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

FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2011

Dated: April 14, 2011

SCOPE OF 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-month period ended February 28, 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 April 14, 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.

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

GuestLogix Inc. ('GuestLogix' or the 'Company') provides transaction processing services that enable passenger travel operators to grow and process ancillary revenues on a global basis, at all travel touch-points, and in a fully secure and compliant manner. The Company helps operators create, manage and control their branded onboard stores, 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 in order 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 industry.

The Company, through its standard retail operating platform, has pioneered the development and implementation of ancillary-revenue generating solutions for airlines. The world's leading airline brands such as American, Delta, United, US Airways, Southwest, Continental, British Airways, KLM, Ryanair, Qantas and WestJet rely on GuestLogix to serve their passengers. GuestLogix held more than 90% of the North American market and greater than a 40% market share of the global airline industry passenger traffic as at February 28, 2011.

Gross retail transaction revenue is the measure of the total amount of goods and services transacted by GuestLogix' clients through the GuestLogix platforms. Sequential growth in gross retail transaction revenue processed from the three-months ended November 30, 2010 was 1%, from $142,542,690 to $143,960,183. GuestLogix processed $143,960,183 in gross retail transaction revenue during the three-month period ended February 28, 2011, compared to $114,264,506 for the same period in 2010, an increase of 26%. .

OVERVIEW

Key Accomplishments for the Quarter

- Renewed agreement with a major North American airline and extended contract with another
- Signed 6 net new agreements for OnTouch® merchandising program commitments
- Signed partnership agreement to integrate onboard store technology with digEcor's leading portable in-flight entertainment system
- Completed development of OnTouch® Analytics Sales Suite, the first module of the Company's Onboard Retail Business Intelligence platform for the airline industry

Financial Highlights for the Quarter

- Revenue was $6,389,537 for the three-months ended February 28, 2011, compared to $6,020,535 for the three-months ended February 28, 2010.
- EBITDA[1] was $1,673,688 for the three-months ended February 28, 2011, compared to $1,840,755 for the three-months ended February 28, 2010.
- EBITDA before stock based compensation expense was $1,796,688 for the three-months ended February 28, 2011, compared to $1,945,755 for the three-months ended February 28, 2010.
- Net loss was $(43,479) for the three-months ended February 28, 2011, compared to a net profit of $252,789 for the three-months ended February 28, 2010.
- GuestLogix' cash and cash equivalents totaled $8,109,594 as at February 28, 2010, compared to $8,847,386 as at November 30, 2010.
- GuestLogix' cash and cash equivalents including restricted cash totaled $10,594,344 as at February 28, 2010, compared to $11,463,386 as at November 30, 2010.

(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.

Growth Strategy and Future Outlook

With over 1 billion annual passenger trips currently exposed to the GuestLogix platform, our strategy is to continue to drive an increase in the number and value of transactions processed through our OnTouch® technology platform. Through continuous efforts to grow our global footprint in the air and rail sector as well as assertively replicate our proven technology and business model into new travel verticals, our current strategy includes advancing our core platform to provide travel companies with new ways to engage travelers and ultimately generate new, high-margin and sustainable revenues. Having secured contracts with over 40% of the world's airline traffic including 8 of the 10 largest airlines, our mission continues to strengthen the onboard experience as well as extend the retail opportunities to other travel touch points.

In the Americas we successfully renewed one major North American based carrier in a multi-year deal which contributes greatly to the security of our market leadership. In Europe ('EMEA'), we are deploying the first stage of our solution with Ireland's flag carrier, Aer Lingus which adds approximately 10 million annual passenger trips to our active market share. The agreement, as originally announced in April 2010, will include future deployment of our OnTouch® merchandising solution which will positively impact our revenue growth in our fourth quarter.

Our industry experience has led to a solid understanding that in order to achieve our overarching strategy of creating more and higher valued transactions, travelers must be offered a value-added, ongoing relationship with their travel operator of choice. Travelers are seeking convenient access to trip-enhancing products and services. The development of our OnTouch® technology platform is now positioned to enable travel operators with the key component to build and rapidly scale their branded Onboard Store and provide these types of offerings to their passengers. In order to expedite the development, we have put into place ready-made content that our customers are able to populate their store with and can complement trips to over 200 destinations around the world. We currently have over 25 committed agreements through our OnTouch® merchandising platform that are in various stages of deployment. The OnTouch® merchandising platform consists of six categories; OnTouch® Box Office, OnTouch® Ground Connections, OnTouch® Shopping & More, OnTouch® Minutes on the Go, OnTouch® Concierge Everywhere and OnTouch® Ads. Currently, GuestLogix revenue is derived almost completely from our core platform with less than 1% from merchandising content. We are more than confident that upon successful deployments of these 22 agreements, which can provide margins in excess of 40%, there will be significant positive impact to our revenues.

Another initiative that has proven its potential is the integration of our solution into additional stages of the travel journey. In 2010, we supported one of our customers with an At-the-Gate sales model to allow passengers to purchase vouchers for Heathrow Express (an OnTouch® merchandising partner and the high-speed train service that links London Heathrow Airport with central London). The initiative was fashioned to make use of passengers' idle time while waiting to board their flight while providing them with a value-added offering from their Airline. The positive results of the program have allowed sales to extend into the Business Class lounge as well as garnered a nomination for the Global AirRail Awards for Innovation of the Year: Groundbreaking Technologies. The success of the program has propelled extension to additional customers as well as directly through Airport Authorities. 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. This initiative will allow us to more rapidly deploy our OnTouch® merchandising content to multiple destinations as well as access additional passenger trips as those exposed to the platform would not be reliant on the airline they chose. We are actively pursuing this new channel and expect to see confirmed agreements in the upcoming quarters.

Additionally, we are in the midst of developing two major new access points, which will provide travelers with access to the OnTouch® technology and merchandising platforms beyond our traditional handheld POS devices. We have secured an agreement with portable in-flight entertainment (IFE) system provider digEcor to integrate our solution into their popular digEplayers. This will allow airlines to provide their passengers with an expanded entertainment option. The solution will incorporate movies, gaming, TV shows as well as the OnTouch® merchandising content. Self-service sales models have been a major success in traditional retailing and now GuestLogix will enable in-flight transactions through this new channel, creating a more dynamic experience onboard for the passenger. The digEplayers are already in use onboard a number of North American and European airlines.

Another key access point development is GuestLogix' targeting of mobile applications ('Mobile') for its tremendous growth potential. We are seeking to leverage our 1 billion annual passenger trips by providing store access and transaction capability to travelers through their smart phone. Initially we have focused on the business traveler and we are in the final stages of developing our OnTouch® Concierge mobile application for BlackBerry® and have seen significant interest in delivering this new solution component.

We continue to pursue our efforts in the European rail sector as it represents significant passenger trip growth potential in excess of 1.2 billion annually. We are looking to leverage our current channel partner, The Facilities Partner which uses the GuestLogix solution onboard two rail operators, London Midland and CrossCountry.

Similarly, our growth strategy to penetrate the hotel market by enabling properties to offer their guests value-added products and services specific to the destination continues to advance. We will concentrate on the six major hotel chains: IHG, Wyndham, Marriott, Hilton, Starwood and Hyatt which represent access to 500 million travelers. A variety of solution models have been created including sales through the Concierge Desks as well as through an interactive channel on the In-room television system.

Global Market Conditions

General economic conditions in our key markets recovered during 2010, with some regions posting stronger than average results. However, the recovery cycle is expected to pause in 2011, and IATA has revised its industry outlook for 2011 to a net profit of $8.6 billion, down from $9.1 billion in its previous forecast Net profit margin remains weak with a projection of 1.4% for 2011.

Political unrest in the Middle East has sent the price of oil to over $100 per barrel, and consequently, IATA has raised its 2011 average oil price assumption to $96 per barrel, up from $84 per barrel in its most recent forecast. Compared to levels in 2010, oil prices are now expected to be 20% higher in 2011. Including the impact of hedging, which is roughly 50% of expected consumption, this will increase the industry fuel bill by $10 billion to a total of $166 billion. Higher revenues in 2011 are not expected to be sufficient to prevent the rise of oil prices from causing profits to shrink by 46% from 2010 levels.

All regions are following the global trend of reduced profitability in 2011 compared to 2010. In the North American market, where GuestLogix has over 90% of carriers under agreement, airline operators are expected to see the 2010 profit of $4.7 billion decrease to approximately $3.2 billion in 2011. Higher oil prices will damage profitability in 2011, however, the US economy has been stronger than expected and IATA predicts better revenues in 2011 for North America will offset the higher fuel costs.

Our focus for platform growth for 2011 is on markets outside North America. AsiaPac, where passenger travel demand continues to grow rapidly, is forecasted by IATA to post a profit of $3.7 billion in 2011, down from the previously forecast $4.6 billion for 2011. The key reason for the downgrade from the previous forecast is due to the region's exposure to higher fuel prices, combined with relatively low hedging on average. Although strong economic growth in the region is still driving profitability, inflation fighting measures in China are slowing trade and air cargo demand.

European carriers are expected to make a $500 million profit in 2011, which is up from the $100 million previously forecast but down from the $1.4 billion that the region's carriers made in 2010. The ongoing banking and government debt crisis are keeping the European market conditions fragile, but the weak Euro is continuing to provide stimulus to export industries, outbound freight and long-haul business travel. Europe's carriers remain the least profitable among the major regions with an EBIT margin of 1.1%.

Although the economic recovery is expected to slow in 2011, we still expect that our existing and prospective customers will continue the drive to improve their financial performance. A key contributor to their efforts in this regard will be to provide enhanced travel-related services to their passengers through ancillary revenue offerings that add value to the total travel experience.

RESULTS OF OPERATIONS

The table below sets out the statement of operations for the three-months ended February 28, 2011 and February 28, 2010:

	For the three-months ended February 28 2011 (unaudited)	February 28 2010 (unaudited)	Change $	Change %
Consolidated Statements of Operations:				
Revenue	**$6,389,537**	**$6,020,535**	**$369,002**	**6%**
Expenses:				
Cost of equipment sales	914,530	875,600	38,930	4
Research and development	440,832	219,079	221,753	101
Customer delivery and support	344,644	569,821	(225,177)	(40)
Infrastructure support	1,490,550	1,034,750	455,800	44
Sales and marketing	515,038	511,631	3,407	1
General and administrative	887,255	863,899	23,356	3
Stock-based compensation	123,000	105,000	18,000	17
Amortization of capital assets deployed	1,264,173	1,291,653	(27,480)	(2)
Amortization of property and equipment	29,411	21,613	7,798	36
	6,009,433	**5,493,048**	**516,385**	**9**
Income from operations	**380,104**	**527,487**	**(147,383)**	**(28)**
Other income (expense):				
Foreign exchange (loss)	(292,724)	(33,106)	(259,618)	784
Interest earned	2,593	3,694	(1,101)	(30)
Interest expense	(91,606)	(150,113)	58,507	(39)
Term loan interest and expenses	(41,846)	(95,173)	53,327	(56)
	(423,583)	**(274,698)**	**(148,885)**	**54**
Net (loss) income for the period and comprehensive (loss) income	**$ (43,479)**	**$ 252,789**	**$(296,268)**	**(117)%**
Supplementary Financial Data				
Basic and diluted (loss) earnings per share	$ (0.00)	$ 0.00		
Weighted average number of common shares used in basic (loss) earnings per share	64,776,853	58,559,745		
Weighted average number of common shares used in diluted (loss) earnings per share	64,776,853	60,524,894		

Consolidated Balance Sheets Data:	**February 28, 2011**	**November 30, 2010**
Cash and cash equivalents, excluding restricted cash and cash equivalents	$8,109,594	$8,847,386
Working capital	$ 6,984,556	$ 6,635,232
Total assets	$35,654,897	$37,827,115
Long-term liabilities, excluding current portion	$ 7,061,758	$ 8,911,172
Total shareholders' equity	$15,155,991	$15,059,250

COMPARISON OF THE THREE-MONTHS ENDED FEBRUARY 28, 2011 AND 2010

Revenue

Year over year growth for the three-months ended February 28, 2011 was $369,002 or 6%, at $6,389,537 versus $6,020,535 for the three-months ended February 28, 2010, and is a result of a greater deployed platform base of clients. Revenue remained relatively consistent quarter over quarter as the Company did not deploy any new clients.

Operating Expenses

The following table sets out the changes in Company's operating expenses for the three-months ended February 28, 2011 and February 28, 2010:

	For the three-months ended			
	February 28	February 28		
Operating Expenses	**2011**	**2010**	**Change $**	**Change %**
Cost of equipment sale	914,530	875,600	38,930	4
Research and development	440,832	219,079	221,753	101
Customer delivery and support	344,644	569,821	(225,177)	(40)
Infrastructure support	1,490,550	1,034,750	455,800	44
Sales and marketing	515,038	511,631	3,407	1
General and administrative	887,255	863,899	23,356	3
Stock-based compensation	123,000	105,000	18,000	17
Amortization of capital assets deployed	1,264,173	1,291,653	(27,480)	(2)
Amortization of property and equipment	29,411	21,613	7,798	36
Total	**$ 6,009,433**	**$ 5,493,048**	**$ 516,385**	**9%**

Cost of equipment sales were $914,530 for the three-month period ended February 28, 2011 compared to $875,600 for the same period in 2010. These sales included hand-held devices, peripheral equipment and accessories used by clients to support the OnTouch® technology platform.

Research and development expense were $440,832 for the three-month period ended February 28, 2011 compared to $219,079 for the same period in 2010. The increase relates to the Company further investing 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 90% 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. In the three-month period ended February 28, 2011 expenses totaled $344,644, compared to $569,821 for the same period in 2010. Personnel costs accounted for over 91% 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. There was no significant change in overall headcount from November 30, 2010 to February 28, 2011.

Infrastructure support costs are related to our information technology operations and hand-held device management and include third-party outsourced costs. In the three-month period ended February 28, 2011 the expense totaled $1,490,550, compared to $1,034,750 for the same period in 2010. The overall increase is driven by our 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.

Sales and marketing expense for the three-month period ended February 28, 2011, increased slightly to $515,038 compared to $511,631 for the same period in 2010.

General and administrative expenses for the three-month period ended February 28, 2011, increased slightly to $887,255 compared to $863,899 for the same period in 2010. Personnel costs increased to $400,923 for the three-months ended February 28, 2011 compared to $322,129 for the same period in 2010. Legal fees, which consist primarily of expenditures incurred to defend the Company's intellectual property, declined by 63% to $106,195 for the quarter, down from $285,095 for the same period in 2010.

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 $704,531 during the quarter (2010 - $370,761), with personnel costs comprising approximately 95% of the total expenses (2010 – 96%). During the three-months ended February 28, 2011, costs totaling $444,444 were capitalized as deferred development costs relating to OnTouch® and other new initiatives (2010 - $NIL), while the remaining $260,087 was expensed within the various expense categories.

Total Company headcount grew from 75 at the end of February 28, 2010 to 116 at the end of the first quarter 2011, and down from 127 as at November 30, 2010. It is expected that headcount will grow throughout 2011 as the Company continues to expand its global footprint, the OnTouch® merchandising service is rolled out to new and existing clients, and we strengthen our support infrastructure.

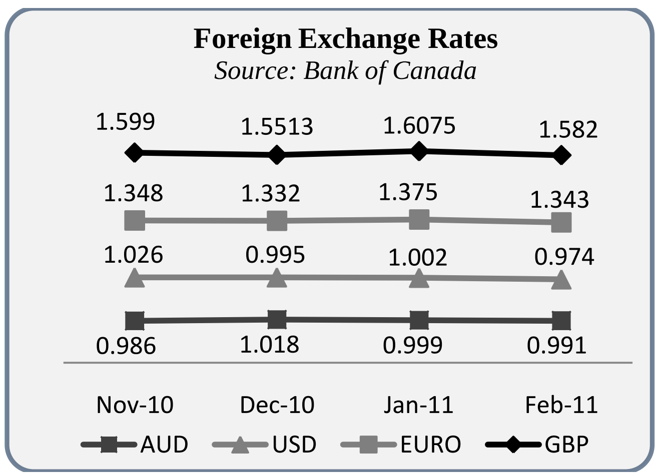
Stock-based compensation expense for the three-month period ended February 28, 2011 increased 17% to $123,000, compared to $105,000 for the same period in 2010. The increase is due to a greater number of stock options granted in the three-month period ended February 28, 2011 compared to the same period 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 of capital assets deployed for the three-month period ended February 28, 2011 was $1,264,173 a slight decrease compared to $1,291,653 for the comparable period in 2010.

During the three-month period ended February 28, 2011, amortization of equipment totaled $29,411, compared to $21,613 for the same period in 2010.

Other Income/Expenses

The foreign exchange loss for the three-month period ended February 28, 2011 was $292,724, compared to $33,106 for the comparable period in 2010. Gains and losses are driven by the growing volume of overseas business denominated in Euros, Sterling and USD and the relative strength of the Canadian dollar during the last several months. The following graph shows the change in foreign exchange rates relative to the Canadian dollar for the four most recent months:



As the majority of the Company's revenues are denominated in foreign currencies, revenues are impacted by exchange rate fluctuations. For the three-months ended February 28, 2011, the Company would have realized $117,950 in additional revenues if not for the decline in the U.S. Dollar over the past three months as shown in the graph above. The Company does not currently use derivative instruments to hedge against foreign exchange risk as it has a natural hedge in U.S. Dollars.

For the three-month period ended February 28, 2011, interest income fell to $2,593, compared to $3,694 for the same period in 2010.

For the three-month period ended February 28, 2011, interest expense decreased to $91,606, compared to $150,113 for the comparable period in 2010. The decrease in interest expense is due to the lower outstanding lease obligations throughout the three-month period ended February 28, 2011.

Term loan interest and fees relate to charges on the term loan agreement which was repaid in full in January 2011. The Company incurred interest and charges on the term loan of $41,846 during the three-months ended February 28, 2011, compared to $95,173 for the comparable period in 2010.

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 February 28, 2011**	**2010**
Cash inflows and (outflows) by activity:		
Operating activities	$ 335,132	$ 824,275
Investing activities	(445,843)	(788,455)
Financing activities	(627,081)	(992,428)
Net cash (outflows)	(737,792)	(956,608)
Cash and cash equivalents, beginning of period	8,847,386	9,435,680
Cash and cash equivalents, end of period	**$ 8,109,594**	**$ 8,479,072**
Cash	$ 6,135,372	$ 2,226,974
Short-term deposits up to 90 days	$ 1,974,222	$ 6,252,098

As at February 28, 2011 and November 30, 2010, GuestLogix had cash and cash equivalents totaling $8,109,594 and $8,847,386 respectively. Including restricted cash and cash equivalents the amounts were $10,594,344 and $11,463,386.

In the three-month period ended February 28, 2011, cash generated by operating activities was $335,132, compared to $824,275 for the same period in 2010. Cash generated by operating activities in the first quarter of 2011 was primarily the result of positive operating income and an increase in accounts payable and accrued liabilities reduced by increases in prepaid expense and other assets, and inventory, 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.

In the three-month period ended February 28, 2011, cash used in investing activities was $445,843, compared to $788,455 for the same period in 2010. Cash used in investing activities during the first quarter of 2011 was primarily the result of development costs incurred.

In the three-month periods ended February 28, 2011 and February 28, 2010, cash used in financing activities was $627,081 and $992,428 respectively. Cash used in financing activities during the first quarter of 2011 was primarily the result of repayment of the principal on capital lease obligations and the term loan offset by proceeds from new capital leases and a new term loan.

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 February 28, 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.

	2011	2010				2009		
In thousands	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	$6,390	$6,461	$6,803	$6,437	$6,021	$5,190	$4,808	$4,555
Net (Loss) Income	$(43)	$160	$139	$53	$253	$208	$238	$33
Basic and Diluted (Loss) Earnings 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	$4,141,090	$2,084,949	$1,613,841	$ 442,300
Operating leases	532,609	189,975	248,421	94,213
Total contractual obligations	$4,673,699	$2,274,924	$1,862,262	$ 536,513

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 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 Pac 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 2011 and will evaluate the necessity of further debt financing to support its 2011 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 February 28, 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 industry. 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-months ended February 28, 2011, $4,829,284 of the Company's revenue (2010 - $4,549,356) was derived from North America, while the remainder of $1,560,253 (2010 - $1,471,179) was derived primarily from Europe, the Middle East and Asia Pacific.

During the three-months ended February 28, 2011, the five top customers accounted for 70% of the total revenue (2010 – 62%).

OUSTANDING SHARE DATA

As at February 28, 2011, GuestLogix had issued and outstanding 64,808,182 common shares, 6,183,001 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 US $0.726 to US $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 considered likely to result in a loss and, when 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 seeking compensatory damages. The defendant counterclaimed, alleging, among 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 February 28, 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 February 28, 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 other 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 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 ('IFRS')

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly accountable profit-oriented enterprises to use 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 solution development phase. 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 recently completed accounting policy memorandums on key differences which have been reviewed by third-party experts. The Company is currently in the process of quantifying the impact of these differences.

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 the GuestLogix' professional services team. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts giving rise to the revision become known. Should there be an insufficient basis to estimate the progress towards the completion, revenue is recognized when the project is complete or when the Company receives final acceptance from the customer. Revenues from software hosting and support services are recognized 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:

	February 28, 2011	November 30, 2010
Cash	$ 6,135,372	$ 5,267,508
Short-term deposits	1,974,222	3,579,878
	$ 8,109,594	$ 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 5 accounts receivable balances comprised approximately 70% (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 February 28, 2011 was $150,000 (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 February 28, 2011:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
$ 3,252,404	$ 373,546	$ 635,378	$1,150,815	$ 5,412,143

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 February 28, 2011, the Company collected $1,350,988 of the accounts receivable balance including $647,211 from the 91 days + category.

The definition of amounts that are past due is determined by reference to terms agreed with individual customers. No significant amounts outstanding have been challenged by the respective customers and 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. The Company reported positive cash-flow from operations during the three-months ended February 28, 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 as it has a natural hedge in U.S. Dollars.

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	+/-	547,700
Change of =+/- 10% in Euro € foreign exchange rate	+/-	234,400
Change of =+/- 10% in GBP £ foreign exchange rate	+/-	48,100
Change of =+/- 10% in AUD $ foreign exchange rate	+/-	32,700

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

Limitations of sensitivity analysis

The above table demonstrates the effect of change in foreign exchange rates. The financial position of the Company may vary at the time that 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 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 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 schedules 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 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. Our largest exposure is to the US dollar, where we have a natural hedge against US dollar revenues as our manufacturer of the hand-held device and peripherals prices in US dollars. We 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 2011 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.