

GUESTLOGIX INC.

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

FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2007

The following is a discussion and analysis of the interim unaudited financial position, results of operations and cash flows of GuestLogix Inc. for the three-month period ended May 31, 2007 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, 2006 along with the financial statements for such period and accompanying notes. The effective date of management's discussion and analysis ("MD&A") is August 13, 2007. 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 as a result of new information, future events or otherwise.

Overview

Quarter Highlights and Summary

- Revenue was \$1,725,122 for the three months ended May 31, 2007, compared to \$145,175 for the three months ended May 31, 2006;
- Gross margin was \$783,017 for the three months ended May 31, 2007, compared to \$125,460 for the three months ended May 31, 2006;
- Net loss was \$677,423 for the three months ended May 31, 2007, compared to a net loss of \$405,625 for the three months ended May 31, 2006; and
- GuestLogix' cash and cash equivalents totaled \$1,130,574 as at May 31, 2007.

GuestLogix' Business

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

Critical Accounting Policies and Estimates

GuestLogix prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"), which requires management to make certain estimates and apply judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. GuestLogix' bases its estimates and judgments on historical experience, current trends, and other factors that management believes to be important at the time the financial statements are prepared. Actual results could differ from GuestLogix' management estimates, and such differences could be material. On an ongoing basis, management reviews GuestLogix' accounting policies and how they are applied and disclosed in its financial statements.

Revenue Recognition

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.

If GuestLogix 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, GuestLogix recognizes revenue on the contract as a whole based on the proportional-performance method.

GuestLogix also sells hardware to certain customers under sales-type lease arrangements for terms typically ranging from two to four years. 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 GuestLogix, fair value of all undelivered elements, such as transaction processing and maintenance services revenue has not been available. Therefore, GuestLogix defers 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.

Critical estimates made by GuestLogix include its assessment of the fair value of arrangements, including the fair value of the undelivered elements of the arrangement. GuestLogix also makes estimates as to the probability of collecting the related accounts receivable balance on a customer-by-customer basis. As a result, the timing or amount of the revenue recognition may have been different if different assessments of the probability of collection had been made at the time that the transactions were recorded in revenue. 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.

GuestLogix 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. 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”). GuestLogix 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.

GuestLogix is required to exercise judgment in determining the level of PCS, as well as what elements of an arrangement have actually been delivered. If GuestLogix were to change any of these assumptions or judgments, it could cause a material increase or decrease in the amount of revenue recognized in a particular period.

GuestLogix also recognizes professional services revenues. 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 contact is recognized on a proportional performance basis, which requires GuestLogix to make estimates and is subject to risk 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 GuestLogix’ professional services team. Recognized revenues and profit 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 that give rise to the revision become known. If we do not have

a sufficient basis to estimate the progress towards the completion, revenue is recognized when the project is complete or when we receive final acceptance from the customer.

Investment tax credits

GuestLogix records the benefit of investment tax credits when the qualifying expenditures have been incurred and there is reasonable assurance to their collectibility, however, the claims are subject to review by the Canada Revenue Agency (“CRA”). Based on GuestLogix’ history with its claims, it estimates the value of claims and reflects these amounts on its financial statements, which reflect the probability of CRA accepting its claims. The amount of the claims actually accepted by CRA may be different than estimated, which could increase or decrease the amount of investment tax credits recognized in a particular period.

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 substantially 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. GuestLogix’ effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses, and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management’s assessment of matters, such as the ability to realize future tax assets.

Fair value of debt instruments

Certain debt instruments contain both a liability and an equity element, represented by a conversion option or purchase warrants issued in conjunction with such debt, and therefore, under Canadian generally accepted accounting principles these elements are split and classified separately as debt and equity. The fair value of purchase warrants is determined based on the Black-Scholes option-pricing model. The fair value of the debt and the conversion option is determined using discounted cash flows. Each reporting period GuestLogix is required to accrete the carrying value of the debt instruments such that at maturity the carrying value of the debt instruments will equal the face value of the debt at maturity. GuestLogix is required to exercise judgment in determining the values attributed to the various debt and equity components of debt instruments, including judgments relating to the assumptions used in the Black-Scholes option pricing model, discount rate to be used to determine fair values, the probability of certain events which could affect the duration or probability and timing of conversion or exercise of certain options, and the fair value of the underlying securities at the time of issuance of the debt instrument. A number of these estimates are very subjective and the value of the resulting debt and equity components and accretion expense could vary significantly.

Growth Strategy and Future Outlook

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

- The business model of the airline sector, in particular, has changed significantly since September 11, 2001, as the 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. In addition, competition from airline low-cost carriers may lead the rail and ferry sectors to adopt the on-board retail model in order to increase revenues.
- Mobile, hand-held device technology has matured to the point where industrial, ruggedized hand-held 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 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.

In addition to the above factors, GuestLogix has established or is in the process of establishing 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 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 the GuestLogix Service will gain market acceptance, or 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 six months ended May 31, 2007 and 2006:

	Three months ended May 31,		Six months ended May 31,	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
Statement of Operations Data:				
Revenue	\$1,725,122	\$145,175	\$2,396,574	\$274,430
Cost of sales	942,105	19,715	1,248,995	19,715
	783,017	125,460	1,147,579	254,715
Expenses:				
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	-	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)
	(702,078)	(59,703)	(1,397,336)	(60,272)
Net income (loss)	\$(677,423)	\$(405,625)	\$(1,491,091)	\$(691,713)
Supplementary Financial Data				
Loss per share	\$(0.10)	\$(0.06)	\$(0.21)	\$(0.10)
Weighted average number of shares outstanding	7,022,526	7,022,526	7,022,526	6,951,634
Balance Sheet Data:				
Cash and cash equivalents, excluding restricted cash	\$1,130,574	\$719	\$1,130,574	\$719
Working capital	\$(1,161,919)	\$(423,160)	\$(1,161,919)	\$(423,160)
Total assets	\$8,889,421	\$2,076,610	\$8,889,421	\$2,076,610
Long-term liabilities, excluding current portion	\$2,768,495	\$61,383	\$2,768,495	\$61,383
Total shareholders' equity	\$723,762	\$(108,463)	\$723,762	\$(108,463)

Comparison of the three-month and six-month periods ended May 31, 2007 and 2006

Revenue:

For the three month periods ended May 31, 2007 and 2006, revenue was \$1,725,122 and \$145,175 respectively. For the six-month periods ended May 31, 2007 and 2006, revenue was \$2,396,574 and \$274,430 respectively. GuestLogix completed deployment of a major contract in the period ended November 30, 2006 and revenue from that contract, in addition to two other contracts that started to be deployed in the period ending February 28, 2007 led to the significant increase in quarterly revenues. Upon successful completion of the major contract in fiscal 2006, the Company increased its marketing efforts of its on-board-retail solution, which has led to the signing of additional contracts.

Cost of Sales:

Cost of sales was \$942,105 or 54.6% of revenue for the three months ended May 31, 2007 compared to \$19,715 in the three months ended May 31, 2006. Cost of sales for the six-month periods ended May 31, 2007 and 2006 was \$1,248,995 and \$19,715 respectively. Cost of sales in the three and six months ended May 31, 2007 and 2006 consisted primarily of the cost of point-of-sale payment devices which GuestLogix deployed to a major customer in the second half of fiscal 2006. The cost of these devices is being taken into cost of sales on the same basis as the revenue related to these contracts.

Operating Expenses:

Research and development expense in the three months ended May 31, 2007 decreased 3.1% to \$179,669 compared to \$185,482 in the three months ended May 31, 2006. Research and development costs for the six-month periods ended May 31, 2007 and 2006 were \$334,629 and \$310,479 respectively. The slight decrease in research and development costs related to slightly lower consultant costs for in-house development. Estimated tax credits relating to research and development in the three month periods ending May 31, 2007 and 2006 were \$62,500 and \$40,000 respectively. These amounts were deducted from research and development costs incurred in the related periods. It should be noted that upon completion of the proposed transaction with Growthgen, GuestLogix will cease to qualify as a CCPC, and all investment tax credits relating to qualifying research and development expenditures incurred from 2007 onwards will then be reduced and become non-refundable.

Sales and marketing expense in the three months ended May 31, 2007, increased by 37.7% to \$186,908 compared to \$135,745 in the three months ended May 31, 2006. Sales and marketing costs for the six-month periods ended May 31, 2007 and 2006 were \$325,950 and \$272,247 respectively. Sales and marketing costs consist primarily of personnel and related costs associated with the ongoing sales and marketing functions associated with securing and managing relationships with domestic and international customers. Sales and marketing costs are up significantly versus prior periods as the

Company has increased its sales and marketing staff costs and related expenditures to pursue additional customers within and outside of North America.

General and administrative expenses, during the three months ended May 31, 2007, increased by 161.5% to \$388,283, compared to \$148,474 in the three months ended May 31, 2006. General and administrative costs for the six-month periods ended May 31, 2007 and 2006 were \$577,253 and \$300,180 respectively. Several factors contributed to the growth in general and administrative expenses, including costs related to additional personnel and related costs required to meet the growing company needs with respect to the ongoing operations and support of the GuestLogix service, fixed hosting costs and merchant implementation costs. Other costs included in general and administrative expenses are personnel and related costs associated with GuestLogix' senior management, administrative, legal and finance functions, as well as professional fees and other general corporate expenses.

During the three months ended May 31, 2007, depreciation increased to \$3,502 from \$1,681 in the three months ended May 31, 2006, as GuestLogix. Depreciation costs for the six-month periods ended May 31, 2007 and 2006 were \$3,502 and \$3,250 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 May 31, 2007 and 2006, other income was \$nil and \$970 respectively. Other income for the six-month periods ended May 31, 2007 and 2006 was \$15,544 and \$970 respectively.

GuestLogix is subject to currency risk through its sales in the United States 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 gain for the three months ended May 31, 2007 and 2006 was \$64,255 and \$8, respectively. Currency gains for the six-month periods ended May 31, 2007 and 2006 were \$12,209 and \$3,580 respectively.

Interest income is comprised primarily of interest earned from the investing of GuestLogix' restricted cash. During the three months ended May 31, 2007, interest income increased to \$16,540 compared to \$172 in the same period in 2006. Interest income for the six-month periods ended May 31, 2007 and 2006 was \$30,541 and \$1,420 respectively. The increase in interest income is due to GuestLogix having higher restricted cash balances, on average, in 2007, as funds were required to be held as security by the lender who financed the purchase of certain point-of-sale payment devices. The Company also realized interest on funds in escrow and released from escrow related to a financing it closed on May 2, 2007, subject to certain conditions which were subsequently met.

Interest expense is comprised primarily of interest paid, accreted and accrued on various debt obligations of GuestLogix, and includes interest on capital leases, loans from shareholders and third parties. During the three months ended May 31, 2007, interest

expense was \$146,198, compared to \$268,929 in the comparable period in 2006. Interest expense for the six-month periods ended May 31, 2007 and 2006 was \$268,929 and \$37,204 respectively. The increase in interest expense in the three months ended May 31, 2007, compared to the same period in 2006, is due to GuestLogix having interest bearing debt obligations outstanding, as various debt agreements were entered into in order to finance obligations associated with a major new customer.

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 up until their maturity date. During the three months ended May 31, 2007, accretion expense increased to \$636,575 from \$23,649 in the comparable period in 2006, as GuestLogix entered into various debt agreements in mid May 2006 and later in 2006 as well. Interest accretion expense for the six-month periods ended May 31, 2007 and 2006 was \$1,186,701 and \$29,038 respectively.

The net loss for the three month period ended May 31, 2007 increased 67.0% to \$677,423 from \$405,625 in the comparable period in 2006. The net loss per share for the three month period ended May 31, 2007 increased 66.7% to \$0.10 from \$0.06 per share in the comparable period in 2006. The net loss for the six-month periods ended May 31, 2007 and 2006 was \$1,491,091 and \$691,713 respectively, or \$0.21 and \$0.10 respectively.

Liquidity and Financial Resources

GuestLogix' principle sources of liquidity are cash provided by the issuance of debt, equity and equity-related instruments. As disclosed herein, subsequent to May 31, 2007, GuestLogix completed the acquisition and amalgamation with Growthgen, thereby meeting the conditions for the release of \$9,000,040 in proceeds from an equity financing to the Company. Based on completion of that financing transaction, management expects to have sufficient working capital for the foreseeable future.

As at May 31, 2007 and November 30, 2006, GuestLogix had cash totaling \$1,130,574 and \$207,072 respectively.

In the three months ended May 31, 2007 and 2006, cash used in operating activities was \$444,008 and \$1,590,373 respectively. Cash used in operating activities in the three months ended May 31, 2007 was primarily the result of operating losses, and increases in accounts receivable, inventory and prepaid expenses, which was offset to a certain extent by an increase in accounts payable and accrued charges. Cash used in operating activities in the six-month periods ended May 31, 2007 and 2006 was \$763,945 and \$1,831,366 respectively. Cash used in operating activities during the six-month periods ended May 31, 2007 and 2006 was primarily the result of operating losses and increases in accounts receivable, inventory and prepaid expenses, which was offset to a certain extent by an increase in accounts payable and accrued charges.

In the three months ended May 31, 2007 and 2006, cash provided by financing activities was \$1,073,061 and \$1,201,000 respectively. Cash provided by financing activities in the six-month periods ended May 31, 2007 and 2006 was \$827,888 and \$1,669,418

respectively. Cash provided by financing activities in the three and six month periods ended May 31, 2007 resulted principally from receipt of funds related to partial proceeds advanced to the Company in relation to the equity financing related to the Company's going public transaction. Cash provided by financing in the three and six month periods ended May 31, 2006 resulted from numerous sources, including loans from shareholders, the issuance of notes payable, the issuance of convertible and the issuance debentures. In the six month period ended May 31, 2006, there was also a significant cash contribution by way of an equity financing.

In the three months ended May 31, 2007 and 2006, cash generated by / (used in) investing activities was \$367,229 and \$(71,000) respectively. In the six months ended May 31, 2007 and 2006, cash generated by / (used in) investing activities was \$597,362 and \$(71,000) respectively. Cash generated by investing activities in the three and six months ended May 31, 2007 was primarily the result of payments received on sales-type leases. Cash used in investing activities in the three and six months ended May 31, 2006 was related to the purchase of equipment for sales-type leases related to the deployment of a major customer contract.

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 2007	2008 – 2009	2010 – 2011	2012	After 2012
Long-term debt	\$ 2,768,495	\$ 2,707,112	\$ 61,383	\$ -	\$ -	\$-
Lease obligations						
Capital Leases	1,741,384	519,233	1,222,151	-	-	-
Operating Leases	1,007,933	99,173	351,484	333,644	167,769	55,923
Total contractual obligations	5,517,812	3,325,518	1,635,018	333,644	167,769	55,923

Management is of the opinion that its cash flow and financing provided by the financing in conjunction with the proposed acquisition transaction outlined in this document 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 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 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 May 31, 2007.

Proposed Transactions

GuestLogix does not have any proposed transactions to discuss at this time, other than the transaction which is described (and in the subsequent event note, note (20(c)) to the financial statements: 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). 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.

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.

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).

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 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.

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

Share Capital

As at May 31, 2007, GuestLogix had issued and outstanding 7,022,526 common shares.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

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 May 31, 2007. Management has concluded that, as of May 31, 2007, 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 May 31, 2007 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, investment tax credit receivable, accounts payable and accrued liabilities, capital lease obligations, 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 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 does not use derivative instruments to minimize its exposure to foreign currency risks.

GuestLogix is exposed to market risks relating to:

Foreign Exchange

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 starting in the three month period ending September 30, 2006 are transacted in U.S. Dollars 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 use derivative instruments to hedge against foreign exchange risk.

Interest Rate

Restricted cash is invested in certain instruments of varying maturities. 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.

Changes in Accounting Policies

(i) Financial Instruments

On December 1, 2006, GuestLogix adopted CICA Handbook Sections 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments _ Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865, "Hedges", 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 identifies 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 period as for those related to the hedged item.

Under 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, net finance receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, obligation under capital lease, notes payable, convertible loans from shareholders, and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

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 increase in the retained earnings of GuestLogix. 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, GuestLogix 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 GuestLogix' financial position and results of operations.

(iii) Conditional Asset Retirement Obligations

Effective December 1, 2005, GuestLogix adopted the Emerging Issues Committee Abstract 159 "Conditional Asset Retirement Obligations" ("EIC-159"). A conditional asset retirement obligation is an obligation associated with the retirement of a long-lived asset where the timing and/or method of settlement are conditional on a future event. To address the issue of when to recognize such an obligation, the Committee reached a consensus that a liability be recognized at fair value when the fair value of the obligation can be reasonably estimated. Should the fair value of the obligation not be reasonably

estimable, this fact and its reason(s) are to be disclosed. The adoption of this standard did not have any impact on the Company's financial statements.

(iv) Stock-based compensation for employees eligible to retire before the vesting date

Emerging Issues Abstract 162, Stock-based Compensation for Employees Eligible to Retire Before the Vesting Date ("EIC-162"), addresses how compensation cost should be accounted for in the case of stock-based award that contains provisions that allow for the option to continue vesting in accordance with the stated vesting term after the employee has retired from the entity when the grantee is an employee who is eligible to retire during the vesting period. EIC 162 requires the reporting enterprise to consider the substantive vesting period rather than the state vesting terms. The abstract is to be retroactively applied, with restatement of prior periods, to all stock-based compensation awards accounted for in accordance with CICA Handbook Section 3780 in financial statements issued for interim and annual periods on or after December 31, 2006. The adoption of this standard on December 1, 2006 did not have an impact on the financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

1. In July 2006, CICA revised Handbook Section 1506, Accounting Changes, which require that voluntary changes in accounting policy are made only if they result in the financial statements providing more reliable and more relevant information and that material prior period errors are corrected retrospectively. The Section applies to annual fiscal periods commencing on or after January 1, 2007. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

2. The CICA issued Handbook Section 1535, Capital Disclosures, which provides standards for disclosures regarding the company's capital and how it is managed. Enhanced disclosure with respect to the objective, policies and processes for managing capital and quantitative disclosures about what a company regards as capital are required. These recommendations are effective for fiscal years beginning on or after October 1, 2007, and therefore, GuestLogix will be required to implement these standards on December 1, 2007. GuestLogix is evaluating the impact of this standard on the consolidated financial statements.

Variable Interest Entities

In October 2005, EIC-157 "Implicit Variable Interests under AcG-15" was issued which clarifies that a reporting enterprise should consider whether it holds an implicit variable interest in a VIE or potential VIE. The Committee also reached a consensus that the determination of whether an implicit variable interest exists should be based on whether the reporting enterprise may absorb variability of the VIE or potential VIE. This EIC is effective for fiscal years beginning on or after January 1, 2006. GuestLogix does not have any VIEs and therefore this standard is not applicable to GuestLogix.

Conditional Asset Retirement Obligations

In December 2005, the EIC released abstract EIC-159, “Conditional Asset Retirement Obligations”. A conditional asset retirement obligation is an obligation associated with the retirement of a long-lived asset where the timing and/or method of settlement are conditional on a future event. To address the issue of when to recognize such an obligation, the Committee reached a consensus that a liability be recognized at fair value when the fair value of the obligation can be reasonably estimated. Should the fair value of the obligation not be reasonably estimable, this fact and its reason(s) are to be disclosed. This EIC is effective for fiscal years beginning on or after January 1, 2006. GuestLogix does not anticipate this EIC to have any impact on its results or financial position.

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.

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 or results of operations could be materially harmed.

Additional Information

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