'intends', 'plans', 'forecasts', or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section of the filing statement the Company filed with regulatory authorities on July 24, 2007. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond GuestLogix' control. Although GuestLogix believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. GuestLogix has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

Overview

Quarter highlights and summary

- Revenue was \$2,417,288 for the three-months ended August 31, 2008, compared to \$1,455,755 for the three-months ended August 31, 2007;
- Loss from operations was \$517,483 for the three-months ended August 31, 2008, compared to a loss from operations of \$586,690 for the three-months ended August 31, 2007;
- EBITDA, before stock-based compensation expense was \$62,157 for the three-months ended August 31, 2008, compared to negative \$(214,001) for the three-months ended August 31, 2007;
- Net loss was \$650,484 for the three-months ended August 31, 2008, compared to a net loss of \$1,178,091 for the three-months ended August 31, 2007; and
- GuestLogix' cash and cash equivalents totaled \$4,000,343 as at August 31, 2008.
- GuestLogix' cash, cash equivalents and restricted cash totaled \$5,740,807 as at August 31, 2008. The restricted cash will be partially released on a quarterly basis. The released amount will be based on the payments made against the device financing in the quarter, commencing with the quarter ending November 30, 2008.

GuestLogix' business

GuestLogix sells integrated transaction-based on-board retail solutions for the passenger travel industry. Its products and services are designed to help its customers build new and profitable revenue opportunities from their clients. GuestLogix' present customers and targeted customer base within the passenger travel industry is worldwide.

In July 2007, the Company incorporated a wholly-owned subsidiary, GuestLogix CCS Inc. ('CCS'), and transferred certain assets to CCS pursuant to a Section 85 rollover, including certain customer contracts related to the use of the Company's software.

Reverse takeover

On August 1, 2007, GuestLogix and its principal shareholders entered into a reverse takeover of Growthgen Equity II Inc. ('Growthgen') wherein all of the issued and outstanding shares of GuestLogix were sold, by way of share exchange, to Growthgen (the 'RTO'). Holders of issued and outstanding common shares of GuestLogix received 3.94 shares of Growthgen for each GuestLogix share held.

At the time of closing, GuestLogix had 7,242,109 shares outstanding which upon conversion into Growthgen shares resulted in a total of 28,533,910 shares being issued to previously existing GuestLogix shareholders. Immediately following the amalgamation, subscription receipts which were issued in relation to a GuestLogix financing under

which gross proceeds of \$9,000,040 were raised in May 2007 were automatically exercised and the holders thereof received an aggregate of 12,857,200 common shares. In addition, the principal amount outstanding of \$728,287 under 12% convertible debentures issued by GuestLogix between August 17, 2006 and October 2, 2006 was converted into 1,235,911 common shares, and an additional 79,194 common shares were issued in satisfaction of fees owed by GuestLogix to a service provider, for a total of 42,706,215 common shares issued in the RTO.

Upon completion of the RTO, there were 44,372,882 common shares outstanding of Growthgen, which was renamed GuestLogix Inc.

Growthgen was a non-operating public enterprise and did not meet the definition of a business under the CICA Handbook Emerging Issues Committee Abstract 124, Definition of a Business (EIC-124); therefore, the reverse takeover transaction did not constitute a business combination under the provisions of Emerging Issues Committee Abstract 10, Reverse Takeover Accounting (EIC-10). Accordingly, the transaction has been accounted for as a capital transaction rather than a business combination. The net assets acquired at fair value August 1, 2007 are as follows:

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Asset	
Cash	\$100,046
Less: liabilities assumed	-
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Total consideration attributable to Growthgen	\$100,046
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Represented by 1,666,667 Growthgen shares	\$100,046
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Critical Accounting Policies and Estimates

The interim unaudited consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ('GAAP'), and include the accounts of the Company and its wholly-owned subsidiary GuestLogix CCS Inc. All significant intercompany transactions have been eliminated.

Revenue recognition

The Company's largest source of revenue derives from arrangements with multiple deliverables. When a customer order contains multiple items such as hardware, software, hosting and services, which are delivered at varying times, the Company determines whether the delivered items can be considered separate units of accounting in accordance with Emerging Issues Committee Abstract 142, Revenue Arrangements with Multiple Deliverables ("EIC 142"). EIC 142 states that delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis; there is objective and reliable evidence of the fair value of undelivered items; the arrangement includes a general right of return relative to the delivered items; and, delivery of undelivered items is probable and substantially in the vendor's control.

If the vendor is able to establish fair value for all elements of the arrangement, revenue is allocated and recognized on each element separately in accordance with the appropriate revenue recognition convention for a given unit of accounting. However, if fair value cannot be established or if the delivered items do not have stand-alone value to the customer without additional services being provided, the vendor recognizes revenue on the items as a whole.

Management has determined that the deliverables in these arrangements do not have value to its customers on a stand-alone basis. In addition, vendor-specific and entity-specific objective evidence, as defined by EIC 142, of the fair values of the items with multiple deliverables is not available as the items generally are not sold separately by the Company, nor are there comparable vendors for these products in the marketplace. As a consequence, the provisions of EIC 142 do not apply to these arrangements.

To account for revenues and related expenses under these arrangements, the Company employs sales-type lease accounting as follows. The Company sells product to certain customers under terms that approximate sales-type lease arrangements, with GuestLogix as the lessor, for terms that range from two to five years. GuestLogix accounts for revenue under its sales-type leases in accordance with CICA Handbook section 3065, Leases, and recognizes current and long-term lease receivables on the accompanying consolidated balance sheets as net finance receivable. The present value of all minimum lease payments and the associated interest are recognized as revenue on a monthly basis over the term of the respective arrangements, using the discount rate implicit in each lease. Due to the lack of available objective evidence of fair values, the Company defers recognition of the revenues from these leases and recognizes revenues on a monthly basis when undelivered elements existing at each agreement's outset, such as transaction fees and monthly services, are delivered and payments are due. Amortization of the corresponding capital assets deployed related to the sales-type lease arrangement is charged to amortization expense over the initial term of the respective arrangements.

The Company recognizes revenue from the sale of hardware and parts in accordance with Emerging Issues Committee Abstract 141, Revenue Recognition, (EIC 141), when persuasive evidence of an arrangement exists, delivery has occurred, the sale price is fixed or determinable, and collection is reasonably assured.

GuestLogix also earns revenues from professional services and software hosting and support services. Where the arrangement is based on an hourly rate, the fair value of the professional services is recognized as the services are performed, based on the agreed hourly rate. Revenue from a fixed price professional services contract is recognized on a proportional performance basis, which requires GuestLogix to make estimates and is subject to the risks and uncertainties inherent in projecting future events. A number of internal and external factors can influence estimates, including the nature of the services being performed, the complexity of the customer's environment and the utilization and efficiency of the GuestLogix' professional services team. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts giving rise to the revision become known. Should there be an insufficient basis to estimate the progress towards the completion, revenue is recognized when the project is complete or when the Company

receives final acceptance from the customer. Revenues from software hosting and support services are recognized as in accordance with EIC 141, when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collection is reasonably assured. GuestLogix recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

GuestLogix makes estimates as to the probability of collecting the related accounts receivable balance on a customer-by-customer basis. In cases where collectibility is not deemed probable, revenue is recognized when payments come due or upon the receipt of cash, depending on the circumstances and assuming all other criteria have been met.

Research and development expenses

Research costs are expensed as incurred. Costs related to the design and development of software solutions are expensed as incurred unless they meet the criteria, under Canadian GAAP, for deferral and amortization. No development costs have been deferred to date. Research and development costs are recorded net of investment tax credits, where applicable.

Investment tax credits

The Company is entitled to federal and provincial investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. The Company, while it was a Canadian Controlled Private Corporation, recorded the benefit of refundable investment tax credits when the qualifying expenditures had been incurred and there was reasonable assurance as to their collection. Investment tax credits are recorded as a reduction of the related expenditure for items of a current nature and a reduction of the related capital asset for items of a long-term nature. Upon the amalgamation of Growthgen and GuestLogix on August 1, 2007, the Company is no longer entitled to claim refundable investment tax credits against its future eligible research and development expenditures. These amounts are available to reduce taxes payable in future periods.

The claims are subject to review by the Canada revenue Agency ('CRA').

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and equipment	5 years

Capital assets deployed

Assets that are deployed for use by customers are recorded at cost. Amortization is provided on a straight-line basis over the initial term of the respective arrangements which range from two to five years.

Foreign currency translation

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing at the approximate dates of the transactions. Foreign exchange gains and losses are included in the statement of operations.

Income taxes

The Company provides for income taxes under the asset and liability method. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

Stock-based compensation

The Company grants stock options to directors, officers, employees and consultants of the Company pursuant to its stock option plan. Compensation expense is recognized for stock options based on the fair value of the options at the grant date. Currently the fair value of the options is recognized over the vesting period of the options as stock-based compensation expense as a separate line item on the consolidated statement of operations. If the stock options are exercised, the proceeds received are credited to common shares.

The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yield, expected stock price volatility, expected time until exercise and risk free interest rates. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur.

Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on conditions outside the Company's control. If other assumptions are used, stock-based compensation could be significantly impacted.

Deferred revenue

Deferred revenue comprises lease, software licence and services revenues. Deferred lease revenue arises when customers receive hardware to utilize the on-board retail software solutions. In these situations, it is deemed that the Company has entered into a sales-type lease and a lease receivable is recorded. Deferred revenue is recognized as income on a monthly basis over the initial term of the respective arrangements, using the discount rate implicit in each lease.

Deferred licence revenue is present where a software licence is purchased, in advance, covering a specific term into the future. Deferred revenue is recognized as income monthly, on a straight-line basis over the term of the licence agreement.

Deferred services revenue occurs where significant obligations have yet to be satisfied and where payments have been received from customers in advance of the services performed.

Leases

Leases are classified as capital or operating. Those leases, which transfer substantially all the benefits and risks of ownership of property to the Company, are accounted for as capital leases. The capitalized lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate, and are reduced by rental payments net of imputed interest. Assets under capital leases are amortized based on the useful life of the asset. All other leases are accounted for as operating leases with rental payments expensed as incurred.

Growth Strategy and Future Outlook

GuestLogix' growth opportunity is due in large part to the following four converging factors:

The passenger travel industry is facing a number of economic challenges that are forcing them to seek alternative revenue sources to enhance their profitability. Passenger tickets are becoming commoditized thereby restricting seat prices and the ability of the airlines to raise prices. Fuel costs are increasing and are expected to stay at current or even higher levels in the foreseeable future. Low-cost carriers have driven a significant and new emphasis on 'ancillary revenues' which has led to a strong drive towards implementing profitable on-board retail programs across the industry. In addition, competition from airline low-cost carriers may lead the rail and high-speed ferry sectors to adopt the on-board retail model in order to increase revenues.

Mobile, handheld device technology has matured to the point where industrial, ruggedized handheld devices are now at a price point that can economically enable payment transactions to be captured in an 'on-board environment' and sent via wireless transmission for post-arrival clearing and settlement. GuestLogix is uniquely positioned to also be the solutions platform of choice when the next technology solution commonly referred to as 'back of the seat' screens are more widely adopted within the passenger travel industry.

GuestLogix has continued to make investments in its core software and today offers a complete and fully ready solution for on-board retail. In addition, GuestLogix has a transaction-based or 'utility model' go-to-market strategy, which enables a recurring revenue stream via a transaction based fee for every on-board sales transaction without the need for the customer to make a capital intensive investment in hardware and software.

GuestLogix has established distribution channels and key partnerships with some of the most significant players within the passenger travel industry. Management believes these channels and partnerships will enable GuestLogix to extend its reach to all geographies and to each of the three key sectors for on-board retail: airlines, rail and high-speed ferries. In order to build channel partner relationships and reach end customers, GuestLogix attends trade shows, advertises in trade publications and speaks at industry events. GuestLogix may also pursue selective acquisitions to further its growth.

There are no assurances that GuestLogix will achieve profitability, as the Company has not earned operating profits and may incur further significant operating losses.

Results of Operations

The table below sets out the statement of operations for the three and nine months ended August 31, 2008 and 2007:

	Three months ended August 31,		Nine months ended August 31,	
	2008 (unaudited)	2007 (unaudited)	2008 (unaudited)	2007 (unaudited)
Statement of Operations Data:				
REVENUE	\$2,417,288	\$1,455,755	\$5,647,855	\$3,852,329
Expenses:				
Cost of equipment sales	464,745	431,208	827,112	1,049,128
Research and development	47,353	256,345	218,718	590,974
Sales and marketing	317,582	199,529	903,132	525,479
General and administrative	1,442,876	641,745	3,734,941	1,213,691
Stock-based compensation	82,575	140,929	229,992	150,544
Amortization of capital assets deployed	576,715	369,764	1,607,767	996,531
Amortization of property and equipment	2,925	2,925	8,775	6,427
	2,934,771	2,042,445	7,530,437	4,532,774
Profit/(Loss) from operations	(517,483)	(586,690)	(1,882,582)	(680,445)
Other income	-	6,666	-	22,210
Foreign exchange gain (loss)	39,249	(105,516)	(26,813)	(93,307)
Interest earned	31,282	69,403	124,785	99,944
Interest expense	(198,598)	(206,327)	(335,446)	(475,256)
Interest accretion expense	(4,934)	(355,627)	(189,360)	(1,542,328)
	(133,001)	(591,401)	(426,834)	(1,988,737)
Net income (loss) for the period	\$(650,484)	\$(1,178,091)	\$(2,309,416)	\$(2,669,182)
Supplementary Financial Data				
Loss per share	\$(0.01)	\$(0.04)	\$(0.04)	\$(0.09)
Weighted average number of shares outstanding	54,032,562	33,595,349	51,990,709	29,658,704
Balance Sheet Data:				
Cash and cash equivalents, excluding restricted cash	\$4,000,343	\$7,296,278	\$4,000,343	\$7,296,278
Working capital	\$2,598,276	\$4,036,207	\$2,598,276	\$4,036,207
Total assets	\$14,808,908	\$14,942,604	\$14,808,908	\$14,942,604
Long-term liabilities, excluding current portion	\$2,832,554	\$1,915,074	\$2,832,554	\$1,915,074
Total shareholders' equity	\$6,418,029	\$6,999,398	\$6,418,029	\$6,999,398

Comparison of the three-month and nine-month periods ended August 31, 2008 and 2007

Revenue

For the three-month periods ended August 31, 2008 and 2007, revenue was \$2,417,288 and \$1,455,755 respectively. For the nine-month periods ended August 31, 2008 and 2007, revenue was \$5,647,855 and \$3,852,329 respectively. The growth in revenues of 66% for the three-month period ended August 31, 2008 over the same period in 2007 was a result of earning revenues from a significantly larger deployed customer base; with 19 revenue-producing customers in the three-months ended August 31, 2008 versus 11 in the three-month period ended August 31, 2007. With 66% of our revenues currently denominated in United States dollars, we have seen our revenues in the year to date negatively impacted by approximately \$325,000 due to the relative strength of the Canadian dollar until recently.

Operating expenses

Cost of equipment sales was \$464,745 for the three-month period ended August 31, 2008 compared to \$431,208 for the three-months ended August 31, 2007. Cost of equipment sales for the nine-month periods ended August 31, 2008 and 2007 was \$827,112 and \$1,049,128 respectively.

Research and development expense in the three-months ended August 31, 2008 decreased to \$47,353 compared to \$256,345 in the three-months ended August 31, 2007. Research and development costs for the nine-month period ended August 31, 2008 and 2007 were \$218,718 and \$590,974 respectively. The decrease in research and development costs in 2008 year to date over 2007 is a result of the maturity of the product and the emphasis on sales and deployment of the product to the field. It is expected that research and development expenses will increase from current levels in the last quarter of the year as several new projects will be undertaken.

Sales and marketing expense in the three-month period ended August 31, 2008, increased by 59.2% to \$317,582 compared to \$199,529 in the three-month period ended August 31, 2007. Sales and marketing expense for the nine-month periods ended August 31, 2008 and 2007 were \$903,132 and \$525,479 respectively, an increase of 71.8% year to date. Several factors contributed to the increase. With the increased activity in new sales and existing account management, travel and accommodation costs have also accelerated and account for approximately 12.5% of the expenses in the three-month period ended August 31, 2008 compared to 10.2% in the same period in 2007. In the nine-month periods ended August 31, 2008 and 2007 the comparable percentages were 20.4% and 9.3%.

GuestLogix' retail sales platform spending continued in the quarter. Spending has been focussed on the development, promotion and roll-out of the GuestLogix retail sales platform with commercial activity and the associated revenues expected to occur late in calendar 2008. Consequently expenses are being incurred in advance of revenues with spending of \$115,740 in the three-months ended August 31, 2008 and for the nine-months ended August 31, 2008 totalling \$345,028.

General and administrative expenses during the three-months ended August 31, 2008, increased by 124.8% to \$1,442,876, compared to \$641,745 in the three-months ended August 31, 2007. General and administrative costs for the nine-month periods ended August 31, 2008 and 2007 were \$3,734,941 and \$1,213,691 respectively. There are a number of causes for the growth in general and administrative expenses. We continue to add customers as we drive for a larger share of the market as evidenced by the growth in sales, which requires us to continue to build out our infrastructure. The largest component within general and administrative expenses are deployment, hosting and support which totalled \$687,001 for the three-months ended August 31, 2008 an increase of \$452,012 over the comparable period in 2007 at \$234,989. For the nine-month periods ended August 31, 2008 and 2007 the deployment, hosting and support expenses were \$1,722,057 and \$533,408. Deployment, hosting and support expenses are expected to continue to rise over the balance of the fiscal year due to increased customer volumes. We expect these expenses to average at or slightly above \$725,000 in each quarter. Professional fees for the three-month period ended August 31, 2008 and 2007 were \$303,343 and \$50,819. Year-to-date professional fees totalled 1,030,881 at August 31, 2008 and \$665,351 for the comparable period in 2007. The majority of the professional fees expenses are legal fees in both years, with the largest component being related to the ongoing Abanco lawsuit.

Stock-based compensation costs was \$82,575 for the three-month period ended August 31, 2008 compared to \$140,929 in the comparable period in 2007. For the nine-month periods ended August 31, 2008 and 2007 stock-based compensation costs were \$229,992 and \$150,544 respectively.

Amortization of capital assets deployed recognizes the cost of point-of-sale handheld devices deployed to customers against the transaction based revenues earned from those customers. The amortization cost is recognized over the initial term of the contract which is usually three years. Amortization of capital assets deployed during the three-month period ended August 31, 2008 was \$576,715 compared to \$369,764 in the comparable period in 2007. For the nine-month periods ended August 31, 2008 and 2007 the figures were \$1,607,767 and \$996,531 respectively.

During the three-month periods ended August 31, 2008 and 2007 amortization of property and equipment was \$2,925. Amortization of property and equipment for the nine-month periods ended August 31, 2008 and 2007 were \$8,775 and \$6,427 respectively.

Interest and Other Income/Expense

Other income is comprised primarily of reimbursable expenses related to non-core activities performed by GuestLogix for its customers. During the three-months ended August 31, 2008 and 2007, other income was \$nil and \$6,666 respectively. Other income for the nine-month periods ended August 31, 2008 and 2007 was \$nil and \$22,210 respectively.

GuestLogix is subject to currency risk through its sales in the United States, United Kingdom and Europe. Unfavorable changes in the exchange rate may adversely affect the operating results. GuestLogix does not currently use derivative instruments or foreign currency contracts to reduce its exposure to foreign currency risk. Foreign exchange gains and (losses) for the three-months ended August 31, 2008 and 2007 were \$39,429 and \$(105,516) respectively. Exchange losses for the nine-month period ended August 31, 2008 and 2007 were \$(26,813) and \$(93,307) respectively.

Interest income is comprised primarily of interest earned from the investing of GuestLogix' cash and restricted cash. During the three-months ended August 31, 2008, interest income decreased to \$31,282 from \$69,403 in the same period in 2007. Interest income for the nine-month periods ended August 31, 2008 and 2007 was \$124,785 and \$99,944 respectively. The higher interest income in the 2007 3rd quarter was due to interest income being earned on the escrowed funds held from May, 2007 until the Growthgen transaction closed in August. The growth in interest income in 2008 is a result of GuestLogix maintaining higher cash balances on average during the year to date. Investments are generally held in 30 to 90 day instruments such as term deposits, Schedule A bank bearer notes or bankers acceptances.

Interest expense is comprised primarily of interest paid and accrued on various debt obligations of GuestLogix, and includes interest on capital leases, loans from shareholders and other third parties. During the three-month period ended August 31, 2008, interest expense was \$198,598, compared to \$206,327 in the comparable period in 2007. Interest expense for the nine-month periods ended August 31, 2008 and 2007 was \$335,446 and \$475,256 respectively. Interest expense in the three-month period ended August 31, 2008 is lower, as the participating note payable was written up to its agreed upon value with the charge to interest expense being \$51,500. In addition, the value of the shares issued as partial settlement of this participating note payable of \$65,250 was also charged to interest expense.

Accretion expense is comprised of charges taken by GuestLogix to accrete the fair market value of certain convertible and debt obligations with equity participation features up to their face value at their maturity date. During the three-month period ended August 31, 2008, accretion expense decreased to \$4,934 from \$355,627 in the comparable period in 2007. Interest accretion expense for the nine-month periods ended August 31, 2008 and 2007 was \$189,360 and \$1,542,328 respectively. The decrease in accretion expense in 2008 compared to 2007 is a result of the convertible loans and debentures maturing and being converted over the last 12 to 15 months.

The net loss for the three-month period ended August 31, 2008 decreased to \$650,484 from \$1,178,091 in the comparable period in 2007. The net loss per share for the three-month period ended August 31, 2008 was \$0.01 cents compared to \$0.04 cents in the comparable period in 2007. The net loss for the nine-month periods ended August 31, 2008 and 2007 was \$2,309,416 and \$2,669,182 respectively, or a loss per share of \$0.04 cents and \$0.09 cents respectively.

Liquidity and financial resources

GuestLogix' principle sources of liquidity are cash provided from operations, and through the issuance of debt, equity and equity-related instruments.

As at August 31, 2008 and November 30, 2007, GuestLogix had cash totaling \$4,000,343 and \$5,989,024 respectively, a decline of \$1,988,681. The decline in cash was primarily as a result of operating activities and an increase in restricted cash to secure the borrowing facilities used to deploy handheld devices to customers. In negotiations with its lenders, GuestLogix has been able negotiate a quarterly release of restricted cash commencing with the quarter ending November 30, 2008. The release will be based on a formula applied to the principal payments made in the quarter against the capital leases. The release would equate to approximately 50% of the quarterly principal payments currently made or \$120,000.

As at August 31, 2007 and November 30, 2006, GuestLogix had cash totaling \$7,296,278 and \$207,072 respectively.

In the three-month periods ended August 31, 2008 and 2007, cash provided by/(used in) operating activities was \$(311,332) and \$593,877 respectively. Cash used in operating activities in the three months ended August 31, 2008 was primarily the result of operating losses and an increase in accounts receivable and inventory and decreases in deferred revenue offset by the receipt of refundable investment tax credits. Cash used in operating activities in the nine-month periods ended August 31, 2008 and 2007 was \$2,056,418 and \$170,068 respectively. Cash used in operating activities during the nine-month period ended August 31, 2008 was primarily the result of operating losses and increases in accounts receivable, inventory and prepaid expenses and increases in deferred revenue. Cash used in operating activities in the three and nine month periods ended August 31, 2007 was primarily a result of the operating losses and increases in accounts receivable, inventory, prepaid expenses and investment tax credits and decreases in deferred revenue offset by increases in accounts payable and accrued charges.

In the three-month periods ended August 31, 2008 and 2007, cash provided by/(used in) financing activities was \$(231,763) and \$5,842,341 respectively. Cash provided by financing activities in the nine-month periods ended August 31, 2008 and 2007 was \$232,852 and \$6,670,229 respectively. Cash provided by/(used in) financing activities in the three and nine month periods ended August 31, 2008 resulted principally from the third-party financing closing to support the deployment of a major contract. This major contract was deployed in the period from September 2007 to January 31, 2008 and was funded initially from internal cash resources. The proceeds from this financing were structured as a sale and leaseback and replenished the internal funds that had been used in the first quarter to acquire the point-of-sale hand held devices. Other sources were

proceeds from the exercise of options and warrants. There was a small sale and leaseback transaction in the three months ended August 31, 2008. Cash provided by financing in the three and nine month periods ended August 31, 2007 resulted from a significant cash contribution by way of the equity financing that closed in the third quarter.

In the three months ended August 31, 2008 and 2007, cash (used in) investing activities was \$(322,831) and \$(254,574) respectively. In the nine-month periods ended August 31, 2008 and 2007, cash generated by/(used in) investing activities was \$(136,284) and \$342,788 respectively. Cash generated by/(used in) investing activities in the three and nine months ended August 31, 2008 was primarily the result of payments received on sales-type leases offset by an increase in restricted cash required as part of the sale and leaseback transaction, purchases of equipment for deployment and advances to a supplier by way of a development loan. The increase in the cash collateral was a requirement of the sale and leaseback transaction noted above. Cash generated by/(used in) investing activities in the three and nine months ended August 31, 2007 was primarily from payments received under sales type leases offset by the purchase of equipment for deployment.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended August 31, 2008 as prepared in accordance with Canadian GAAP. The information has been derived from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the years ended November 30, 2007 and 2006 and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented.

	Q3	2008		2007				2006
		Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$2,417,288	\$1,826,710	\$1,403,857	\$1,577,825	\$1,455,755	\$1,725,122	\$671,452	\$562,464
Net Loss	(650,484)	(1,118,028)	(540,904)	(1,051,301)	(1,178,091)	(677,423)	(813,668)	(828,374)
Loss Per Share	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.03)

Summary of Contractual Obligations

GuestLogix' contractual obligations include debentures and notes payable, capital leases for point-of-sale payment devices, and operating leases for office premises and certain hardware. Total contractual obligations are as follows:

	Total	Balance of 2008	2009 – 2010	2011 – 2012	After 2012
Notes payable	\$159,390	\$106,060	\$53,330	\$ -	\$-
Capital Leases	3,130,939	909,954	2,220,985		-
Operating Leases	1,635,192	103,515	795,223	609,387	127,067
Total contractual obligations	4,925,521	1,119,529	3,069,538	609,387	127,067

Management is of the opinion that its cash flow and financing facilities and relationships provides GuestLogix with sufficient resources to finance ongoing business requirements and its planned capital expenditure program. Additional details concerning financing are set out in the notes to the GuestLogix consolidated financial statements.

Capital Resources

GuestLogix does not expect to make significant capital expenditures in the near future; however GuestLogix does intend to enter into capital leases or operating facilities on an ongoing basis to finance the acquisition of point-of-sale payment devices for customer deployment. GuestLogix has invested in and developed an information systems infrastructure that will scale to meet the majority of its anticipated market requirements.

Off Balance Sheet Arrangements

Other than as disclosed in the table under Contractual Obligations above, GuestLogix did not enter into any off-balance sheet arrangements during the three months ended August 31, 2008.

Proposed Transactions

GuestLogix does not have any proposed transactions to discuss at this time.

Transactions with Related Parties

Transactions between the Company and its shareholders and other related parties are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Certain executives are compensated through management service agreements. These agreements entitle these individuals to a fixed monthly payment and reimbursement of reasonable out-of-pocket expenses. During the three and nine-month periods ended August 31, 2008 and 2007, the Company incurred costs of \$77,500 and \$272,500, respectively, (2007 - \$71,550 and \$206,550) relating to these agreements, which are included in sales and marketing and general and administrative expenses. As at August 31, 2008, a total of \$nil (2007 - \$187,135) is unpaid and is included in accounts payable and accrued liabilities.

Interest paid on loans to shareholders during the three and nine-month period ended August 31, 2008 and August 31, 2007 were \$6,636 and \$47,115 respectively (2007 - \$33,601 and \$100,219).

Segmented Information and Economic Dependence

The Company manages its operations in one business segment, which is providing proprietary transaction-based on-board retail software solutions for the passenger travel industry. All significant property and equipment are located in Canada.

During the three and nine-months ended August 31, 2008, \$1,615,359 and \$3,901,636 of the Company's revenue respectively (2007 - \$1,034,819 and \$3,169,280) was derived from North America, while the remainder of \$801,929 and \$1,746,219 respectively (2007 - \$420,936 and \$683,409) was derived from Europe, Middle East and Africa.

During the three and nine months ended August 31, 2008, five customers accounted for 76% of the total revenue (2007 – three customers accounted for over 80%).

Share Capital

As at August 31, 2008, GuestLogix had issued and outstanding 54,270,740 common shares.

Subsequent Events

The Company successfully closed two new credit facilities in September 2008 for \$2,395,000 (U.S. \$2,258,155) to finance existing contracts requiring point-of-sale handheld devices.

Contingencies

In December 2006, a complaint was filed against the Company in the United States. The plaintiff is seeking compensatory damages of U.S. \$150,000 together with punitive damages in an unspecified amount. The plaintiff had undertaken an action against American Airlines which they withdrew in August 2008. GuestLogix is no longer at risk of having to indemnify American Airlines against this action. The Company believes this complaint is without merit and will defend itself in the normal course. While the outcome of the above claim is not determinable, no amount relating to this matter has been accrued in the consolidated financial statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Internal control over financial reporting

As a public company, management is responsible for certifying the design of the Resulting Issuer's internal control over financial reporting as required by Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with applicable generally accepted accounting principles. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable generally accepted accounting principles; receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may have material weaknesses and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Segregation of duties

Certain duties within GuestLogix' accounting and finance departments are not properly segregated due to the small number of individuals employed in these areas. None of the segregation of duty deficiencies has resulted in a material misstatement to the consolidated interim financial statements. However, these deficiencies may be considered a material weakness resulting in a more than remote likelihood that a material misstatement of GuestLogix' annual or interim consolidated financial statements would not be prevented or detected.

As GuestLogix incurs future growth, management plans to expand the number of individuals involved in the accounting function. At the present time, the Chief Executive Officer and Chief Financial Officer oversee all material transactions and related accounting records. In addition, the Audit Committee of GuestLogix will review on a quarterly basis the consolidated interim financial statements and key risks of GuestLogix and will query management about significant transactions, and there will be daily oversight by the senior management of GuestLogix.

Complex and non-routine transactions

As required, GuestLogix records complex and non-routine transactions. These sometimes are extremely technical in nature and require an in-depth understanding of Canadian GAAP. GuestLogix' accounting staff has only a fair and reasonable knowledge of the rules related to Canadian GAAP and reporting and the transactions may not be recorded correctly, potentially resulting in material misstatement of the consolidated financial statements of GuestLogix.

To address this risk, the GuestLogix finance staff will consult with their third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit will be completed and presented to the Audit Committee of GuestLogix for its review and approval. During reviews and audits, material misstatements detected will be corrected by GuestLogix. As GuestLogix incurs future growth, management plans to expand the technical competence of the individuals involved in the accounting function.

The Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of August 31, 2008. Management has concluded that, as of August 31, 2008, the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company would be known to them, particularly during the period in which this report was being prepared.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal controls over financial reporting over the three-month period ending August 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's controls over financial reporting.

Financial Instruments and Other Instruments

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, notes payable, convertible debentures and loans from shareholders. There are no significant differences between the carrying amounts of the items reported on the balance sheet and their estimated fair values.

GuestLogix is exposed to market risks relating to:

Foreign Exchange

GuestLogix may undertake sales and purchase transactions in foreign currencies, and therefore it is subject to gains or losses due to fluctuations in foreign currencies.

GuestLogix is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the Canadian Dollar. The majority of GuestLogix' revenues are transacted in U.S. Dollars, United Kingdom Pounds and Euros. Purchases of equipment required to deliver on GuestLogix' contracts are primarily transacted in U.S. Dollars. Other expenses, consisting of the majority of salaries and certain operating costs, are incurred primarily in Canadian Dollars.

GuestLogix does not currently use derivative instruments to hedge against foreign exchange risk.

Interest Rate

Restricted cash and surplus cash is invested in certain instruments of varying maturities up to 90 days. Consequently, GuestLogix is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. GuestLogix does not use interest rate derivative financial instruments in its investment portfolio.

Credit and Customer Concentration

GuestLogix is currently dependant on a limited number of key customers in Europe and the Americas. As GuestLogix expands its offering and increases distribution of its products, management anticipates the dependency on these customers to decrease.

GuestLogix' customers are currently concentrated within the airline industry which faces major economic challenges over the next twelve to eighteen months, particularly within North America. We review a prospective client's financial condition carefully, as in most cases we are providing a transaction based solution which includes third-party financing of the point-of-sale handheld devices. We do not want to use our own working capital as a long-term financing source for these transactions. We conduct an on-going active accounts receivable program which includes a weekly review of past due accounts and collections follow-up. There has been no significant write-off of accounts receivable to August 31, 2008.

Recently Adopted Pronouncements

Financial instruments

Section 3855 defines the terms 'financial instrument', 'financial asset' and 'financial liability'. Under Section 3855, financial assets must be classified into one of four categories: held-for-trading, held-to-maturity, loans and receivables and available-for-sale; financial liabilities must

be classified into one of two categories: held-for-trading and other financial liabilities. (Capital lease receivables and obligations do not meet the scope of section 3855, except for the Sections derecognition and impairment standards.) All derivative instruments, including those that are embedded in, but not closely related to, another contract must be classified as held-for-trading. All financial instruments, including derivatives, are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Under the adoption of these new standards, the Company designated restricted cash as held-for-trading, which is measured at fair value. Accounts receivable and net finance receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, obligations under capital lease, notes payable, loans from shareholders, and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

Financial instruments – disclosures and presentation

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These two new sections replace Section 3861, Financial Instruments – Disclosure and Presentation, which was adopted by the Company in fiscal 2007. Section 3862 includes a complete set of disclosure requirements for financial instruments that revise and enhance the disclosure requirements in Section 3861. Section 3863 contains the standards for presentation of financial instruments and non-financial derivatives and is essentially consistent with the presentation requirements currently found in Section 3861. These two new sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of these standards did not have a material effect on the Company's consolidated financial position or results of operations for the nine-month period ended August 31, 2008. See note 13 to the interim unaudited consolidated financial statements.

Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures. This new guidance establishes standards for disclosing information about an entity's capital and how it is managed. This section requires the disclosure of an entity's objectives, policies and processes for managing capital and information regarding an entity's compliance or non-compliance with any capital requirements. Section 1535 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This standard affects disclosure only. See note 20 to the interim unaudited consolidated financial statements.

Recently Issued Pronouncements Not Yet Adopted

Inventories

In June 2007, the CICA issued Handbook Section 3031 Inventories ('Section 3031'). This Section supersedes Handbook Section 3030 Inventories and is based on International Financial Reporting Standard IAS 2 'Inventories'. The Section prescribes the accounting treatment for inventories and applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The Company is currently evaluating the impact of this standard on its financial position, results of operations and cash flows. The Company does not anticipate that the application of this section will have a material effect on its financial position and results of operations.

Goodwill and intangible assets

In January 2008, the CICA issued Handbook section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Other Intangible Assets*. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard will apply to the Company's interim and annual financial statements beginning December 1, 2008. The Company has not yet determined what the impact of adopting this standard will have on the Company's consolidated financial statements.

Risks and Uncertainties

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties. An investment in GuestLogix common shares is speculative and involves a high degree of risk and uncertainty. Such risks relate to and include, without limitation: its ability to predict whether it will meet internal or external expectations, its ability to offer competitive pricing for its products, its ability to maintain its current relationships and develop new strategic relationships, its ability to attract and retain qualified employees, its internal controls, its ability to develop new technology, the Company's limited operating history and evolving business model.

As an emerging company with customers located globally, GuestLogix faces a number of economic risks and business uncertainties. Today we have customers in Canada, the United States, Europe, and Asia. Factors such as foreign exchange rates, consumer spending, global warming and the passenger travel industry impact on the environment, interest rates, business and government investment and spending, the rate of inflation and threats of terrorism affect the business and economic environments in which our customers operate and are largely out of our control. In addition our current concentration within the airline sector exposes us to the additional risk of the impact of rising jet fuel prices on airline schedules and overall passenger volumes. Additionally, due to the financial weakness within the airline sector, particularly in North America,

GuestLogix may have difficulty financing its transaction based business model in the future.

Our consolidated financial statements are expressed in Canadian dollars, but a portion of our business is conducted in other currencies. Changes in the exchange rates for these other currencies can increase or decrease our revenues, expenses, earnings and the carrying value of assets or liabilities in our balance sheet. Our largest exposure is to the US dollar, where we have a partial natural hedge as the manufacturer of the handheld device and peripherals prices their products in US dollars. We do not currently use derivative instruments to hedge our currency exposure.

GuestLogix faces risks which are inherent in the business such as its ability to predict whether it will meet internal or external expectations, its ability to offer competitive pricing for its products, its ability to maintain its current relationships and develop new strategic relationships, its ability to attract and retain qualified employees and its ability to develop and deploy new technology. We expect that the passenger travel industry will move towards 'back of the seat' interactive solutions and services which will over time reduce the demand for handheld point-of-sale devices. However, our software solution is fully compatible with 'back of the seat' installations. We do not expect in the near future to witness the demise of the handheld device as many airlines will not retro-fit their fleets to the 'back of the seat' solution due to the cost, and any devices we take back into inventory at the end of an agreement can be utilized in other contracts. The introduction of WiFi onto airplanes recently does not pose a material risk to the GuestLogix business model as our platform is fully compatible with this communications medium.

Other risks faced by GuestLogix are related to the segment of the passenger travel industry in which it operates. There is intense competition between airlines which could prevent GuestLogix from increasing its sales in the near and longer term. To mitigate this particular risk a focus for late 2008 and 2009 is to penetrate the passenger rail travel industry in Europe. We were successful in closing one rail customer in the United Kingdom, which will be deployed later in 2008.

A fuller description of these and other risks and uncertainties that you should carefully consider are detailed in our filing statement filed on July 24, 2007 with the Canadian securities regulatory authorities. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the risks as described in our filings occur, our business, financial condition, liquidity and results of operations could be materially harmed.

Additional Information

Additional information related to the Company can be found on SEDAR at www.sedar.com.

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