

Interim Unaudited Consolidated Financial Statements of

**LOOK COMMUNICATIONS INC.**

Three and six months ended February 29, 2008 and February 28, 2007

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**Look Communications Inc.**

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Milton, Ontario  
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**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying interim unaudited financial statements of the Corporation for the interim period ending February 29, 2008 have been prepared by and are the responsibility of the Corporation's management.

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

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# LOOK COMMUNICATIONS INC.

Interim Unaudited Consolidated Balance Sheets  
(In thousands of dollars)

As at

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	February 29 2008	August 31 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,295	\$ 7,828
Restricted cash (note 2)	485	500
Accounts receivable	371	280
Other receivable (note 5)	346	346
Inventory	69	62
Prepaid expenses and deposits (note 6)	2,637	382
	<u>8,203</u>	<u>9,398</u>
Capital assets, net	9,966	12,508
Deferred charges, net	82	129
	<u>\$ 18,251</u>	<u>\$ 22,035</u>

## Liabilities and Shareholders' Equity/(Deficit)

Current liabilities:		
Accounts payable	\$ 11,515	\$ 12,257
Accrued liabilities and provisions	3,306	2,942
Unearned revenue	872	819
Current portion of long-term debt	—	14
Current portion of liability component of convertible debentures (note 3)	59	62
	<u>15,752</u>	<u>16,094</u>
Long-term debt	1,780	1,800
Liability component of convertible debentures (note 3)	2,698	2,702
Shareholders' equity/(deficit):		
Share capital (note 3)	33,138	32,946
Equity component of convertible debentures (note 3)	1,488	1,490
Contributed surplus (note 3)	10,938	10,833
Deficit	(47,543)	(43,830)
	<u>(1,979)</u>	<u>1,439</u>
Basis of presentation - Going concern (note 1)		
Commitments and contingencies (note 8)		
	<u>\$ 18,251</u>	<u>\$ 22,035</u>

See accompanying notes to the interim unaudited consolidated financial statements.

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# LOOK COMMUNICATIONS INC.

Interim Unaudited Consolidated Statements of Operations and Deficit  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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	Three months ended		Six months ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
Service and sales revenue (note 4)	\$ 5,244	\$ 6,346	\$10,663	\$12,982
Carrier charges and cost of sales (note 4)	2,661	3,019	5,352	6,161
Gross margin	2,583	3,327	5,311	6,821
Expenses:				
Marketing and sales	1	28	19	69
Customer care	369	482	771	1,039
Engineering and operations	741	792	1,474	1,758
General and administrative (note 6)	1,949	1,950	3,998	3,790
Amortization of capital assets	1,328	1,349	2,590	2,708
Amortization of deferred charges	14	16	27	40
	4,402	4,617	8,879	9,404
Loss from operations	(1,819)	(1,290)	(3,568)	(2,583)
Accretion on liability component of convertible debentures (note 3)	(91)	(93)	(183)	(185)
Interest and finance charges	(50)	(51)	(100)	(102)
Interest income	54	74	130	130
Gain on disposition of capital assets	8	—	8	—
	(79)	(70)	(145)	(157)
Loss and comprehensive loss	(1,898)	(1,360)	(3,713)	(2,740)
Deficit, beginning of period	(45,645)	(33,270)	(43,830)	(31,890)
Deficit, end of period	\$(47,543)	\$(34,630)	\$(47,543)	\$(34,630)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding	125,570,287	124,509,417	125,390,947	124,224,197

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See accompanying notes to the interim unaudited consolidated financial statements.

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# LOOK COMMUNICATIONS INC.

Interim Unaudited Consolidated Statements of Cash Flows  
(In thousands of dollars)

Three and six months ended February 29, 2008 and February 28, 2007

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	Three months ended		Six months ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
Cash provided by (used in):				
Operating activities:				
Loss and comprehensive loss for the period	\$ (1,898)	\$ (1,360)	\$ (3,713)	\$ (2,740)
Items not affecting cash:				
Amortization of capital assets	1,328	1,349	2,590	2,708
Amortization of deferred charges	14	16	27	40
Amortization of stock-based compensation	70	25	105	45
Accretion on liability component of convertible debentures	91	93	183	185
Gain on disposition of capital assets	(8)	—	(8)	—
	(403)	123	(816)	238
Change in non-cash operating working capital:				
Accounts receivable and other receivable	(54)	(192)	(91)	325
Inventory	7	(7)	(7)	22
Prepaid expenses and deposits	70	(16)	(2,255)	56
Accounts payable and accrued liabilities	(455)	1,235	(378)	2,284
Unearned revenue	34	78	53	93
	(801)	1,221	(3,494)	3,018
Financing activities:				
Interest payments on convertible debentures	—	(1)	—	(1)
Repayment of obligations under capital leases	(6)	(8)	(14)	(23)
	(6)	(9)	(14)	(24)
Investing activities:				
Purchase of capital assets	(40)	(6)	(48)	(131)
Proceeds on disposition of capital assets	8	—	8	—
Decrease in restricted cash	7	5	15	18
	(25)	(1)	(25)	(113)
Increase/(decrease) in cash and cash equivalents	(832)	1,211	(3,533)	2,881
Cash and cash equivalents, beginning of period	5,127	6,772	7,828	5,102
Cash and cash equivalents, end of period	\$ 4,295	\$ 7,983	\$ 4,295	\$ 7,983

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Supplemental cash flow disclosure (note 9)

See accompanying notes to the interim unaudited consolidated financial statements.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 1. Basis of presentation:

### (a) Going concern:

These interim unaudited consolidated financial statements have been prepared on a going concern basis, in accordance with Canadian generally accepted accounting principles with respect to the preparation of interim financial information. The going concern basis of presentation assumes that Look Communications Inc. (the "Corporation") will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

There is doubt about the Corporation's ability to continue as a going concern as it has incurred significant operating losses in recent years and has a working capital deficiency of \$7,549 as at February 29, 2008 (August 31, 2007 - \$6,696).

The Corporation's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations, the successful implementation of the Corporation's business strategy, the availability of financing alternatives, and an acceptable outcome to the Corporation's contingencies (see notes 7 and 8(b)). The outcome of these matters cannot be predicted at this time. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities and reported revenues and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

### (b) Significant accounting policies:

These interim unaudited consolidated financial statements should be read in conjunction with the recent annual audited consolidated financial statements and notes thereto, as at, and for the year ended August 31, 2007. Accounting policies and methods of their application followed in the preparation of these interim unaudited consolidated financial statements are consistent with those used in the most recent annual audited consolidated financial statements except as noted below.

#### (i) Changes in accounting policies:

In 2006, the CICA issued Handbook Section 1506, Accounting Changes ("CICA 1506"). CICA 1506 prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and correction of errors. This new standard was adopted by the Corporation on September 1, 2007.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 1. Basis of presentation (continued):

### (ii) Financial instruments:

Effective September 1, 2007, the Corporation adopted CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Handbook Section 1530, Comprehensive Income. Handbook Section 3855 prescribes criteria for the classification of financial assets and liabilities and treatment of derivatives and embedded derivatives. Handbook Section 1530 prescribes the presentation and treatment of "other comprehensive income or loss" and "accumulated other comprehensive income or loss".

Under these standards, the Corporation's financial assets are classified as available-for-sale or loans and receivables. Financial assets classified as available-for-sale are carried on the balance sheet at fair value with changes in fair value recorded in "other comprehensive income or loss". Loans and receivables and all financial liabilities are carried at amortized cost using the effective interest method.

The Corporation has historically capitalized and amortized deferred financing charges. Effective September 1, 2007, the Corporation will net these costs against the liabilities they were incurred to establish. The impact of this application at February 29, 2008 is to decrease deferred financing charges by \$20, the unamortized financing costs related to the mortgage, and to correspondingly decrease the long-term debt by \$20. In accordance with Section 3855, comparative financial information was not restated.

The Corporation reviewed significant contracts and determined that there are no significant non-financial derivatives that require separate fair value recognition in the interim unaudited consolidated financial statements at February 29, 2008.

The Corporation has determined that it has no "other comprehensive income or loss" transactions during the period and no opening or closing balances in "accumulated other comprehensive income or loss".

### (iii) Recent accounting pronouncements:

The CICA recently issued Handbook Section 3031 – Inventories, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. Handbook Section 3031, replacing Section 3030 which also dealt with inventory, revises the determination of cost and subsequent measurement of inventory. Handbook Sections 3862 and 3863 carry forward the existing presentation requirements and expand the disclosure requirements to complement the changes in accounting policy made in accordance with Section 3855. All three sections will be adopted by the Corporation on September 1, 2008.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 2. Cash:

### (a) Cash and cash equivalents:

Cash and cash equivalents consist of all bank balances and highly liquid short-term guaranteed investment certificates with original maturities of less than 90 days. At February 29, 2008, the Corporation held \$4,295 (August 31, 2007 - \$7,828) of cash and cash equivalents.

### (b) Restricted cash:

The Corporation pledged \$485 (August 31, 2007 - \$500) of cash to its bank as collateral for the processing of credit card transactions. Of this amount, \$300 is held in interest bearing certificates at 3.93%.

## 3. Share capital:

### (a) Issued and outstanding:

	Six months ended February 29, 2008				
	Multiple Voting Shares		Subordinate Voting Shares		Total \$
	#	\$	#	\$	
Balance, August 31, 2007	59,831,603	16,024	65,372,157	16,922	32,946
Shares issued pursuant to debenture conversion (i)	40,000	3	40,000	3	6
Shares issued pursuant to interest payments on debentures (ii)	—	—	347,961	186	186
Shares issued pursuant to stock option conversion (note 3(b))	—	—	3,226	—	—
Balance, February 29, 2008	59,871,603	16,027	65,763,344	17,111	33,138

- (i) The convertible secured debentures bear interest at a rate of 7% per annum and will mature on December 30, 2013. The Corporation pays interest on the debentures semi-annually in arrears, on June 30 and December 30 of each year, commencing June 30, 2004. The debentures are convertible at the option of the holder into Multiple Voting and Subordinate Voting Shares of the Corporation at a conversion price of \$0.075 per each Multiple Voting and Subordinate Voting Share, representing 6,667 Multiple Voting Shares and 6,667 Subordinate Voting Shares per \$1 debenture. The convertible debentures are bifurcated into their debt and equity components.

The Corporation has the option to settle its obligation to pay interest and repay the principal by issuing shares of the Corporation.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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### 3. Share capital (continued):

If all the 7% convertible debentures were converted to shares, the impact would be to increase the number of Multiple Voting Shares outstanding from 59,871,603 to 87,778,270 and the number of Subordinate Voting Shares outstanding from 65,763,344 to 93,670,011. The convertible debentures are secured by an unsubordinated, fixed and floating security interest on all the present and future assets and undertakings of the Corporation, as per the registered security agreement.

Effective December 31, 2006, the Corporation may redeem the convertible debentures in certain circumstances at a price equal to par plus accrued and unpaid interest up to, but not including, the date of redemption.

During the six month period ended February 29, 2008, convertible debentures in the amount of \$6 were converted into 40,000 Multiple Voting and 40,000 Subordinate Voting Shares of the Corporation (year ended August 31, 2007 - convertible debentures in the amount of \$38 were converted into 253,334 Multiple Voting and 253,333 Subordinate Voting Shares).

- (ii) The Corporation obtained regulatory approvals to pay the interest on the convertible debentures in shares in lieu of cash. Accordingly, Subordinate Voting Shares have been issued in consideration of interest payable since inception including most recently, December 30, 2007, when 347,961 Subordinate Voting Shares were issued in consideration of \$147 of interest payable.

Share capital increased by \$39 during the six months ended February 29, 2008 (year ended August 31, 2007 - \$76) related to the accretion charges recorded on the convertible debentures.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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### 3. Share capital (continued):

(b) Stock option incentive plan:

On March 25, 2002, the Board of Directors of the Corporation approved the 2002 Stock Option Incentive Plan (the "2002 Plan"). The objective of the 2002 Plan is to provide directors, officers, employees, and affiliates of, and service providers to, the Corporation with a proprietary interest through the granting of options to purchase Subordinate Voting Shares of the Corporation. The groups are primarily responsible for the management, growth, and protection of the business of the Corporation. Under the 2002 Plan, as subsequently amended in 2004, the Board of Directors of the Corporation may, by resolution, grant options provided that the total number of shares issued under the 2002 Plan does not exceed 17,460,912. The total number of shares that may be issued under the 2002 Plan represents approximately 13.9% of the Corporation's currently issued and outstanding shares. The exercise price of the options is determined by the Board of Directors at the time of the grant of an option, but cannot be lower than the market price of the Corporation's Subordinate Voting Shares on the TSX Venture Exchange on the business day immediately preceding the day on which an option is granted. The options vest over a two or three-year period and the maximum period during which an option may be exercised is 10 years from the date on which it is granted. The Board of Directors at its discretion can change the vesting period. Certain options granted in 2004, 2005, 2007, and 2008 vest over a two-year period.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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### 3. Share capital (continued):

The following table reflects activity under the 2002 Plan during the six months ended February 29, 2008 and the year ended August 31, 2007:

	Six months ended February 29, 2008		Year ended August 31, 2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	4,591,450	\$0.128	3,947,228	\$0.108
Granted	2,198,500	\$0.320	1,920,500	\$0.159
Exercised	3,226	\$0.153	23,981	\$0.190
Cancelled	58,224	\$0.149	1,252,297	\$0.128
Outstanding, end of period	6,728,500	\$0.190	4,591,450	\$0.128

Note: During the six months ended February 29, 2008, 3,226 options were exercised for a nominal amount of consideration (year ended August 31, 2007 - 23,981 options were exercised for consideration of \$5).

Information related to the options outstanding at February 29, 2008 is presented below:

Exercise price	Number outstanding	Weighted average remaining life (years)	Number exercisable
\$0.065	1,565,912	6.4	1,565,912
\$0.100	1,218,000	8.6	406,000
\$0.120	675,000	7.8	658,333
\$0.190	689,838	6.9	689,838
\$0.300	250,000	9.4	—
\$0.320	2,198,500	10.0	115,250
\$0.500	131,250	9.0	98,438
Total	6,728,500	7.2	3,533,771

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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### 3. Share capital (continued):

During the three and six month periods ended February 29, 2008, the Corporation recorded stock-based compensation expense of \$70 and \$105 (2007 - \$25 and \$45) respectively related to the options granted to directors, employees, and non-employees. The weighted average of the Black-Scholes option pricing model assumptions were as follows:

	Six months ended February 29, 2008	Year ended August 31, 2007
Expected option life (years)	2.9	3
Expected volatility	133%	115%
Risk-free interest rate	3.28%	4.00%
Dividend yield	nil	nil

The weighted average fair value of options granted during the six months ended February 29, 2008 was \$0.24 (year ended August 31, 2007 - \$0.12) per option.

#### (c) Share appreciation rights plan:

On February 22, 2005, the Board of Directors approved a Share Appreciation Rights Plan (the "SAR Plan") for the Corporation. Pursuant to the SAR Plan, directors, employees, consultants, and affiliates may be awarded units from time to time that will be subject to conditions set by the Board of Directors. The value of a SAR unit will be equivalent to the market value at the date when all the conditions attached to the SAR unit are met, less the market value at the date of the award of the unit.

On February 22, 2005, the Board of Directors awarded 37,590,597 SAR units at a grant price of \$0.19, the market value of the Corporation's common shares on that date. On October 11, 2006, April 24, 2007, and February 27, 2008, the Board of Directors awarded an additional 2,594,000 SAR units at a grant price of \$0.10, 240,000 SAR units at a grant price of \$0.32, and 3,522,000 SAR units at a grant price of \$0.32 respectively. The awards are subject to specific terms and conditions being fulfilled. The balance of SAR units outstanding as of February 29, 2008, is 37,166,501 (year ended August 31, 2007 - 33,927,882). Compensation expense relating to the SAR units for both the three and six month periods ended February 29, 2008 was Nil (year ended August 31, 2007 - Nil).

No unit payouts have been made under the SAR Plan since inception.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 4. Segment disclosure:

The Corporation currently operates in a single segment as a wireless broadband carrier, delivering a full spectrum of communications services including wireless digital television distribution, dial-up and high speed internet access, and web-related services including web-hosting and domain name registration.

Service and sales revenue consists of Broadcast Services, Internet Services, Other Services, and equipment sales and installation revenue. Broadcast Services revenue is earned from the provision of services to residential and commercial customers. Internet Services revenue is earned from monthly and annual subscriptions from individuals and businesses for access to the internet. Other Services revenues are earned from web-hosting, domain name registration, and web-server co-location. Equipment sales revenues are earned from the sale of equipment to customers.

The service and sales revenue and cost of sales are as follows:

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Service	Three months ended			
	February 29, 2008		February 28, 2007	
	Revenue	Cost of sales	Revenue	Cost of sales
Broadcast Services	\$2,258	\$1,373	\$2,827	\$1,562
Internet Services	2,003	902	2,404	989
Other Services	912	326	1,020	388
Total	5,173	2,601	6,251	2,939
Sales and Installations	71	60	95	80
Total Service and Sales	\$5,244	\$2,661	\$6,346	\$3,019

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Service	Six months ended			
	February 29, 2008		February 28, 2007	
	Revenue	Cost of sales	Revenue	Cost of sales
Broadcast Services	\$ 4,614	\$2,744	\$ 5,779	\$3,148
Internet Services	4,075	1,817	4,944	2,070
Other Services	1,828	666	2,039	762
Total	10,517	5,227	12,762	5,980
Sales and Installations	146	125	220	181
Total Service and Sales	\$10,663	\$5,352	\$12,982	\$6,161

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All of the Corporation's revenue is generated in Canada and all of its assets are located in Canada. No one customer accounts for more than 10% of revenue or accounts receivable.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 5. Government assistance:

During the three and six month periods ended February 29, 2008, the Corporation recognized government assistance of \$Nil (2007 - \$18 and \$76) related to the creation of permanent jobs by the Corporation in the Province of Quebec. This assistance has been recorded as a reduction of the Corporation's compensation expense. At February 29, 2008, the amount receivable by the Corporation for government assistance is \$346 (August 31, 2007 - \$346).

## 6. Related party transactions:

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Corporation enters into transactions with its majority shareholder, Unique Broadband Systems, Inc. ("UBS"), and companies controlled by its majority shareholder. Related party transactions and balances with UBS are as follows:

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	Three months ended		Six months ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
Management fees expense (i)	\$600	\$600	\$1,200	\$1,200
Rent revenue (ii)	(19)	(18)	(38)	(36)

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- (i) On May 19, 2004, the Corporation and UBS entered into an agreement under which UBS is providing the Corporation with a wide range of services designed to maximize the Corporation's full commercial potential.

The Corporation paid, in September 2007, in advance, an annual fee of \$2,400. On a twelve month rolling basis, the Corporation maintains the annual prepaid fee. The Corporation may, from time to time, recognize the performance of UBS in the form of cash bonus payments, direct grant of treasury shares of the Corporation, or options for the purchase of Subordinate Voting Shares from treasury. All options shall conform to the Corporation's stock option plan (see note 3(b)). The Corporation shall also reimburse UBS for certain expenses and disbursements incurred in respect of the agreement and the services provided by UBS. The initial term of the agreement is for a moving three-year period commencing on May 19, 2004 (the "execution date"). On each anniversary of the execution date, the term will automatically recommence unless, prior to an annual anniversary, the Corporation's Board of Directors has communicated in writing to UBS its intent that the agreement not recommence, in which event, the agreement expires on the completion of the remaining term.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 6. Related party transactions (continued):

- (ii) The Corporation subleases a portion of its premises to UBS. During the three and six month periods ended February 29, 2008, the Corporation charged UBS \$19 and \$38 (2007 - \$18 and \$36) related to the premises rental, which has been recorded as a reduction of general and administrative expenses. The Corporation signed a five year lease with UBS regarding the rental of this space effective April 1, 2005.
- (iii) On November 26, 2003, the Corporation pledged a security interest in all of its personal property to UBS for any liabilities owing by the Corporation to UBS.
- (iv) The Corporation paid \$45 and \$90 in the three and six month periods ended February 29, 2008 (2007 - \$45 and \$90) for fees related to services rendered by the Executive Chairman of the Board of Directors of the Corporation which are included in general and administrative expenses.

## 7. Economic dependence:

The Corporation purchases a significant portion of its telecommunications services from Bell Canada. These telecommunications services are not available from other service providers and, as a result, the provision of many of the Corporation's service offerings to its subscribers and the revenue generated therefrom are dependent upon Bell Canada continuing to provision its network services to the Corporation (see note 8(b)).

## 8. Commitments and contingencies:

### (a) Commitments:

- (i) As described in note 6(i), the Corporation is required to pay an annual fee of \$2,400 for services received from UBS.
- (ii) Pursuant to CRTC regulation, the Corporation is required to make annual contributions to the Canadian Television Fund ("CTF"), which is a cable industry fund designed to foster the production of Canadian television programming. Contributions to the CTF are based on a formula, including gross broadcast revenue and the number of subscribers. The Corporation may elect to spend a portion of the above amount for local television programming and may also elect to contribute a portion to another CRTC approved independent production fund. The Corporation estimates that its total contributions to the CTF and CRTC for fiscal 2008 will amount to approximately \$450.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 8. Commitments and contingencies (continued):

### (b) Contingencies:

- (i) In response to Bell Canada's April 10, 2007 "Notice of Intent to Disconnect" the Corporation's services, on April 27, 2007, the Corporation filed a statement of claim with the Ontario Superior Court of Justice against Bell Canada. The Corporation claims damages in the aggregate amount of \$25,000 plus interest, costs, and any applicable taxes for, amongst other things, Bell Canada's breach of contract, misrepresentation, and unlawful interference with economic relations. The Corporation is also seeking \$10,000 in aggravated and/or punitive damages.

On May 8, 2007, the Corporation filed a notice of motion seeking Interim and Interlocutory Injunctions (the "Injunctions") preventing Bell Canada from terminating, reducing, restricting, or in any way interfering with the telecommunications services provided by Bell Canada to the Corporation pending the final determination of the motion or until such other time as the Court may direct. The Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007 and granted on July 31, 2007. In light of the Injunctions granted, the Corporation believes it will be able to carry on business in the normal course of operations.

The major Terms and Conditions of the Injunctions are as follows:

1. The Corporation will pay Bell Canada \$360 per month from May 1, 2007;
2. The Corporation may not encumber or transfer its spectrum licence without the consent of the Court; and
3. Bell Canada will pay the Corporation's costs of the Injunctions.

The Corporation is fully complying with the Terms and Conditions set forth by the Ontario Superior Court of Justice. The Corporation will expeditiously continue to vigorously pursue its aforementioned statement of claim against Bell Canada.

On July 5, 2007 Bell Canada filed its statement of defence and counterclaim against the Corporation claiming, amongst other things, damages for trade payables in the amount of \$13,689, damages in the amount of \$2,300 for credit notes improperly issued by Bell Canada, and \$1,000 in aggravated and/or punitive damages.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

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## 8. Commitments and contingencies (continued):

On March 18, 2008 the Corporation was granted an Order from the Ontario Superior Court of Justice compelling Bell Canada to, amongst other things, deliver its Affidavit of Documents to the Corporation by no later than October 1, 2008 (the "deadline"). Despite agreeing to a Court-imposed timetable on August 13, 2007 to exchange an Affidavit of Documents with the Corporation by November 16, 2007, Bell Canada has failed to adhere to its obligations before the Ontario Superior Court of Justice prompting the action initiated by the Corporation.

As such, the Corporation obtained an Order from the Honourable Justice Spence that granted the following:

1. The Defendant, Bell Canada, deliver its sworn Affidavit of Documents by no later than the deadline;
2. Bell Canada is to continue reporting to the Ontario Superior Court of Justice on a monthly basis as to its progress in preparing its Affidavit of Documents, and that Bell Canada will provide the Corporation with a written report in advance of this monthly attendance outlining:
  - a. The number of people who are reviewing the Bell Canada documents; and
  - b. The number of documents reviewed during the month and the number of documents remaining to review; and
3. In the event that Bell Canada fails to deliver its Affidavit of Documents by the deadline, or if, in advance of the deadline, it is shown that the efforts Bell Canada is making will not likely allow it to meet the deadline, the Corporation may seek an order to reduce the \$360 per month payment to Bell Canada, or seek an order for such other relief as the Court may permit, after July 1, 2008 based on the reports from Bell Canada to that date and any other relevant material.

The hearing date for these actions has yet to be determined and the outcome of these actions cannot be predicted at this time.

These claims are significant to the Corporation's shareholders. In the Corporation's opinion, Bell Canada's counterclaim is without merit and the Corporation intends to vigorously pursue its rights.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 8. Commitments and contingencies (continued):

- (ii) On February 19, 2004, Craig Wireless International Inc. ("Craig Wireless") filed a statement of claim against the Corporation before the Ontario Superior Court of Justice. In its action, Craig Wireless seeks numerous sanctions against the Corporation and other parties.

On May 4, 2004, the Corporation obtained an order from the Ontario Superior Court of Justice dismissing with prejudice the motion brought by Craig Wireless for, amongst other things, an injunction that would prevent UBS from voting its shares of the Corporation and converting into common shares its convertible debentures pursuant to the Corporation's February 2004 rights offering. At the same time, Craig Wireless also withdrew its challenge to the CRTC approval of UBS acquiring a controlling interest in the Corporation. Craig Wireless is still pursuing its claim that the Corporation conducted its affairs in a manner that was oppressive and unfairly prejudicial to Craig Wireless and requests damages in the aggregate amount of \$12,000.

On October 27, 2006 the Ontario Superior Court of Justice heard a motion brought by Craig Wireless to amend its claim so as to add additional defendants. The Court denied Craig Wireless' motion on January 24, 2007 and awarded costs in favor of the Corporation. The Corporation has been advised that, at this time, Craig Wireless does not intend to further amend its claim and consequently the Corporation will be filing a statement of defence. The Corporation believes that the entire claim is unfounded and intends to vigorously defend itself. Accordingly, no accrual has been recorded in the accounts for this claim.

- (iii) On December 27, 2007, Border Broadcasters Inc. et al. ("Border Broadcasters") served a statement of claim against the Corporation filed before the Federal Court. In its action, Border Broadcasters is seeking, amongst other things:

1. Payment of royalties due in the amount of \$4,500 for the retransmission of distant television signals pursuant to:
  - a. The Statement of Royalties to be Collected for the Retransmission of Distant Radio and Television Signals in Canada in 1998 through to 2003 as certified by the Copyright Board of Canada, and
  - b. The Interim Tariffs for the Retransmission of Distant Radio and Television Signals in Canada for the period commencing January 1, 2004.

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# LOOK COMMUNICATIONS INC.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and six months ended February 29, 2008 and February 28, 2007

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## 8. Commitments and contingencies (continued):

2. Pre-judgment interest on unpaid royalties in the amount of \$2,500.

The Corporation believes that all debts, including any royalties due up to and including February 11, 2002, were extinguished by virtue of the Plan of Implementation approved by the Court under the Plan of Arrangement effective February 11, 2002. In addition, the Corporation notes that the Interim Tariffs referred to above for the period commencing January 1, 2004 remain uncertified by the Copyright Board of Canada.

The Corporation intends to vigorously defend itself and the outcome of this action cannot be predicted at this time.

- (iv) In the normal course of its operations, the Corporation may be subject to other litigation and claims. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the results of operations, financial position, or liquidity of the Corporation.
- (v) The Corporation indemnifies its directors, officers, and employees against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers.

## 9. Supplemental cash flow disclosure:

The consolidated statements of cash flows exclude the following non-cash transactions:

	Three months ended		Six months ended	
	February 29 2008	February 28 2007	February 29 2008	February 28 2007
Conversion of debentures to share capital (note 3(a))	\$3	\$38	\$6	\$38
Shares issued in consideration of interest payable	\$186	\$187	\$186	\$187

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During the three month and six month periods ended February 29, 2008, the Corporation paid \$50 and \$100 in cash interest and received \$54 and \$130 in cash interest (2007 – the Corporation paid \$50 and \$98 and received \$74 and \$130 respectively).

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# LOOK COMMUNICATIONS INC.

## Shareholder Information

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### Board of Directors

#### Executive Chairman of the Board

Michael Cytrynbaum

#### Vice Chairman of the Board

Gerald T. McGoey  
Chief Executive Officer

#### Directors

Scott Colbran

Louis Mitrovich

Stuart Smith

### Auditors

KPMG LLP  
Yonge Corporate Centre  
4100 Yonge Street, Suite 200  
Toronto, Ontario  
M2P 2H3

### Transfer Agent and Registrar

Computershare Trust Company of Canada  
1500 University Street  
Suite 700  
Montreal (Quebec)  
H3A 3S8

### Investor Relations

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### Stock Exchange Listing

Look's shares are listed on the TSX Venture Exchange under the symbols LOK and LOK.A

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