

Financial Statements of

GUESTLOGIX INC.

Three and six months ended May 31, 2007 and 2006
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GUESTLOGIX INC.

Balance Sheets

	May 31, 2007	November 30, 2006
	(unaudited)	
Assets		
Current assets:		
Cash	\$ 1,130,574	\$ 207,072
Accounts receivable	648,481	195,627
Inventory	576,866	-
Prepaid expenses	361,592	7,735
Investment tax credits receivable (note 2)	285,000	160,000
Current portion of net finance receivable	1,232,732	1,272,222
	<u>4,235,245</u>	<u>1,842,656</u>
Restricted cash (note 3)	1,111,221	1,253,861
Net finance receivables (note 4)	1,136,332	1,699,610
Other long-term assets	2,375,109	2,849,866
Property and equipment (note 5)	31,514	-
	<u>8,889,421</u>	<u>7,645,993</u>
Liabilities and Shareholders' Equity (Deficiency)		
Current Liabilities:		
Accounts payable and accrued liabilities	1,702,530	629,362
Current portion of obligations under capital lease (note 9)	608,408	725,450
Current portion of notes payable (note 7)	465,340	755,093
Current portion of loans from shareholders (note 9(a))	911,612	460,490
Convertible debentures (note 8)	923,805	648,893
Deferred revenue (note 10)	785,469	922,187
	<u>5,397,164</u>	<u>4,141,475</u>
Loans from shareholder (note 6(b))	61,383	61,383
Deferred revenue (note 10)	1,790,733	2,102,613
Obligations under capital lease (note 9)	916,379	1,103,105
Notes payable (note 7)	-	-
Shareholders' equity (deficiency):		
Share capital (note 11(b))	860,753	860,753
Shares to be issued (note 11(c))	1,930,752	470,746
Contributed surplus (note 11 (e))	590,399	588,902
Conversion rights	772,701	772,701
Warrants (note 11 (f))	746,778	738,659
Deficit	(4,177,621)	(3,194,344)
	<u>723,762</u>	<u>237,417</u>
Guarantees and commitments (note 15 and 17)		
Contingencies (note 19)		
Subsequent events (note 20)		
	<u>8,889,421</u>	<u>7,645,993</u>

See accompanying notes to financial statements.

GUESTLOGIX INC.**Statements of Operations and Deficit**

	Three months ended May 31,		Six months ended May 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 1,725,122	\$ 145,175	\$ 2,396,574	\$ 274,430
Cost of sales	942,105	19,715	1,248,995	19,715
Gross margin	783,017	125,460	1,147,579	254,715
Operating expenses (income):				
Research and development	179,669	185,482	334,629	310,479
Sales and marketing	186,908	135,745	325,950	272,247
General and administrative	388,283	148,474	577,253	300,180
Depreciation	3,502	1,681	3,502	3,250
	758,362	471,382	1,241,334	886,156
Income (loss) before the undernoted	24,655	(345,922)	(93,755)	(631,441)
Other income (expenses):				
Other income	-	970	15,544	970
Foreign exchange gain (loss)	64,255	8	12,209	3,580
Interest income	16,540	172	30,541	1,420
Interest expense	(146,198)	(37,204)	(268,929)	(37,204)
Interest accretion expense	(636,675)	(23,649)	(1,186,701)	(29,038)
Debt extinguishment expense	-	-	-	-
	(702,078)	(59,703)	(1,397,336)	(60,272)
Loss for the period and comprehensive income	(677,423)	(405,625)	(1,491,091)	(691,713)
Deficit, beginning of period:	(3,500,198)	(1,190,652)	(2,686,530)	(904,564)
Deficit, end of period	(4,177,621)	(1,596,277)	(4,177,621)	(1,596,277)
Loss per share	(0.10)	(0.06)	(0.21)	(0.10)
Weighted average number of common shares	7,022,526	7,022,526	7,022,526	6,951,634

See accompanying notes to financial statements.

GUESTLOGIX INC.**Statements of Cash Flows**

	Three months ended May 31,		Six months ended May 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by (used in):				
Operations:				
Loss for the period	(677,423)	(405,625)	(1,491,091)	(691,713)
Items not involving cash:				
Depreciation	3,502	1,681	3,502	3,250
Interest accretion on notes payable	636,675	23,649	1,186,701	29,038
Stock-based compensation expense	748	748	9,615	748
<u>Change in non-cash operating working capital</u>	<u>(407,510)</u>	<u>(1,210,826)</u>	<u>(472,672)</u>	<u>(1,172,689)</u>
	(444,008)	(1,590,373)	(763,945)	(1,831,366)
Financing:				
Issuance of notes payable (note 7)	-	392,000	-	392,000
Issuance of convertible debentures (note 8)	-	200,000	-	200,000
Issuance of common shares (note 11 (b))	-	-	-	479,018
Shares to be issued (note 11 (c))	1,350,006	-	1,460,006	-
Issuance of loans to shareholders (note 9)	-	665,000	-	665,000
Repayment under capital leases	(169,955)	-	(372,972)	-
Repayment of notes payable (note 7)	(106,990)	(56,000)	(259,146)	(56,000)
Repayment of loans from shareholder (note 9)	-	-	-	(10,600)
	1,073,061	1,201,000	827,888	1,669,418
Investments:				
Investment in collateral security (note 3)	-	-	44,424	-
Purchase of equipment for sales-type leases	-	(71,000)	(152,020)	(71,000)
Payments received on sales-type leases	367,229	-	739,974	-
<u>Additions to property and equipment (note 5)</u>	<u>-</u>	<u>-</u>	<u>(35,016)</u>	<u>-</u>
	367,229	(71,000)	597,362	(71,000)
<u>Effect of foreign exchange</u>	<u>118,446</u>	<u>10,108</u>	<u>262,197</u>	<u>16,234</u>
Increase (decrease) in cash	1,114,728	(470,481)	923,502	(216,714)
Cash, beginning of period	15,846	471,201	207,072	217,434
<u>Cash, end of period</u>	<u>1,130,574</u>	<u>720</u>	<u>1,130,574</u>	<u>720</u>
Supplemental cash flow information:				
Interest paid	52,787	-	103,643	-

See accompanying notes to financial statements.

GUESTLOGIX INC.

Notes to Financial Statements

Three and six months ended May 31, 2007 and 2006
(unaudited)

GuestLogix Inc. ("GuestLogix" or the "Company"), originally established as Verdian Group Technologies Co., is in the business of providing proprietary transaction-based on-board retail software solutions for the passenger travel industry. The GuestLogix on-board retail solution, called Mobile Virtual Store, manages all three major components of the on-board retail industry: pre-departure, on-board and post-arrival processing.

1. Significant accounting policies:

The interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed to include only the notes related to the elements which have significantly changed in the interim period. As a result, these interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended November 30, 2006. The unaudited interim financial statements, in the opinion of management, contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such unaudited interim periods. The accounting policies applied thereon are consistent with those described below and in the Company's audited financial statements for the fiscal year ended November 30, 2006, except as described in note 1(l)(i). The results of operations for the three months ended May 31, 2007 are not necessarily indicative of the results to be expected for the full year.

(a) Revenue recognition:

The Company 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.

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, and if delivery of undelivered items is probable and substantially in the Company's control.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
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1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

If the Company 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 Company recognizes revenue on the contract as a whole based on the proportional-performance method as described below.

A typical multiple-element arrangement includes Company software, transaction processing, third party product or services and maintenance services.

The Company sells hardware to certain customers under sales-type lease arrangements for terms typically ranging from two to four years. The Company accounts for its sales-type leases in accordance with the provisions of The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3065, Leases, and recognizes current and long-term lease receivables, which represent the net present value of lease payments to be received, on the accompanying balance sheets as net finance receivable. The present value of all payments is recorded as sales and the related cost of the equipment is charged to cost of sales. The associated interest is recorded over the term of the lease using the effective interest method. Historically, due to the brief operating history of the Company, fair value of all undelivered elements, such as transaction processing and maintenance services revenue has not been available. Therefore, the Company deferred recognition of the revenue and cost of sales related to sales-type lease arrangements and recognizes revenue and cost of sales on a monthly basis when undelivered elements existing at the agreements outset, such as transaction and monthly services, are delivered and payments are due.

The Company records product revenue from software licenses and products when persuasive evidence of an arrangement exists, the software product has been delivered, there are no significant uncertainties surrounding product acceptance, the fees are fixed and determinable and collection is considered probable. The Company uses the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on the fair value of the undelivered element. Software licenses normally include the associated post contract customer support ("PCS") and are sold together. The Company has established fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple element sales arrangement, as substantiated by contractual terms.

The Company also enters into contracts that are primarily fixed fee arrangements to render specific consulting services. For those fixed fee contracts where the services are not essential to the functionality of a software element or are sold separately, the proportional performance method is applied to recognize revenue. Revenues from training and integration services are recognized in the period in which these services are performed.

(b) 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 generally accepted accounting principles, for deferral and depreciation. No development costs have been deferred to date. Research and development costs are recorded net of investment tax credits, where applicable.

(c) 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 records the benefit of investment tax credits when the qualifying expenditures have been incurred and there is reasonable assurance as to their collectibility.

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.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

1. Significant accounting policies (continued):

(d) Property and equipment:

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

Office furniture and fixtures	5 years
Computer equipment	3 years

(e) Impairment of long-lived assets:

The useful lives and the carrying values of long-lived assets are periodically reviewed for continued appropriateness. Impairment of long-lived assets is reviewed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying value, it is considered to be impaired. An impairment loss is measured as the excess of the carrying value of the asset over its fair value.

(f) 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 dates of the transactions. Foreign exchange gains and losses are included in the statement of operations and deficit.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

1. Significant accounting policies (continued):

(g) 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.

(h) Stock-based compensation:

Effective December 1, 2005, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, which resulted in the fair value method of accounting being used for stock-based payments to employees and non-employees. The Company grants stock options to directors, officers, employees and consultants of the Company pursuant to the stock option plan described in note 11(d). Compensation expense is recognized for stock options based on the fair value of the options at the grant date using the Black-Scholes option-pricing model. The Company accounts for actual forfeitures in the year they occur. The fair value of the options is recognized over the vesting period of the options as general and administrative, research and development or sales and marketing expense, with the corresponding amount included in equity as contributed surplus. If the stock options are exercised, the proceeds received are credited to common shares.

(i) Deferred revenue:

Deferred revenue is comprised of lease revenues on the Company's sales-type leases. This revenue is brought into income over the initial term of the contract. Deferred revenue also arises where significant obligations have yet to be satisfied and where payments have been received from the customers in advance of the performance of services.

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Notes to Financial Statements (continued)

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1. Significant accounting policies (continued):

(j) Loss per share:

Basic loss per share is calculated based on the weighted average number of common shares outstanding. Diluted loss per common share is calculated using the weighted average number of common shares and potential common shares outstanding during the year. Potential common shares consist of the incremental number of common shares issuable upon the exercise of stock options, warrants and conversion of financial instruments and are computed using the treasury stock method. As a result of losses in all periods, all potentially dilutive securities outstanding are anti-dilutive.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. In particular, significant estimates, judgments and assumptions include those related to revenue recognition, allowance for doubtful accounts, realization of investment tax credits, the valuation of conversion features and option in debt instruments, the valuation of warrants, income taxes and determination of stock-based compensation. Actual results could differ from those estimates.

(l) Recently adopted pronouncements

(i) Financial instruments:

On December 1, 2006, the Company adopted CICA Handbook Sections 1530, Comprehensive Income ("Section 1530"), Section 3251, Equity ("Section 3251"), Section 3855, Financial Instruments - Recognition and Measurement ("Section 3855"), Section 3861, Financial Instruments - Disclosure and Presentation ("Section 3861") and Section 3865, Hedges ("Section 3865").

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
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(l) Recently adopted pronouncements (continued):

(i) Financial instruments (continued):

Section 1530 established standards for reporting and presenting comprehensive income, which is the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and specifies the information that should be disclosed about them. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same periods as those related to the hedged items.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. 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. 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 earnings; 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 earnings.

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, note payable, convertible loans from shareholders, and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
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(l) Recently adopted pronouncements (continued):

(i) Financial instruments (continued):

The adoption of these standards resulted in the decrease of \$507,814 in the fair value of various convertible debt instruments on December 1, 2006 and a corresponding decrease in the deficit of the Company. This decrease in the fair value of the convertible debt will result in increased accretion charges in future periods so that the fair value of the debt equals the face value of the debt at maturity.

(ii) Non-monetary transactions:

Effective January 1, 2006, the Company adopted CICA Handbook Section 3831, Non-monetary Transactions. This standard requires all non-monetary transactions to be measured at fair value unless they meet one of four very specific criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. Commercial substance is a function of the cash flows expected by the reporting entity. The adoption of this standard did not have a material impact on the Company's financial position and results of operations.

2. Investment tax credits:

As a Canadian Controlled Private Corporation, certain investment tax credits are refundable to the Company, while others are non-refundable but can be applied against future income tax liabilities and are subject to a carryforward period. 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 records the benefit of investment tax credits when the qualifying expenditures have been incurred and there is reasonable assurance as to their collectibility.

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. The claims are subject to review by the Canada Revenue Agency ("CRA").

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
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2. Investment tax credits (continued):

At November 30, 2006, the Company has a balance of \$160,000 (2005 - \$330,000) of investment tax credits receivables, which has been recorded as a reduction of research and development expenses related to projects commenced in the preceding year. The Company also incurred eligible expenditures during the three and six months ended May 31, 2007, resulting in an increase in expected investment tax credits of \$62,500 and \$125,000 respectively. These amounts have been recorded as a reduction of research and development expenses during the corresponding periods.

During the 2006 fiscal year, refundable investment tax credits of \$330,000 that had been previously claimed were accepted by CRA and the Ontario Ministry of Finance, and the funds were received relating to these claims.

3. Restricted cash:

As at November 30, 2006, the Company had restricted cash of \$1,253,861 (U.S. \$1,098,212) (2005 - \$147,615 (U.S. \$125,000)), as required to secure a commitment and provide collateral security against capital leases. As at May 31, 2007, the Company had restricted cash of \$1,111,221 (U.S. \$1,038,881). To fulfill this obligation, the Company has purchased short-term U.S. dollar-denominated investments. These investments have been recorded at cost at November 30, 2006 and May 31, 2007 due to their short-term nature. Upon adoption of Section 3855, the Company has designated these amounts as held-for-trading, which requires the investments be marked to market and the changes in fair value be recorded in the statements of operations. As at May 31, 2007, the fair market value of these investments was \$1,111,221 (U.S. \$1,038,881).

4. Net finance receivables and other long-term assets:

Amounts owing under sales-type leases entered into through the Company's multiple element arrangements are recorded as net finance receivables. Future minimum payments owing under these multiple element arrangements are as follows:

2007	\$	576,262
2008		1,319,134
2009		473,668

GUESTLOGIX INC.

Notes to Financial Statements (continued)

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4. Net finance receivables and other long-term assets (continued):

The average interest rate implicit to these leases is 11.25%.

Costs deferred under these multiple element arrangements, representing equipment sold under the sales-type leases above, are recorded in other long-term assets.

5. Property and equipment:

November 30, 2006	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 54,456	\$ 54,456	\$ —

May 31, 2007	Cost	Accumulated depreciation (Unaudited)	Net book value
Computer equipment	\$ 35,016	\$ 3,502	\$ 31,514

Depreciation expense for the three and six months ended May 31, 2007 amounted to \$3,502 and \$3,502 respectively (2006 - \$1,681 and \$3,250).

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

6. Loans from shareholders:

(a) Convertible shareholder loans:

	Convertible shareholder loans	
Balance, November 30, 2006	\$	460,490
Adjusted on adoption of Section 3855 (note 1(l)(i))		(321,688)
Interest accretion expense		184,457
Capitalized interest expense		33,309
Balance, February 28, 2007 (unaudited)	\$	356,568
Interest accretion expense		521,714
Capitalized interest expense		33,330
Balance, May 31, 2007 (unaudited)	\$	911,612

These convertible shareholder loans are unsecured and bear interest at 14% per annum payable quarterly in arrears. The convertible shareholder loans were repayable in June 2007, at which time the holders agreed to extend the maturity on these loans to June 30, 2008. The loans are convertible at the option of the holder and anytime until their maturity dates such that the holders would receive one common share for each \$0.783 of principal amount converted. In the event the full amount of the debentures is converted, the Company would issue 1,215,060 common shares. In addition, the holders of these loans received 2,856,879 warrants with the holder having the right to purchase one common share for each four warrants held at a price of \$0.783 per common share. These warrants have an expiry date of April 30, 2008.

These convertible shareholder loans contain both a liability and an equity element, being share purchase warrants and a conversion option, and therefore, under Canadian generally accepted accounting principles, these two elements are split and classified separately as debt and equity. In addition, as noted above, the debt holders received purchase warrants on the issuance of the convertible loans.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

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6. Loans from shareholders (continued):

(a) Convertible shareholder loans (continued):

The Company allocated the total proceeds received from the issuance of the convertible loans based on the relative fair values of these three components. The allocation based on relative fair values of the three components resulted in the allocation of \$177,427 to the debt instrument, \$480,943 to the conversion option, and \$293,923 to the purchase warrants.

Each reporting period, the Company is required to accrete the carrying value of the convertible loans such that at maturity the carrying value of the convertible loans will equal the face value of the convertible loans of \$952,293. For the three and six months ended May 31, 2007, the Company incurred accretion expense relating to its shareholder convertible loans of \$521,714 and \$706,171 respectively (2006 - \$19,386 and \$19,386).

(b) Shareholder loan:

As at May 31, 2007, the balance of a loan of \$61,383 (2006 - \$61,383) from a shareholder is non-interest bearing, is unsecured and has no fixed term of repayment. Upon adoption of Section 3855, the amount has been measured at amortized cost, which approximates its face value. The Company has received shareholder confirmation that demand for repayment will not be made prior to February 29, 2008.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
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7. Notes payable:

	August 12, 2005 payable (a)	Supplier note payable (b)	Total
Balance, November 30, 2006	325,639	429,454	755,093
Interest accretion expense	3,875	–	3,875
Foreign exchange loss	3,571	9,538	13,109
Repayment	–	(152,156)	(152,156)
Balance, February 28, 2007 (unaudited)	\$ 333,085	\$ 286,836	\$ 619,921
Interest accretion expense	3,875	–	3,875
Foreign exchange loss	(23,400)	(35,058)	(58,456)
Repayment	–	(100,000)	(100,000)
Balance, May 31, 2007 (unaudited)	\$ 313,560	\$ 151,778	\$ 465,340

(a) As at November 30, 2006, \$340,290 (U.S. \$300,000) of a note payable remained outstanding, less the unamortized amount of accreted interest at 14% per annum of \$14,651 (U.S. \$12,916). The sellers have been unable to agree amongst themselves as to the allocation of funds payable on the note payable and the Company has been asked to defer further payments until the matter is resolved between the former shareholders.

In addition, contingent consideration of up to U.S. \$200,000 is payable subject to the Company achieving certain conditions at August 12, 2008, or at anytime prior to that date if triggered by a liquidation event as defined in the agreement. Management determined that as at the date of purchase transaction, it was not probable that the conditions will be met, and as a result, no additional contingent consideration had been recorded. Consequently, the principal outstanding at May 31, 2007 was \$336,960 (U.S. \$300,000), which includes the unamortized amount of accreted interest of \$15,070 (U.S. \$14,085).

(b) During October 2006, the Company borrowed \$505,369 (U.S. \$445,181) from a supplier. The amount is repayable in seven equal monthly instalments through May 2007 and is non-interest bearing to November 2006 after which time, the note bears interest at 10% per annum. Upon adoption of Section 3855, the amount has been measured at amortized cost, which approximates its face value.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
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8. Convertible debentures:

	May 31, 2007	November 30, 2006
	(Unaudited)	
Balance, beginning of year	\$ 648,893	\$ —
Adjustment on adoption of CICA Handbook Section 3855 (note 1(l)(i))	(186,126)	—
Face value of convertible loans issued during the period	—	929,067
Shareholders' equity components:		
Conversion option	—	(291,758)
Share purchase warrants	—	(206,930)
Liability component of convertible loans	462,767	430,379
Interest accretion expense	472,780	192,417
Interest expense	45,758	38,766
Paid	(10,500)	(5,989)
Foreign exchange loss/gain	(47,000)	(6,680)
Balance, end of period	\$ 923,805	\$ 648,893

(a) 14% convertible debentures issued May 13, 2006:

On May 13, 2006, the Company issued convertible debentures and share purchase warrants with a face value of \$200,000. These convertible debentures have the same terms as the convertible loans from shareholders (note 6(a)). In the event the full amount of the debentures is converted, the Company would issue 255,318 shares. The holders of these debentures also received 1,020,744 warrants with the holder having the right to purchase one common share for each four warrants held at a price of \$0.783 per common share expiring April 30, 2008. During June 2007, the holders agreed to extend the maturity on their loans to June 30, 2008.

The Company allocated the total proceeds received from the issuance of the convertible debentures based on the relative fair values of the three components, being a debt instrument, share purchase warrants and a conversion option. The resulting allocation of the proceeds based on the relative fair values attributed \$37,294 to the debt instrument, \$101,033 to the conversion option, and \$61,673 to the purchase warrants.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

8. Convertible debentures (continued):

(b) Convertible debentures issued between August 17, 2006 and October 2, 2006:

During the period from August 17, 2006 to October 2, 2006, the Company received advances by way of convertible debentures totalling \$729,067 (U.S. \$653,626). These convertible debentures have an interest rate of 12% per annum, with principal and interest payable upon maturity. The maturities on the various debentures fall between February 17, 2007 and March 27, 2007. Upon maturity, if the Company has not complied with certain undertakings, the debentures will bear interest at 22%, retroactive to the date of default, until repayment. During the three-month period ended May 31, 2007, the Company was in default under certain of these debentures. However, in June 2007, the Company received confirmation from various convertible debt holders, whose debt had maturity dates between February 17, 2007 and March 27, 2007, that they are converting U.S. \$699,512 of principal and interest to common shares in the Company.

The loans are convertible up until their maturity dates such that the holders would receive one common share for each U.S. \$2.383 of principal amount converted. In the event the full amount of the debentures is converted, the Company would issue 272,727 common shares. In addition, the holders of these loans received one warrant for each U.S. \$2.383 invested, with half of the warrants, the Class A warrants, having an exercise price of U.S. \$2.86 (representing a 20% premium to the conversion price) and the other half of the warrants, the Class B warrants, having an exercise price of U.S. \$3.573 (representing a 50% premium to the conversion price). In total, warrants were issued which are exercisable into 274,356 common shares, with expiry dates ranging from August 16, 2011 to October 1, 2011.

In addition, at any time prior to maturity, these convertible debentures will be redeemable by the Company at a price equal to the principal amount. Further, in the event the common shares of GuestLogix are registered with a recognized stock exchange and the price of GuestLogix common shares exceeds 150% and 180% of the exercise price for 20 consecutive days, the Company can force the exercise of the Class A and Class B warrants respectively. In the event of default, the Company shall also be obligated to grant warrants such that each debtholder receives 50% more warrants than they held prior to an event of default. These warrants have an expiry date the same as the original warrants received, and an exercise price of U.S. \$2.383. Further, for one of the debentures within this series, the holder is entitled to receive up to an additional 47,352 Class A warrants with an expiry date of October 1, 2011 in the event of exercise that holder's conversion option.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

8. Convertible debentures (continued):

These convertible debentures contain both a liability and an equity element, being share purchase warrants and conversion options. The Company allocated the total proceeds received from the issuance of the convertible debenture to these three elements based on their relative fair values. The resulting allocation based on the relative fair values resulted in the allocation of \$393,085 to the debt instrument, \$190,725 to the conversion option, and \$145,257 to the purchase warrants.

For the three and six months ended May 31, 2007, the Company recorded accretion expense relating to its convertible debenture of \$111,086 and \$472,780 respectively (2006 - \$4,263 and \$4,263).

9. Obligations under capital leases:

During 2006, the Company purchased 3,000 hand-held point-of-sale payment devices and in turn, sold these under a sales-type lease arrangement to customers under a multiple element revenue arrangement. During the three months ended May 31, 2007, the Company financed additional point-of-sale devices by way of capital leases.

The following is a schedule of future minimum lease payments for equipment under capital leases together with the balance of the obligation in Canadian dollars:

	May 31, 2007	November 30, 2006
	(Unaudited)	
2007	\$ 519,233	\$ 894,987
2008	916,613	894,987
2009	305,538	298,329
	1,741,384	2,088,303
Less amount representing interest at 11.28%	216,597	259,748
	1,524,787	1,828,555
Less current portion	608,408	725,450
	\$ 916,379	\$ 1,103,105

Interest expense related to this obligation for the three and six months ended May 31, 2007 was \$50,856 and \$101,712 respectively (2006 - \$14,248 and \$14,248).

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

10. Deferred revenue:

The deferred revenue reported as at May 31, 2007 was \$2,576,202, which pertains primarily to lease obligations from one customer, as described above. The remainder of the deferred revenue as at May 31, 2007 of \$168,942 relates to four clients; \$29,773 for one that will be taken into revenue in June 2007 and the balance for \$139,169 that is being amortized to revenue over the remaining contract terms which range from 15 to 30 months.

11. Share capital:

(a) Authorized:
Unlimited number of voting common shares

(b) Issued:

	Number of common shares	Amount
Balance, November 30, 2006	2,340,842	\$ 860,753
Balance, February 28, 2007 (unaudited)	2,340,842	\$ 860,753
Issuance of shares on share split (i)	4,681,684	\$ -
Balance, May 31, 2007 (unaudited)	7,022,526	\$ 860,753

(i) On April 30, 2007, the Company completed a three-for-one share split and issued 4,681,684 common shares to existing shareholders for no additional consideration.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

11. Share capital (continued):

(c) Shares to be issued:

	Number of common shares	Amount
Balance, November 30, 2006	179,037	470,746
To be issued for cash consideration already received (i)	40,545	110,000
Balance, February 28, 2007 (unaudited)	219,582	\$ 580,746
To be issued for cash consideration already received (ii)	489,487	\$1,350,006
Balance, May 31, 2007 (unaudited)	709,069	\$1,930,752

(i) In December 2006, the Company received \$110,000 in cash consideration for 13,515 common shares at a price of \$8.14 per share. The Company has recorded the cash received in shares to be issued, as the shares had not been issued as of May 31, 2007.

(ii) On May 2, 2007, the Company completed a \$9,000,040 financing under which subscription receipts were issued which would enable the holders to acquire 3,263,249 common shares of the Company. \$1,350,006 of the funds raised on the financing were released to the Company, which carried an obligation to issue 489,487 common shares of the Company, while the remainder of the funds were held in escrow subject to satisfaction of certain conditions.

(d) Stock options:

The Company has established a stock option plan (the "Plan") to encourage ownership of the Company's common shares by its key officers, directors, employees and selected consultants. The number of shares reserved for issue under the Plan is 654,894 common shares of the Company with provision that the Board of Directors of the Company has the right from time to time to increase such number subject to the approval of the shareholders of the Company. Options under the Plan may vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within up to ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

11. Share capital (continued):

(d) Stock options (continued):

The weighted average grant date fair value of options granted for the three and six month periods ended May 31, 2007 were \$nil and \$nil per share respectively (2006 - \$nil and \$nil).

The following is a summary of the stock options granted as at May 31, 2007 and changes during the six-month period ended May 31, 2007.

	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding as at November 30, 2006	186,690	\$ 0.273
Outstanding as at May 31, 2007	186,690	0.273
Options Exercisable at May 31, 2007	62,230	\$ 0.273

The options outstanding at May 31, 2007 expire in 41 months.

As at May 31, 2007, the number of stock options outstanding and exercisable remained the same as at November 30, 2006. The Company recognized \$748 and \$9,615, respectively, of stock-based compensation expense for stock options issued to service providers and employees during the three and six month periods ended May 31, 2007 (2006 - \$748 and \$1,496).

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

11. Share capital (continued):

(e) Contributed surplus:

The following is a continuity schedule of contributed surplus for the three and six month periods ended May 31, 2007:

Balance November 30, 2006	588,902
Stock-based compensation expense recognized during the period	8,867
Balance February 28, 2007 (unaudited)	\$ 597,769
Stock-based compensation expense recognized during the period	749
Warrant issuance related to amount previously booked to contributed surplus (8,119)	
Balance May 31, 2007 (unaudited)	\$ 590,399

(f) Warrants:

The warrants outstanding at May 31, 2007 and November 30, 2006 are as follows:

	<u>May 31, 2007</u>		<u>November 30, 2006</u>	
	Number of Warrants	Amount	Number of Warrants	Amount
Exercise price of \$0.783 (plus four warrants) expiring April 30, 2008 (i)	3,877,623	\$ 355,596	3,877,623	\$ 355,596
Exercise price of U.S.\$1.26 expiring June 30, 2009 (ii)	248,850	237,806	248,850	237,806
Exercise price of U.S.\$2.86 expiring August 16, 2011 to October 1, 2011 (iii)	137,178	64,849	137,178	64,849
Exercise price of U.S.\$3.573 expiring August 16, 2011 to October 1, 2011 (iii)	137,178	80,408	137,178	80,408
Exercise price of U.S.\$2.25 expiring on January 31, 2009 (iv)	30,222	8,119	-	-
	4,432,131	\$ 746,778	4,401,909	\$ 738,659

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

11. Share capital (continued):

(f) Warrants (continued):

- (i) Warrants issued and outstanding in conjunction with shareholder convertible loans (note 6(a)) and convertible debentures (note 8(a)) during 2006 allow for the purchase of 863,772 common shares. The warrants expire on April 30, 2008.
- (ii) Warrants issued and outstanding in conjunction with \$445,990 (U.S. \$400,000) in notes payable on June 20, 2006 totalled 248,950. The warrants expire on June 30, 2009.
- (iii) Warrants issued and outstanding in conjunction with an additional U.S. \$653,626 in loans in 2006 totalled 274,356. The warrants have exercise prices of U.S. \$2.86 and U.S. \$3.573 per share and expire between August 16, 2011 and October 1, 2011.
- (iv) Warrants issued and outstanding in conjunction with services provided to the Company totalled 30,222 and have an exercise prices of U.S. \$2.25 per share and expire on January 31, 2009.

12. Loss per share:

The reconciliation of the loss for the three and six month periods ended May 31, 2007 and 2006 and the weighted average number of common shares used to calculate basic and diluted loss per share is as per the table below. The pro forma amounts are adjusted to retroactively reflect the 3-for-1 share split described in note 21(b).

	Three months ended May 31, 2007		Six months ended May 31, 2007	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Numerator:				
Loss for the period	\$ (677,423)	\$ (405,625)	\$ (1,491,091)	\$ (691,713)
Denominator:				
Weighted average number of shares (basic and diluted):	7,022,526	7,022,526	7,022,526	6,951,634
Loss per share:				
Basic and diluted:	\$ (0.10)	\$ (0.06)	\$ (0.21)	\$ (0.10)

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

12. Loss per share (continued):

As at May 31, 2007, 259,728 stock options (May 31, 2006 – 259,728), 4,281,051 warrants (May 31, 2006 – 648,750) and 1,779,690 shares issuable on conversion of convertible debentures and convertible shareholder loans (May 31, 2006 – 1,104,255) have been excluded from the calculation of diluted loss per share because to include these amounts would be anti-dilutive.

All stock options, warrants and shares issuable on conversion have been excluded from the calculation of diluted loss per share because to include these would be anti-dilutive.

13. Change in non-cash operating working capital:

	Three months ended May 31,		Six months ended May 31,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Accounts receivable	\$ (299,724)	\$ (41,378)	\$ (452,854)	\$ (43,894)
Inventory	(576,866)	(865,000)	(576,866)	(865,000)
Prepaid expenses	(329,627)	(265,653)	(353,857)	(264,097)
Investment tax credits receivable	(62,500)	-	(125,000)	77,389
Accounts payable and accrued liabilities	899,916	92,929	1,073,168	87,533
Deferred revenue	(38,409)	(131,364)	(37,263)	(164,620)
	\$ (407,510)	\$ (1,210,826)	\$ (472,672)	\$ (1,172,689)

14. Financial instruments:

The carrying values of cash, accounts receivable, restricted cash and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of these financial instruments

The carrying amount of the August 2005 note payable (note 7(a)) approximates its fair value because the interest used to discount the note equates to a rate which is the Company's borrowing rate for a similar liability.

The fair value of all other long-term financial assets and liabilities approximate their carrying value at November 30, 2006 and May 31, 2007. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

14. Financial instruments (continued):

The Company is subject to interest risks, credit risks arising from these financial instruments and currency risk in the normal course of business. The Company has a major customer that is located in the United States and payments and revenue under arrangements with this customer are in United States dollars. The Company intends to undertake additional sales and purchase transactions in foreign currencies, and therefore it is subject to gains or losses due to fluctuations in foreign currencies. The Company does not use derivative financial instruments to minimize its exposure to foreign currency risks.

15. Guarantees:

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee.

- (a) The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers.
- (b) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated. The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been recorded in the balance sheet with respect to these agreements.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

16. Related party transactions and balances:

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.

The Company's president and vice-president 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 six month periods ended May 31, 2007, the Company incurred costs of \$67,500 and \$135,000, respectively, (2006 - \$63,000 and \$126,000) relating to these agreements, which are included in general and administrative expenses. As at May 31, 2007, a total of \$176,535 (2006 - \$72,225) is unpaid and is included in accounts payable and accrued liabilities.

During 2006, five shareholders loaned a total of \$1,398,283 (including U.S. \$400,000) to the Company (note 6(a)). Interest paid or payable on these loans during the three and six months ended May 31, 2007 totalled \$33,309 and \$66,618 respectively (2006 - \$5,972 and \$5,972), all of which is included in accounts payable and accrued liabilities.

In addition to the above, at May 31, 2007, the Company was indebted to two individuals who are related to officers of the Company, for a principal amount of \$200,000 under convertible debentures (note 8(a)). Interest paid or payable to these individuals during the three and six months ended May 31, 2007 is \$7,000 and \$14,000 respectively (2006 - \$1,304 and \$1,304), of which \$14,000 is unpaid at May 31, 2007 (2006 - \$1,304).

17. Commitments:

On November 14, 2006 the Company entered into a new 72-month lease at a cost of approximately \$12,500 per month effective February 1, 2007.

On October 31, 2006 the Company entered into a 24-month operating lease for computer equipment requiring monthly payments of \$2,983.

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
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17. Commitments (continued):

Future minimum lease payments under the premises and computer equipment operating leases for the following calendar years are as follows:

	May 31, 2007 (Unaudited)	November 30, 2006
2007	\$ 99,173	\$ 135,256
2008	171,904	185,256
2009	179,580	150,000
2010	165,875	150,000
2011	167,769	150,000
2012	167,769	—
2013	55,923	—
	<u>\$ 1,007,993</u>	<u>\$ 770,512</u>

18. Segmented information and customer concentration:

(a) Geographic information:

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 six months ended May 31, 2007, \$1,521,175 and \$2,093,850 of the Company's revenue respectively (2006 - \$123,139 and \$226,957) was derived from North America, while the remainder of \$203,947 and \$302,724 respectively (2006 - \$22,036 and \$47,473) was derived from Europe.

(b) Major customers:

During the three and six months ended May 31, 2007, three customers accounted for over 80% of the total revenue (2006 - three for 100%).

GUESTLOGIX INC.

Notes to Financial Statements (continued)

Three and six months ended May 31, 2007 and 2006
(unaudited)

19. Contingencies:

- (a) Contingent consideration of up to U.S. \$200,000 is payable under the terms of a note payable subject to the Company achieving certain conditions at August 12, 2008, or at any time prior to that date if triggered by a liquidation event as defined in the note payable (note 8(a)). In the event those certain conditions are met subsequent to the Growthgen Equity II Inc. ("Growthgen") transaction (note 21(c)), the Company will record a liability in the period those conditions are met.
- (b) 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 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 financial statements.

20. Subsequent events:

- (a) In June 2007, the holders of certain loans agreed to extend the term of the loans (notes 6(a) and 8(a)).
- (b) To complete the conversion of certain convertible debentures (note 8(b)), on June 11, 2007, the Company issued an additional 47,352 Class A warrants with a strike price of U.S. \$2.86 with an expiry date of October 1, 2011.
- (c) On August 1, 2007, Growthgen Equity II Inc. ("Growthgen") acquired all of the issued and outstanding shares of the Company on a 3.94 for 1 basis, giving existing GuestLogix shareholders 28,533,910 common shares. Following completion of the exchange of shares, Growthgen and GuestLogix amalgamated. Immediately following the amalgamation, subscription receipts of GuestLogix, sold pursuant to a private placement on May 2, 2007, were exercised on a one-for-one basis and the holders received an aggregate of 12,857,200 common shares of the amalgamated corporation, and these funds, net of offering costs were released to the Company (less the \$1.35 million previously released to the Company (note 11(c)(ii))). The agents on the offering also received warrants to purchase 1,401,206 common shares of the amalgamated corporation at a purchase price of \$0.70 per share. The issued and outstanding share capital of the amalgamated corporation, following completion of the transaction with Growthgen, is 44,372,882 common shares on a non-diluted basis, or 60,171,481 common shares on a fully diluted basis.