

2011

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

FOR THE THREE AND NINE-MONTH PERIODS ENDED AUGUST 31, 2011

Dated: October 13, 2011

Management's Discussion and Analysis

The following is a discussion and analysis of the consolidated financial position, results of operations and cash flows of GuestLogix Inc. for the three- and nine-month periods ended August 31, 2011 and should be read in conjunction with the consolidated financial statements and accompanying notes for such period. The effective date of management's discussion and analysis ('MD&A') is October 13, 2011. 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. The discussion and analysis in this Management's Discussion and Analysis ('MD&A') is based on information available to management as of October 13, 2011.

ADDITIONAL INFORMATION

Additional information related to the Company including our most recently completed Annual Information Form ('AIF') is available on SEDAR at www.sedar.com.

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 February 28, 2011. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond GuestLogix' control. Although GuestLogix believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. GuestLogix has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

[GUESTLOGIX' BUSINESS]

Founded in 2002, GuestLogix Inc. ('GuestLogix' or the 'Company') provides transaction processing services that enable passenger travel operators to seamlessly process ancillary revenues on a global basis, at all travel touch-points, in a fully secure and compliant manner. The Company helps operators create, manage and control their branded onboard stores, which are tailored to the needs of operators and to the needs of their passengers. GuestLogix enables access to operators' branded onboard stores at any touch-point throughout a passenger's travel journey. Through its OnTouch® technology and merchandising platforms, the Company has partnered with leading global product and service providers to provide ready-made, travel-relevant, destination-based offerings to passengers, while helping operators enhance the overall passenger travel experience. By linking travel operators, their passengers and global product and service providers, the Company has created the largest connected marketplace for ancillary revenues in the passenger travel and entertainment industries. Many of the world's leading airline brands currently rely on GuestLogix to serve their passengers, including American Airlines, Delta Air Lines, United/Continental Airlines, US Airways, Southwest Airlines, British Airways, KLM Royal Dutch Airlines, Ryanair, Qantas Airways and WestJet.

GuestLogix' core business model and solution offering is comprised of:

- Transaction Processing
- Onboard Store Technology
- Onboard Merchandising Solutions
- Advertising Access and Technology
- Data Analytics

To meet its customers' needs, in 2009 the Company introduced its OnTouch® technology and merchandising platform. With its flexible and comprehensive functionality, OnTouch® has been developed to anticipate the future requirements of travel operators. OnTouch® is a truly mobile platform that can extend to all areas of a travel operator's enterprise as well as deliver an enhanced experience to the traveler. OnTouch® also enables customers to operate branded Onboard Stores which are defined by origin and destination allowing for a merchandising strategy that focuses on the uniqueness of a specific travel journey.

The OnTouch® platform enables operators to populate their Onboard Stores with destination-specific offerings in the following categories:

- OnTouch® Ground Connections – to arrange and purchase destination-based ground transportation
- OnTouch® Box Office – to order and purchase destination-based theatre, concert and other event tickets
- OnTouch® Shopping & More – to order and purchase products and services through in-flight catalogue
- OnTouch® Travel Concierge – mobile-based application services with integrated flight details, and travel-relevant content
- OnTouch® Destination Deals – mobile platform providing deeply-discounted, time-sensitive content based on passengers' travel profiles

To support its OnTouch® platform, in 2010 the Company commenced development of the industry's first comprehensive analytics platform, OnTouch® Analytics. The platform enables sophisticated business intelligence capabilities to help onboard retailers maximize the utilization of new and existing information in order to effectively manage and control their Onboard Stores. OnTouch® Analytics uses a leading-edge framework to deliver relevant, accurate and actionable information to any carrier who has implemented the new analytics platform. While it acts as a complementary tool to the overall OnTouch® platform, GuestLogix is able to implement the OnTouch® Analytics platform into any carrier environment independent of their onboard retailing solution.

The expected benefits of OnTouch® Analytics include: (i) enhancement to core solution for increased customer satisfaction; (ii) greater visibility over retail operations to maximize onboard performance; and (iii) additional revenue stream to GuestLogix as additional modules are implemented. Of eight proposed modules, the first OnTouch®

Analytics module has been successfully implemented into several carrier environments and will continue to be rolled out to GuestLogix' client base throughout 2011.

GuestLogix' unique business model generates a secure revenue stream. The Company receives a transaction fee each time a travel operator uses the solution. Our agreements with the travel operators contain contractual minimum monthly payments, with an obligation to a contracted multi-year minimum amount of transactions. The Company's revenue model requires no capital outlay by the customer, reducing the financial impact of the initial implementation into each enterprise, yet enabling GuestLogix to have longer-term security in revenue performance. As a result, GuestLogix is able to implement its full solution into any travel operation with no upfront costs to the operator. In addition, the Company has formed its own portfolio of global vendors providing services in 200 cities around the world, representing the potential to generate additional revenue through revenue sharing agreements.

[GROWTH STRATEGY]

With more than 1 billion annual passenger trips currently exposed to the GuestLogix platform, the Company's strategy is to continue to drive an increase in the number and value of transactions processed through its OnTouch® technology platform. Through continuous efforts to grow its global footprint in its current air and rail markets, as well as new markets in the travel and entertainment industries, growth is expected to come from advancing the core OnTouch® platform to provide travel companies with new ways to engage travelers and ultimately generate new, high-margin and sustainable revenues. The Company's mission is to strengthen the onboard experience as well as extend the retail opportunities to other travel touch points.

LEVERAGING PROVEN SUCCESS – ONBOARD

Grow market share through new carrier deployments

GuestLogix will leverage its proven success by integrating its solution into additional carriers in current and new geographic markets. The two key areas will be Asia Pacific and North American regional carriers, via our existing relationships.

Asia-Pacific remains a large new market opportunity as many carriers in the region have yet to implement onboard retail technology. With the increased presence of the low-cost carrier (LCC) market in Asia, and an overdue requirement for onboard technology, GuestLogix will continue its aggressive growth efforts in the region through:

- **Strategic Channels** – the Company is the preferred retail technology provider to both Inflight Sales Group (represents access to 156M passenger trips annually) and Alpha Flight Services (represents access to 69M passenger trips annually)
- **Physical Presence** – the Company will be supporting several of its current deployments including Qantas Airways and Garuda Indonesia with an increased regional management and client service presence to be implemented during the balance of 2011 and early 2012
- The majority of the North American airline market not serviced by the Company is comprised predominantly of regional airline operators owned by mainline airlines already in GuestLogix' current customer base. GuestLogix is confident that the relationships it has built with its current client base will generate new agreements with these regional airlines.

Increased number of transactions and transaction value

Organic growth can also be achieved through increased revenues from the Company's current customer base. North American travelers, who represent the largest portion of the Company's customer base, are more conditioned to

spend money onboard. GuestLogix continues to aggressively trial new product offerings in each of its OnTouch® Merchandising categories to generate further organic revenue growth.

Access to the Onboard Store beyond the Point-of-Sale ('POS') handheld device

The handheld POS device has always been considered simply one means of access to the GuestLogix solution. The Company is working with several leading technology providers to enable new access points to the Company's Onboard Store. These self-service models include in-flight entertainment systems (both seatback screens and portable versions) as well as in-flight entertainment driven through Wi-Fi enabled portals delivered to passengers' devices onboard. GuestLogix is in various stages of integrating payment capabilities as well as developing greater retail capacity with several players within the In-flight Entertainment and Connectivity sector. This effort has the potential to add additional revenue streams to the Company.

Retailing on the rails

The rail travel sector has numerous similarities to the airline industry, and GuestLogix' current rail clients have provided the Company with the experience required to penetrate further into this market. The Company will continue to leverage its current channel partnerships and rail industry contracts to build revenues in this market, specifically in the European rail sector as it represents passenger trips in excess of 6.0 billion annually.

LEVERAGING PROVEN SUCCESS – OFF BOARD

Extending platform access to other access points off board

GuestLogix believes that the Airline industry's focus on growing ancillary revenue streams will continue to generate new revenue opportunities throughout the entire travel cycle. The OnTouch® Technology platform is ready for use as a multi-functional mobile platform enabling the integration of both retailing and non-retailing applications to support a comprehensive mobile strategy. As the OnTouch® Technology platform was developed for 'retailing-on-the-move', the GuestLogix Solution is well positioned for increased usage within any travel operation.

Whether at home, on the transfer to the airport, at the airport, onboard, at their destination and throughout the cycle again on the return trip, there are several opportunities to generate revenue. The GuestLogix solution is well positioned to be leveraged by the airlines into these new areas in order to speed their time-to-market. The OnTouch® Technology and Merchandising Platforms have been developed to operate as an eCommerce platform and mobile platform in addition to its current use as an onboard platform. GuestLogix is confident in the potential expansion from onboard to off board, and its ability to develop OnTouch® platforms with the highest certification standards in the industry.

As an example, GuestLogix is evaluating the integration of its OnTouch® Technology and Merchandising platforms into standalone kiosks for use by Airlines pre- and post-flight in the airport as well as by other ground-based travel operators.

Connecting flights. Airports represent significant opportunity

GuestLogix is working with airport operators to enable the sale of destination-based products and services at airports through its OnTouch® Technology and Merchandizing platforms beyond standard duty-free products and food services. Targeted airports include Dallas Ft. Worth International, New York (JFK, LGA, EWR), London (LHR, LGW, LTN, STN), Chicago (ORD, MDW) and Los Angeles International which represent a total of 430 million passengers annually. The airport opportunities are subject to a long sales cycle due to the multi-tiered structure of the airport organizations which leads to complex negotiations.

[OUTLOOK]

The Company currently generates the bulk of its revenues from the global airline industry. The International Air Transportation Association ("IATA") recently released its Airline industry profit forecast for 2012 and is expecting a 30% drop in industry profits compared to 2011 with net margins at just below 1%. Weak economic growth in debt-burdened western economies and the economic crisis in Europe are the primary drivers behind the reduced profitability forecast. While the Asia Pacific region expects to maintain their 2012 profits close to 2011 levels, the rest of the industry will see declining profitability. Fuel is estimated to comprise approximately 32% of airline costs in 2012, and volatile fuel prices remain one of the industry's most significant challenges.

As a result, demand growth rates for passenger markets are expected to slow in 2012. Passenger demand is expected to grow by 4.6% in 2012, slower than the 5.9% projected for 2011. The number of price sensitive leisure travelers has fallen over the past several months as travel costs were forced higher by fuel prices and, in Europe, by new passenger taxes. Although fuel prices are expected to fall slightly in 2012, the effects of hedging will increase the fuel bill as a percentage of airline costs, leading to a potential rise in ticket pricing. GuestLogix believes that, with reduced profitability forecasts, airline carriers will continue to seek ways to generate ancillary revenues to offset these cost pressures.

Although the industry's profitability forecast remains weak for the remainder of 2011 and the first half of 2012, over the long term the Company expects it will benefit as existing and prospective customers drive improved financial performance through the provision of enhanced travel-related services. The Company's OnTouch® Technology and Merchandising Platforms facilitate the provision of these services through ancillary revenue offerings that add value to the passengers total travel experience.

[RECENT DEVELOPMENTS]

OnTouch® Retail Technology Platform Deployments

- Deployed platform across US regional carrier network

OnTouch® Merchandising Platform

- Deployed OnTouch® onboard leading international, Asia-Pacific-based airline
- Signed agreement with Luxury tour expert, Experience Paris
- Signed agreement to offer Eat and Play Cards, which provide travelers with significant savings on dining, entertainment and shopping onboard flights to Orlando
- Subsequent to quarter end, signed agreements to offer tickets for events and attractions offered by VisitBritain and Merlin Entertainments

Channel Partnerships

- Entered a partnership with Skytrac, a foodservice and distribution provider to rail and travel operators in the United Kingdom

Corporate Enhancements

- Opened GuestLogix U.S.A.'s permanent office in Dallas, Texas to provide US-based client sales, services and support, which will allow us to better leverage our existing client relationships and strengthen our position in the Americas
- Strengthened presence in Europe, establishing a European head office, located in Bracknell, just outside London. Once fully staffed, this location will provide similar sales, services and support to our European clients as that provided through Dallas to our Americas clients

[RESULTS OF OPERATIONS]

The table below sets out the statement of operations for the three- and nine-months ended August 31, 2011 and August 31, 2010:

	Three months ended Aug 31,		Nine months ended Aug 31,	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Consolidated Statements of Operations Data:				
REVENUE	\$ 6,226,699	\$ 6,803,495	\$ 18,727,041	\$ 19,260,880
OPERATING EXPENSES				
Cost of equipment sales	875,603	1,074,816	2,590,203	3,055,444
Research and development	471,043	196,079	1,269,543	670,674
Customer delivery and support	282,221	548,287	940,622	1,552,230
Infrastructure support	1,489,935	1,368,744	4,563,331	3,440,955
Sales and marketing	557,915	493,160	1,609,670	1,560,374
General and administrative	1,141,208	1,524,691	3,027,444	3,656,835
Stock-based compensation	123,000	95,000	369,000	289,580
Amortization of capital assets deployed	1,182,614	1,322,153	3,633,875	3,912,889
Amortization of equipment	47,291	24,090	108,681	68,530
	6,170,830	6,647,020	18,112,369	18,207,511
INCOME FROM OPERATIONS	55,869	156,475	614,672	1,053,369
Other income (expenses)				
Foreign exchange gain (loss)	122,334	170,299	(68,915)	22,956
Interest earned	3,078	6,428	7,432	19,274
Interest expense (note 6)	(65,940)	(105,883)	(231,739)	(366,411)
Term loan interest and fees (note 7)	(15,128)	(88,453)	(75,407)	(284,849)
	44,344	(17,609)	(368,629)	(609,030)
NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD	\$ 100,213	\$ 138,866	\$ 246,043	\$ 444,339
Supplementary Financial Data				
Basic and diluted earnings per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Weighted average number of common shares used in basic earnings per share	64,856,611	63,948,437	64,844,667	63,947,051
Weighted average number of common shares used in diluted earnings per share	65,120,105	65,924,972	65,353,650	66,010,065
EBITDA¹	1,285,774	1,502,718	4,357,228	5,034,788

	August 31, 2011	November 30, 2010
Consolidated Balance Sheets Data		
Cash and cash equivalents		
excluding restricted cash and cash equivalents	\$ 7,661,237	\$ 8,847,386
Working capital	\$ 7,912,600	\$ 6,635,232
Total assets	\$ 32,004,258	\$ 37,827,115
Long-term liabilities, excluding current portion	\$ 5,086,220	\$ 8,911,172
Total shareholders' equity	\$ 15,722,338	\$ 15,059,250

¹ Earnings before interest, taxes, depreciation, amortization and foreign exchange ('EBITDA') is a financial metric used by many investors to evaluate companies in this industry on the basis of operating results and the ability to incur and service debt. EBITDA does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The disclosure of EBITDA is not intended to replace, but only augment, the discussion of financial results from operations or cash flows.

[GROSS TRANSACTION VALUE]

Gross transaction value ('GTV') is the measure of the total amount of goods and services transacted by GuestLogix' clients through the GuestLogix platforms. Gross retail transaction revenue processed was down slightly quarter over quarter from \$151,043,834 in the second quarter to \$148,073,918 in the third quarter of 2011. The slight decline is due to a travel and tour operator client that experiences slow sales during the summer months. Year over year growth was 14% from \$130,220,733 for the three-months ended August 31, 2010 to \$148,073,918 for the third quarter of 2011, primarily due to a higher deployed client base in 2011.

YOY Growth (*\$ millions*)

Q3-2010	CAD 130
Q3-2011	CAD 148

Sequential Growth (*\$ millions*)

Q2-2011	CAD 151
Q3-2011	CAD 148

[COMPARISON OF THE THREE- AND NINE-MONTHS ENDED AUGUST 31, 2011 AND 2010]

REVENUE

The Company experienced a 9% decline in revenue in the quarter and a 3% decline for the nine-months ended August 31, 2011 primarily the result of unfavourable exchange rate fluctuations in the U.S. Dollar, Euros, AUD \$ and Sterling when compared to the rates in the prior year periods. For the three- and nine-months ended August 31, 2011, the Company would have realized \$248,057 and \$692,565 in additional revenues if not for unfavourable exchange rate fluctuations when compared to the rates as at November 30, 2010. The Company does not currently use derivative instruments to hedge against foreign exchange risk.

OPERATING EXPENSES

The cost of equipment sales, which includes hand-held devices, peripheral equipment and accessories used by clients to support the OnTouch® technology platform, has declined in 2011 due to a drop in equipment sales for the third quarter of 2011 compared to 2010.

The increase in research and development expense in 2011 relates to the Company's continued investments in the development of its OnTouch® technology platform. In addition, resources were reallocated in December 2010 from customer delivery and support to research and development. Personnel costs, including benefits, accounted for approximately 80% of the total expense during both periods.

Customer delivery expenses are related to placing the software solution into production at the client site, including development and software change orders. Personnel costs accounted for over 95% of the expenses in both periods. The decrease is due to a reallocation of resources in December 2010, in which resources from customer delivery and support were moved to other departments, including research and development and infrastructure support.

Infrastructure support costs are related to the Company's information technology operations and hand-held device management and include third-party outsourced costs. The increase in 2011 has been driven by growth in volumes and the third-party costs related to processing and hosting of client data. In addition, resources were reallocated in December 2010 from customer delivery and support to infrastructure support.

General and administrative expenses for the three- and nine-months ended August 31, 2011 decreased compared to the prior year. Personnel costs totaled \$400,284 for the three-months ended August 31, 2011 compared to \$237,039 for the same period in 2010. For the nine-month periods ended August 31, 2011 and 2010, personnel costs were \$1,182,136 and \$673,093 respectively. Legal fees, which consist primarily of expenditures incurred to defend the Company's intellectual property, amounted to \$188,376 for the three-month period ended August 31, 2011 compared to \$446,127 for the same period in 2010, a decrease of 58%. For the nine-month periods ended August 31, 2011 and 2010, legal fees were \$448,302 and \$1,219,104 respectively.

Our investment in the OnTouch® merchandising service and other new product and service initiatives continued to grow in the quarter. Total costs relating to OnTouch® and other new initiatives were \$792,516 during the quarter (2010 - \$595,939), with personnel costs comprising approximately 76% of the total expenses (2010 - 84%). During the three-months ended August 31, 2011, costs totaling \$626,348 were capitalized as deferred development costs relating to OnTouch® and other new initiatives (2010 - \$221,979), while the remaining \$166,168 were expensed within the various expense categories (2010 - \$373,960).

Stock-based compensation expense for the three- and nine-months ended August 31, 2011 rose due to a greater number of stock options granted in 2011 compared to the same periods in 2010.

Amortization of capital assets deployed recognizes the cost of the point-of-sale hand-held devices deployed to clients against the transaction-based revenues earned from those clients. The cost is recognized over the initial term of the contract, usually ranging from three to five years. Amortization has declined in 2011 due to a decrease in new deployed clients compared to 2010.

OTHER INCOME AND EXPENSES

Foreign exchange gains or losses are driven by the growing volume of overseas business denominated in Euros, Sterling, AUD \$, and U.S. Dollar and the relative strength of the Canadian dollar.

Interest expense has decreased in 2011 due primarily to the decline in outstanding lease obligations throughout the nine-month period ended August 31, 2011.

Term loan interest and fees relate to charges on the non-revolving financing facility which was repaid in full in January 2011, and the new term loan agreement entered into at the same time. The decrease in 2011 is due to the repayment of the non-revolving financing facility in January.

[LIQUIDITY AND CAPITAL RESOURCES]

The table below outlines a summary of cash inflows and outflows by activity.

Statements of Cash Flows Summary:	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Cash inflows and (outflows) by activity:				
Operating activities	\$ 1,229,952	\$ 866,812	\$ 2,226,056	\$ 3,886,540
Investing activities	(621,702)	(1,111,851)	(1,132,066)	(2,429,857)
Financing activities	(564,586)	(963,418)	(2,280,139)	(2,115,143)
Net cash inflows (outflows)	43,664	(1,208,457)	(1,186,149)	(658,460)
Cash and cash equivalents, beginning of period	7,617,573	9,985,677	8,847,386	9,435,680
Cash and cash equivalents, end of period	\$ 7,661,237	\$ 8,777,220	\$ 7,661,237	\$ 8,777,220
Cash	\$ 3,637,236	\$ 3,516,974	\$ 3,637,236	\$ 3,516,974
Short-term deposits up to 90 days	\$ 4,024,001	\$ 5,260,246	\$ 4,024,001	\$ 5,260,246

As at August 31, 2011 and November 30, 2010, GuestLogix had cash and cash equivalents totaling \$7,661,237 and \$8,847,386 respectively. Including restricted cash and cash equivalents the amounts were \$8,639,637 and \$11,463,386.

In the three-month period ended August 31, 2011, cash generated by operating activities increased 42% compared to the same quarter in 2010. For the nine-month period ended August 31, 2011, cash generated by operating activities was down by 43% compared to the same period in 2010. Cash generated by operating activities for the three- and nine-month periods ended August 31, 2011 was primarily the result of positive operating income and a decrease in accounts receivable, reduced by increases in prepaid expenses, inventory and net deferred revenue, and a decrease in accounts payable and accrued liabilities, offset by increases relating to add backs of non-cash expenses including amortization of capital assets deployed, amortization of deferred cost of equipment sales, and stock-based compensation expense.

Cash used in investing activities was down 44% during the quarter ended August 31, 2011 compared to the same quarter in 2010, and was the result of additions to equipment and development costs incurred, offset by a decrease in restricted cash. For the nine-month period ended August 31 2011, cash used in investing activities was down 53% from the same period in 2010 and was due to capital assets purchased for deployment, additions to equipment and development costs incurred, offset by a decrease in restricted cash.

For the three- and nine-month periods ended August 31, 2011, cash used in financing activities decreased 41% and increased 8% respectively compared to the same periods in 2010. Cash used in financing activities during the three- and nine-months ended August 31, 2011 was primarily the result of principal repayments on outstanding capital lease obligations and the term loan, and the repurchase of common shares for cancellation, offset by proceeds from the exercise of stock options and warrants, and proceeds from capital lease sale and leaseback.

GuestLogix' principle sources of liquidity going forward are expected to be cash provided from operations and the issuance of debt to finance the point-of-sale hand-held devices deployed as part of its technology platform solution.

[SUMMARY OF UNAUDITED QUARTERLY RESULTS]

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended August 31, 2011 as prepared in accordance with GAAP. The information has been derived from our unaudited financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the years ended November 30, 2010 and 2009 and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented. All financial results are in thousands, unless otherwise stated, with the exception of per share amounts.

<i>In thousands</i>	2011			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$6,227	\$6,111	\$6,390	\$6,461	\$6,803	\$6,437	\$6,021	\$5,190
Net Income (Loss)	\$100	\$189	(\$43)	\$160	\$139	\$53	\$253	\$208
Basic and Diluted Earnings (Loss) per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

[COMMITMENTS AND CONTRACTUAL OBLIGATIONS]

GuestLogix is committed under the terms of an operating lease for its premises ending on April 30, 2015. The Company is also committed to future minimum lease payments for both operating and capital leases on computer equipment, and capital leases on its hand-held point-of-sale devices.

	Total	2011	2012	2013 and Beyond
Lease obligations:				
Capital leases	\$3,001,145	\$596,376	\$1,734,550	\$670,219
Operating leases	1,304,758	93,880	429,630	781,248
Total contractual obligations	\$4,305,903	\$690,256	\$2,164,180	\$1,451,467

Management is of the opinion that existing cash, cash flow and financing provided through debt and lease financing provides GuestLogix with sufficient resources to finance ongoing business requirements and its planned capital expenditure program in the near term. Additional details concerning financing are set out in the notes to the GuestLogix interim consolidated financial statements.

[CAPITAL RESOURCES]

The Company does not expect to make significant capital expenditures for equipment in the near future. However, the Company expects to continue to make capital expenditures to purchase point-of-sale devices for customer deployments within the Americas, EMEA and the Asia-Pacific regions. The Company intends to enter into capital leases or debt facilities on an ongoing basis to finance the acquisition of these point-of-sale payment devices. The Company expects to be cash flow positive throughout 2012 and will evaluate the necessity of further debt financing to support its 2012 deployments. GuestLogix has invested in and developed an information systems infrastructure that will scale to meet the majority of its anticipated market requirements and therefore expects to make minimal capital expenditures other than for the point-of-sale devices to finance generic business growth.

[INCOME TAXES]

The Company has non-capital losses available for carry-forward to reduce future years' income for tax purposes totaling \$4,669,840.

[OFF BALANCE SHEET ARRANGEMENTS]

As at August 31, 2011, the Company had no off-balance sheet arrangements.

[PROPOSED TRANSACTIONS]

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

[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 and entertainment industries. All significant equipment is located in Canada except for the point-of-sale hand-held devices which are deployed to the customer locations. During the three- and nine-months ended August 31, 2011, \$4,539,347 and \$13,783,893 of the Company's revenue (2010 - \$5,201,604 and \$14,760,261) was derived from North America, while the remainder of \$1,687,352 and \$4,943,148 (2010 - \$1,601,891 and \$4,500,619) was derived primarily from Europe, the Middle East and Asia-Pacific.

During the three- and nine-months ended August 31, 2011, the five top customers accounted for 57% and 58% of the total revenue respectively (2010 - 62% and 62%).

[OUTSTANDING SHARE DATA]

As at August 31, 2011, GuestLogix had issued and outstanding 64,828,890 common shares, 5,167,513 stock options with exercise prices ranging from \$0.47 to \$1.80 per share, and 1,267,527 share purchase warrants with exercise prices ranging from USD \$0.726 to USD \$0.907 per share.

[CONTINGENCIES]

The Company is involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if they are considered likely to result in a loss and the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated.

In April 2010, the Company filed a complaint against two former employees and a third-party alleging, among other things, misappropriation of the Company's confidential information and seeking compensatory damages and injunctive relief. The corporate defendant counterclaimed alleging, among other things, misappropriation of the corporate defendant's confidential information and is seeking compensatory damages.

In July 2010, the Company filed a complaint against a former customer alleging, among other things, breach of contract and is seeking compensatory damages. The defendant counterclaimed, alleging, among other things, breach of contract and is seeking compensatory relief.

Neither the potential liability nor the outcomes of these legal actions are reasonably determinable at this time, and as such no provision has been accrued for the settlement of the claims, if any.

[CONTROLS AND PROCEDURES]

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, are responsible for establishing and maintaining effective disclosure controls and procedures for the Company as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. Management has concluded that as of August 31, 2011, such disclosure controls and procedures are 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. A control system no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, are responsible for establishing and maintaining effective internal control over financial reporting as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. Because of its inherent limitations, internal control over financial reporting may have material weaknesses and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As at August 31, 2011, the Company's management evaluated the effectiveness of internal control over financial reporting. Based on their evaluation, the Company's management has concluded that internal control over financial reporting is effective.

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

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

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

There have been no substantial changes in the Company's internal control over financial reporting during the period that have materially affected, or are reasonably likely to materially affect, the Company's control over financial reporting.

COMPLEX AND NON-ROUTINE TRANSACTIONS

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

To address this risk, the GuestLogix finance staff will consult with their third-party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit will be completed and presented to the Audit Committee of GuestLogix for its review and approval. During audits, material misstatements detected will be corrected by GuestLogix.

[INTERNATIONAL FINANCIAL REPORTING STANDARDS]

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly accountable profit-oriented enterprises to use International Financial Reporting Standards ('IFRS'), replacing Canadian GAAP for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will commence reporting in IFRS in the first quarter of the 2012 fiscal year, with comparative figures.

The Company is using a four-phase approach to ensure successful conversion to IFRS, including:

- diagnostic impact assessment;
- design and planning;
- solution development; and
- implementation.

The Company has performed the diagnostic assessment, designed a detailed IFRS conversion plan, and is currently in the process of implementing its solution. An education process for management and the board of directors has also commenced, including evaluating the effect of the new standards on its consolidated financial statements. Determination of the key differences between IFRS and the Company's accounting policies has been completed, including an evaluation of the main potential impact on its business practices, systems, disclosure controls and procedures, and internal controls over financial reporting.

The Company has identified five major areas to date that will impact the consolidated financial statements under IFRS, including:

- change in functional currency,
- reporting expenses either by nature or by function on the statement of operations,
- revenue recognition,
- stock based compensation, and
- first time adoption of IFRS (IFRS 1).

The Company has completed accounting policy memorandums on key differences which have been reviewed by third-party experts. As a result of these differences, the Company has identified a need to upgrade its current financial accounting system. A service provider has been selected to assist with implementing an Enterprise Resource Planning ('ERP') system. The implementation is currently in progress, with an expected go-live date of December 1, 2011.

[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES]

REVENUE RECOGNITION

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

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

Management has determined that the deliverables in these arrangements generally do not have value to its customers on a stand-alone basis. In addition, vendor-specific and entity-specific objective evidence, as defined by EIC 142, of the fair values of the items with multiple deliverables is not available as the items generally are not sold separately by the Company, nor are there comparable vendors for these products in the marketplace. In some cases, the Company makes hardware-only sales without any other deliverables. In these instances customers have opted not to sign contracts with the Company. Revenue in these instances is recognized when hardware is delivered and accepted by customers.

Some customers elect to purchase the equipment outright at the commencement of an arrangement. In these instances the Company recognizes the revenue and the associated cost of equipment rateably over the initial term of the arrangement.

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

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

GuestLogix also earns revenues from professional services and software hosting and support services. Where the arrangement is based on an hourly rate, the fair value of the professional services is recognized as the services are performed, based on the agreed hourly rate. Revenue from a fixed price professional services contract is recognized

on a proportional performance basis, which requires GuestLogix to make estimates and is subject to the risks and uncertainties inherent in projecting future events. A number of internal and external factors can influence estimates, including the nature of the services being performed, the complexity of the customer's environment and the utilization and efficiency of GuestLogix' professional services team. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts giving rise to the revision become known. Should there be an insufficient basis to estimate the progress towards the completion, revenue is recognized when the project is complete or when the Company receives final acceptance from the customer. Revenues from software hosting and support services are recognized in accordance with EIC 141, when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collection is reasonably assured.

RESEARCH AND DEVELOPMENT EXPENSES

Research costs are expensed as incurred. Research and development costs are recorded net of investment tax credits, where applicable. Costs related to the design and development of software solutions are expensed as incurred unless they meet the criteria, under Canadian GAAP, for deferral and amortization. The Company capitalizes development costs incurred subsequent to establishing technological feasibility to the extent that their recovery can reasonably be regarded as assured. Amortization of development costs commences with commercial production or use of the product or process.

FINANCIAL INSTRUMENTS

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and term loan.

Cash and cash equivalents and restricted cash and cash equivalents are classified as held-for-trading, which require the financial instruments to be measured at fair value and the changes in fair value are recorded in the consolidated statements of operations. The carrying value of these instruments approximates its fair value due to its short-term nature.

Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, obligations under capital leases and term loan are classified as other financial liabilities and are measured at amortized cost.

CAPITAL ASSETS DEPLOYED

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

FOREIGN CURRENCY TRANSLATION

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

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for all stock-based compensation. The Company grants stock options to directors, officers, employees and consultants of the Company pursuant to the stock option plan.

Compensation expense is recognized for stock options based on the fair value of the options at the grant date. The fair value of the options granted to employees, officers and directors is recognized over the vesting period of the options as stock-based compensation expense as a separate line item on the consolidated statements of operations. The fair value of the options granted to consultants is recognized over the period of services rendered as stock-based compensation expense. If the stock options are exercised, the proceeds received are credited to common shares.

The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yield, expected stock price volatility, expected time until exercise and risk free interest rate. The Company has assumed no forfeiture rate and adjustments for actual forfeitures are made in the year they occur. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on conditions outside of the Company's control. If other assumptions are used, stock-based compensation could be significantly impacted.

DEFERRED REVENUE

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

Deferred equipment sales revenue arises when customers purchase the equipment outright at the commencement of the arrangement. Deferred revenue is recognized as income monthly, on a straight line basis over the initial term of the respective arrangements.

Deferred license revenue is present where a software license is sold, in advance, covering a specific term into the future. Deferred revenue is recognized as income monthly, on a straight line basis over the terms of the respective arrangements.

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

LEASES

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

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian GAAP 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 reporting periods. Financial statement items subject to significant management judgment include revenue recognition, the allowance for doubtful accounts, the valuation of capital assets deployed, warrant valuation, future income taxes and the valuation of stock-based compensation. While management believes that the estimates and assumptions are reasonable, actual results may differ.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments with maturities of up to 90 days at the time of issuance to be cash equivalents.

Included in cash and cash equivalents is:

	August 31, 2011	November 30, 2010
Cash	\$ 3,637,236	\$ 5,267,508
Short-term deposits	4,024,001	3,579,878
	\$ 7,661,237	\$ 8,847,386

[FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS]

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and term loan. There are no significant differences between the carrying amounts of the items reported on the consolidated balance sheet and their estimated fair values.

[RISK FACTORS]

CREDIT RISK

GuestLogix is currently dependant on a number of large customers in Europe and the United States. At the period end, the top five (5) accounts receivable balances comprised approximately 58% (November 30, 2010 - 74%) of the total accounts receivable. As GuestLogix expands its offerings and increases distribution of its products, management anticipates the dependency on these customers to decrease and its accounts receivable and contract risks to also be moderated. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The allowance as at August 31, 2011 was \$250,000 (November 30, 2010 - \$150,000)

The following table provides information regarding the aging of accounts receivable. Balances over 60 days are past due, but are not impaired:

As at August 31, 2011:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
\$ 3,034,571	\$ 489,605	\$ 272,743	\$ 1,520,431	\$ 5,317,350

As at November 30, 2010:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
\$ 2,750,902	\$ 581,504	\$ 266,686	\$ 1,890,727	\$ 5,489,819

Subsequent to August 31, 2011, the Company collected \$594,808 of its accounts receivable balance.

The definition of amounts that are past due is determined by reference to terms agreed with individual customers. The Company continues to conduct business with them on an ongoing basis. Accordingly, management expects that balances are fully collectible in the future.

LIQUIDITY RISK

The Company believes that at the present time it does not face significant liquidity risk as it has been able to continue to source funding for the point-of-sale hand-held devices and its development initiatives. The Company reported positive cash-flow from operations during the nine-months ended August 31, 2011, and has a significant cash balance on hand which mitigates liquidity risk.

MARKET RISK

Interest rate

Cash equivalents and restricted cash equivalents are invested in money market instruments of varying maturities up to 90 days. Consequently, GuestLogix is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. GuestLogix does not use interest rate derivative financial instruments in its investment portfolio but invests in Canadian Schedule A bank instruments. The Company does not believe that there is a significant interest rate risk, due to the short-term nature of its investments.

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 are transacted in U.S. Dollars, Euros and Sterling. Purchases of equipment required to deliver on GuestLogix' contracts are primarily transacted in U.S. Dollars. GuestLogix does not currently use derivative instruments to hedge against foreign exchange risk.

Sensitivity analysis

Based on management's knowledge and experience on the finance market, the Company believes the following movements are 'reasonably possible' over a six-month period.

	Impact on net profit	
		\$
Change of +/- 10% in US \$ foreign exchange rate	+/-	378,900
Change of +/- 10% in Euro € foreign exchange rate	+/-	210,100
Change of +/- 10% in GBP £ foreign exchange rate	+/-	73,600
Change of +/- 10% in AUD \$ foreign exchange rate	+/-	34,300

The above results arise primarily as a result of the Company having USD \$, GBP £, Euro € and AUD \$ denominated cash and cash equivalents and accounts receivable, and US \$ restricted cash and cash equivalents, accounts payable and accrued liabilities, and capital lease obligations.

Limitations of sensitivity analysis

The table above demonstrates the effect of change in foreign exchange rates. The financial position of the Company may vary at the time changes in foreign exchange rates occur, causing the impact on the Company's results to differ from that shown above.

[RISKS AND UNCERTAINTIES]

The Company operates in a dynamic, rapidly changing global 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:

- the ability to predict whether it will meet internal or external expectations,
- the ability to offer competitive pricing for its products,
- the ability to finance its transaction-based business model,
- the ability to finance its development initiatives,
- the ability to maintain its current relationships and develop new strategic relationships,
- the ability to attract and retain qualified employees,
- the ability to develop new technology,
- the Company's internal controls, and
- the Company's limited operating history and evolving business model.

As an emerging company with customers located globally, GuestLogix faces a number of economic risks and business uncertainties. Today, we have customers in Canada, the United States, Europe, Middle East, and Asia. Factors such as foreign exchange rates, consumer spending, global warming and the passenger travel industry impact on the environment, interest rates, business and government investment and spending, the rate of inflation and threats of terrorism affect the business and economic environments in which our customers operate and are largely out of our control. In addition, our current concentration within the airline sector exposes us to the additional risk of the impact of volatile jet fuel prices on airline financial performance and the overall passenger traffic volumes during periods of high jet fuel prices. The airline sector, particularly in North America and Europe are emerging from a background of significant financial weakness. This may lead to GuestLogix having difficulty financing its transaction-based business model in the future.

Our interim consolidated financial statements are expressed in Canadian dollars, but a large portion of our business is conducted in other currencies. Changes in the exchange rates for these other currencies can increase or decrease our revenues, expenses, earnings and the carrying value of assets or liabilities in our balance sheet. We currently do not use derivative instruments to hedge our currency exposure.

GuestLogix faces risks which are inherent in the business. We expect that the passenger travel industry will move towards 'back of the seat' interactive solutions and services and the use of personal devices onboard, which over time may reduce the demand for hand-held point-of-sale devices. However, as the industry moves towards more of a passenger self-service model, our software solutions are fully capable of supporting this shift. We do not expect in the near future to witness the demise of the hand-held device as many airlines will not retro-fit their fleets to the 'back of the seat' solutions due to the added weight, cost of retro-fitting and the age of aircraft in their fleet. In addition, any devices we take back into inventory at the end of an agreement can be utilized in other contracts. The growing demand for Wi-Fi on airplanes, which is primarily a North American phenomenon, does not pose a material risk to the GuestLogix business model as our platform is fully compatible with this communications medium and in fact can enable onboard sales in both online and offline environments.

Other risks faced by GuestLogix are related to the segment of the passenger travel industry in which it operates. Low cost airline carriers are being challenged by inter-city rail carriers, particularly in Europe. To mitigate this particular risk, a focus for 2012 is to penetrate the passenger rail travel industry in Europe and expand our airline footprint in the Asia-Pacific region.

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.