

Interim Unaudited Consolidated Financial Statements

**Look Communications Inc.**

Three and nine months ended May 31, 2007 and 2006

## **Look Communications Inc.**

**8250 Lawson Road  
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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 Unaudited Interim Financial Statements of the Corporation for the interim period ending May 31, 2007 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.

# LOOK COMMUNICATIONS INC.

Unaudited Consolidated Balance Sheets  
(In thousands of dollars)

As at

	May 31 2007	August 31 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$8,752	\$5,102
Restricted cash (note 2)	514	511
Accounts receivable	336	386
Other receivable (note 5)	333	929
Inventory	92	174
Prepaid expenses and deposits	465	359
	<u>10,492</u>	<u>7,461</u>
Capital assets, net	19,046	23,033
Deferred charges, net	142	196
	<u>\$29,680</u>	<u>\$30,690</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$12,860	\$10,051
Accrued liabilities and provisions	2,624	2,173
Unearned revenue	966	956
Current portion of long term debt	22	39
Current portion of liability component of convertible debentures	152	63
	<u>16,624</u>	<u>13,282</u>
Long-term debt	1,800	1,814
Liability component of convertible debentures	2,702	2,726
Shareholders' equity:		
Share capital (note 3)	32,759	32,534
Equity component of convertible debentures	1,490	1,504
Contributed surplus	10,799	10,720
Deficit	(36,494)	(31,890)
	<u>8,554</u>	<u>12,868</u>
Basis of presentation - going concern (note 1)		
	<u>\$29,680</u>	<u>\$30,690</u>

See accompanying notes to Consolidated Financial Statements

# LOOK COMMUNICATIONS INC.

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

	Three months ended May 31		Nine months ended May 31	
	2007	2006	2007	2006
Service and sales revenue (note 4)	\$6,013	\$7,063	\$18,995	\$23,272
Carrier charges and cost of sales (note 4)	2,975	3,344	9,136	10,516
Gross margin	3,038	3,719	9,859	12,756
Expenses:				
Marketing and sales	38	152	107	553
Customer care	501	770	1,540	2,469
Engineering and operations	778	1,211	2,536	3,701
General and administrative (note 6)	2,114	1,876	5,904	5,771
Amortization of capital assets	1,376	1,416	4,085	4,452
Amortization of deferred charges	14	29	54	76
	4,821	5,454	14,226	17,022
Loss from operations	(1,783)	(1,735)	(4,367)	(4,266)
Accretion on liability component of convertible debentures	(92)	(101)	(277)	(297)
Interest and finance charges	(53)	(38)	(155)	(142)
Interest income	78	52	209	118
Loss on disposal of capital assets	(14)	-	(14)	-
	(81)	(87)	(237)	(321)
Loss for the period	(1,864)	(1,822)	(4,604)	(4,587)
Deficit, beginning of period	(34,630)	(28,024)	(31,890)	(25,259)
Deficit, end of period	\$(36,494)	\$(29,846)	\$(36,494)	\$(29,846)
Basic and diluted loss per share	\$(0.02)	\$(0.02)	\$(0.04)	\$(0.04)
Weighted average number of shares outstanding	124,726,353	120,642,670	124,391,582	118,693,932

See accompanying notes to Consolidated Financial Statements

# LOOK COMMUNICATIONS INC.

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

	Three months ended		Nine months ended	
	May 31		May 31	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$(1,864)	\$(1,822)	\$(4,604)	\$(4,587)
Items not affecting cash				
Amortization of capital assets	1,376	1,416	4,085	4,452
Amortization of deferred charges	14	29	54	76
Amortization of stock-based compensation	34	7	79	52
Accretion on liability component of convertible debentures	92	101	277	297
Loss on disposal of capital assets	14	-	14	-
	(334)	(269)	(95)	290
Change in non-cash operating working capital:				
Accounts receivable and other receivable	321	311	646	(617)
Inventories	60	14	82	13
Prepaid expenses and deposits	(162)	(241)	(106)	(202)
Accounts payable and accrued liabilities	976	338	3,260	486
Unearned revenue	(83)	(82)	10	(306)
	778	71	3,797	(336)
Financing activities:				
Interest payments on convertible debentures	-	(5)	(1)	(9)
Repayment of obligations under capital leases	(8)	(8)	(31)	(31)
	(8)	(13)	(32)	(40)
Investing activities:				
Purchase of capital assets	(4)	(253)	(136)	(454)
Proceeds of disposition of capital assets	24	-	24	-
(Increase)/decrease in restricted cash	(21)	591	(3)	650
	(1)	338	(115)	196
Increase/(decrease) in cash and cash equivalents	769	396	3,650	(180)
Cash and cash equivalents, beginning of period	7,983	4,790	5,102	5,366
Cash and cash equivalents, end of period	\$8,752	\$5,186	\$8,752	\$5,186

Supplemental cash flow disclosure (note 7)

See accompanying notes to Consolidated Financial Statements

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

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## 1. Basis of presentation - going concern:

These Unaudited Interim Consolidated Financial Statements have been prepared by management, 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.

These Unaudited Interim 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, 2006. Accounting policies and methods of their application followed in the preparation of these Unaudited Interim Consolidated Financial Statements are consistent with those used in the most recent annual Audited Consolidated Financial Statements.

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 \$6,132 as at May 31, 2007 (August 31, 2006 - \$5,821).

The Corporation's ability to continue as a going concern is dependent upon the outcome of the Bell Canada dispute, (see note 9 – "Contingencies" and note 10 – "Subsequent Events" below), achieving and maintaining profitable operations and successful implementation of the Corporation's business strategy. The outcome of these matters cannot be predicted at this time. The Unaudited Interim Consolidated Financial Statements have been prepared on a going concern basis and do not reflect 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.

## 2. Restricted cash:

The Corporation pledged \$514 (August 31, 2006 - \$511) 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 3.25%.

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

### 3. Share capital:

(a) Issued and outstanding:

	Nine months ended May 31, 2007				
	Multiple voting shares		Subordinate voting shares		Total \$
	#	\$	#	\$	
Balance, August 31, 2006	59,578,269	16,005	64,360,707	16,529	32,534
Shares issued pursuant to debenture conversion (i)	253,334	19	253,333	19	38
Shares issued pursuant to interest payments on Debentures (ii)	-	-	278,187	187	187
Shares issued pursuant to stock option conversion (note 3(b))	-	-	2,523	-	-
Balance, May 31, 2007	59,831,603	16,024	64,894,750	16,735	32,759

- (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 and the Corporation has the option to settle its obligation to pay interest and repay the principal by issuing shares of the Corporation. Convertible debentures in the amount of \$38 were converted during the nine months ended May 31, 2007.

If all the 7% convertible debentures convert to shares, the impact would be to increase the number of Multiple Voting Shares outstanding from 59,831,603 to 87,778,269, and the number of Subordinate Voting Shares outstanding from 64,894,750 to 92,841,417. 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.

- (ii) The Corporation obtained regulatory approvals to pay the interest on the convertible debentures in shares in lieu of cash. Accordingly, during the nine month period ended May 31, 2007, 278,187 Subordinate Voting Shares were issued in consideration for \$147 of interest payable (nine month period ended May 31, 2006 - 1,295,617 Subordinate Voting Shares in consideration of \$198 of interest payable).

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

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### 3. Share capital (continued):

Share capital increased by \$40 related to the accretion charges recorded on the convertible debentures.

#### (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 and employees 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 options 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 14.0% 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 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, and 2007 vested over a two-year period.

The following table reflects activity under the 2002 plan during the nine month period ended May 31, 2007 and the year ended August 31, 2006:

	Nine months ended May 31, 2007		Year ended August 31, 2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	3,947,228	\$0.108	3,600,877	\$0.122
Granted	1,670,500	\$0.138	1,150,000	\$0.120
Exercised	2,523	\$0.190	-	-
Cancelled	1,155,379	\$0.127	803,649	\$0.190
Outstanding, end of period	4,459,826	\$0.118	3,947,228	\$0.108

Note: During the nine months ended May 31, 2007, 2,523 options were exercised for a nominal amount of contributed capital. No options were exercised during the year ended August 31, 2006.

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

### 3. Share capital (continued):

Information related to the options outstanding at May 31, 2007 is presented below:

Exercise Price	Number outstanding	Weighted average remaining life (years)	Number exercisable
\$0.065	1,565,912	7.2	1,565,912
\$0.10	1,300,000	9.4	-
\$0.12	675,000	8.5	485,417
\$0.19	787,664	7.7	651,339
\$0.50	131,250	9.7	65,625
Total	4,459,826	7.6	2,768,293

During the three and nine month periods ended May 31, 2007, the Corporation recorded stock-based compensation expense of \$34 and \$79 (2006 - \$7 and \$52) respectively related to the options granted to directors and employees. The Black-Scholes option pricing model assumptions were as follows:

	Three months ended February 28, 2007	Three months ended November 30, 2006	Year ended August 31, 2006
Expected option life (years)	3	3	3
Expected volatility	132%	110%	107%
Risk-free interest rate	4.05%	3.88%	3.88%
Dividend yield	nil	nil	nil

No options were granted during the three months ended May 31, 2007. The weighted average fair value of options granted during the nine months ended May 31, 2007 was \$0.098 (year ended August 31, 2006 - \$0.08) per option.

#### (c) Share Appreciation Rights Plan

On February 22, 2005, the Board of Directors approved a Share Appreciation Rights (SAR) Plan for the Corporation. Pursuant to the plan, directors, employees, and consultants 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.

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

### 3. Share capital (continued):

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 share on that date. On October 11, 2006 and April 24, 2007, the Board of Directors awarded an additional 2,594,000 SAR units at a grant price of \$0.10 and 240,000 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 May 31, 2007 is 34,461,490 (August 31, 2006 – 33,547,599). Compensation expense relating to the SAR units for both the three and nine month periods ended May 31, 2007 was Nil (year ended August 31, 2006 – Nil).

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

### 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 are earned from the sale of equipment to customers.

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

	Three months ended					
	May 31, 2007			May 31, 2006		
	Revenues	Cost of sales	Gross margin %	Revenues	Cost of sales	Gross margin %
<b>Service</b>						
Broadcast Services	\$2,653	\$1,513	43.0%	\$3,075	\$1,466	52.3%
Internet Services	2,269	965	57.5%	2,807	1,293	53.9%
Other Services	995	383	61.5%	1,053	393	62.7%
Total	5,917	2,861	51.6%	6,935	3,152	54.5%
Sales and Installations	96	114		128	192	
Total Service and Sales	\$6,013	\$2,975		\$7,063	\$3,344	

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

## 4. Segment disclosure (continued):

	May 31, 2007			Nine months ended May 31, 2006		
	Revenues	Cost of sales	Gross margin %	Revenues	Cost of sales	Gross margin %
<b>Service</b>						
Broadcast Services	\$8,433	\$4,662	44.7%	\$9,860	\$4,788	51.4%
Internet Services	7,212	3,035	57.9%	9,300	3,902	58.0%
Other Services	3,034	1,144	62.3%	3,609	1,238	65.7%
Total	18,679	8,841	52.7%	22,769	9,928	56.4%
Sales and Installations	316	295		503	588	
Total Service and Sales	\$18,995	\$9,136		\$23,272	\$10,516	

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 revenues or accounts receivable.

## 5. Government assistance:

During the three and nine month periods ended May 31, 2007, the Corporation recognized government assistance of \$Nil and \$76 (2006 - \$119 and \$391) 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 May 31, 2007, the amount receivable by the Corporation for government assistance is \$333 (August 31, 2006 - \$929).

## 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 may enter 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:

	Three months ended May 31		Nine months ended May 31	
	2007	2006	2007	2006
Payment of management fees (i)	600	600	1,800	1,800
Rent (ii)	(19)	(18)	(55)	(54)

(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.

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

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## 6. Related party transactions (continued):

Under the terms of the agreement, the Corporation is required to pay an annual fee of \$2,400. 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 (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.

- (ii) The Corporation has subleased a portion of its premises to UBS and recorded a corresponding reduction of general and administrative expenses in the amount of \$19 and \$55 respectively during the three and nine month periods ending May 31, 2007 (2006 - \$18 and \$54). The Corporation signed a five year lease with UBS regarding the rental of this space effective April 1, 2005.
- (iii) The Corporation was charged by a company controlled by the Chairman of the Board of Directors of the Corporation in connection with management and consulting fees and related expenses \$45 and \$135 during the three and nine month periods ending May 31, 2007 (2006 - \$69 and \$235), which are included in general and administrative expenses.

## 7. Supplemental cash flow disclosure:

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

	Three months ended May 31		Nine months ended May 31	
	2007	2006	2007	2006
Conversion of debentures to share capital	-	\$200	\$38	\$415
Shares issued in consideration of interest payable	-	-	\$187	\$198

During the three month and nine month periods ended May 31, 2007, the Corporation paid nil and \$1 in cash interest on debentures (2006 - \$38 and \$101).

# LOOK COMMUNICATIONS INC.

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

Three and nine months ended May 31, 2007 and 2006

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## 8. Economic Dependence

The Corporation purchases a significant portion of its telecommunications needs from Bell Canada. 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.

## 9. Contingencies

In response to Bell Canada's "Notice of Intent to Disconnect" Look'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 July 5, 2007 Bell Canada filed its Statement of Defence and Counterclaim against the Corporation claiming, amongst other things, and in addition to damages for trade payables, damages in the amount of \$2,300 for credit notes improperly issued by Bell Canada, and \$1,000 in aggravated and/or punitive damages.

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.

## 10. Subsequent Events

On May 8, 2007, the Corporation filed a Notice of Motion seeking Interim and Interlocutory 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 Interim and Interlocutory Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007, the outcome of which is not known at this time.

# **LOOK COMMUNICATIONS INC.**

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

Three and nine months ended May 31, 2007 and 2006

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If the Ontario Superior Court of Justice denies the Interim and Interlocutory Injunctions sought by the Corporation and Bell Canada chooses to disconnect all telecommunication services it provides to the Corporation, substantially all of the Corporation's revenues will be impacted and as a result, the Corporation will review the carrying values of all of its assets and liabilities.

If, however, the Ontario Superior Court of Justice grants the Interim and Interlocutory Injunctions sought by the Corporation, the Corporation may be able to carry on business in the normal course of operations.

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## Shareholder Information

### Board of Directors

#### Executive Chairman of the Board

Michael Cytrynbaum

#### Vice Chairman of the Board

Gerald T. McGoey  
Chief Executive Officer

#### Directors

Scott Colbran  
Communications Consultant

Louis Mitrovich  
Communications Consultant

Stuart Smith  
Chairman  
Epic Realty Partners Inc.

### Auditors

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

### Transfer Agent and Registrar

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### Investor Relations

Look Investor Relations  
[investorinfo@look.ca](mailto:investorinfo@look.ca)  
1-888-439-2897

### Stock Exchange Listing

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

### Offices

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