

Interim Unaudited Consolidated Financial Statements of

LOOK COMMUNICATIONS INC.

Three months ended November 30, 2009 and 2008

Look Communications Inc.

8250 Lawson Road

Milton, Ontario

L9T 5C6

Tel: (905) 693-0393 Fax: (905) 693-3647

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 November 30, 2009 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.

Interim Unaudited Consolidated Balance Sheets
(In thousands of dollars)

As at

	November 30 2009	August 31 2009
Assets		
Current assets:		
Cash and cash equivalents (note 5)	\$ 3,110	\$ 14,254
Short-term investments (note 5)	36,038	-
Accounts receivable and other receivables	1,117	283
Short-term receivable due from Inukshuk (note 3)	-	50,000
Inventory	-	40
Prepaid expenses and deposits (note 8)	2,571	2,711
	<hr/> 42,836	<hr/> 67,288
Restricted cash (note 5)	350	380
Property and equipment	1,901	1,995
	<hr/> \$ 45,087	<hr/> \$ 69,663
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 788	\$ 1,000
Accrued restructuring liabilities (note 4)	177	2,243
Accrued restructuring liabilities due to related parties (notes 4 and 8)	-	17,224
Accrued liabilities and provisions	1,670	3,828
Long-term debt, due within one year	1,796	1,800
Current portion of liability component of convertible debentures (note 6)	121	49
	<hr/> 4,552	<hr/> 26,144
Liability component of convertible debentures (note 6)	3,328	3,291
Shareholders' equity:		
Share capital (note 6)	33,568	33,566
Equity component of convertible debentures	1,478	1,479
Contributed surplus	11,152	11,151
Deficit	(8,991)	(5,968)
	<hr/> 37,207	<hr/> 40,228
Basis of presentation (note 1)		
Commitments and contingencies (note 10)		
	<hr/> \$ 45,087	<hr/> \$ 69,663

See accompanying notes to interim unaudited consolidated financial statements.

LOOK COMMUNICATIONS INC.

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

Three months ended November 30, 2009 and 2008

	2009	2008
Service and sales revenue (note 7)	\$ 434	\$ 3,588
Carrier charges and cost of sales (note 7)	425	1,940
Gross margin from continuing operations	9	1,648
Expenses:		
Customer care	231	345
Engineering and operations	615	699
General and administrative	1,565	2,051
Amortization of property and equipment	115	1,147
Amortization of deferred charges	–	9
Restructuring charges (note 4)	401	–
	2,927	4,251
Loss from continuing operations before the undernoted	(2,918)	(2,603)
Accretion on liability component of convertible debentures (note 6)	(111)	(107)
Interest and finance charges	(50)	(51)
Interest income	39	27
Gain on sale of other property and equipment	–	2
Adjustment to gain on sale of spectrum and broadcast licence (note 3)	(61)	–
	(183)	(129)
Loss for the period from continuing operations before income taxes	(3,101)	(2,732)
Income taxes (note 9)	–	–
Loss for the period from continuing operations	(3,101)	(2,732)
Income for the period from discontinued operations (note 7)	78	4,531
Income (loss) and comprehensive income (loss) for the period	(3,023)	1,799
Deficit, beginning of period:	(5,968)	(51,489)
Deficit, end of period	\$ (8,991)	\$ (49,690)
Continuing operations		
Basic loss per share	\$ (0.02)	\$ (0.02)
Diluted loss per share	(0.02)	(0.02)
Discontinued operations		
Basic income per share	–	0.04
Diluted income per share	–	0.04
Income (loss) per share		
Basic	(0.02)	0.02
Diluted	(0.02)	0.02
Weighted average number of shares outstanding		
Basic	127,484	125,946
Diluted	127,484	125,946

See accompanying notes to interim unaudited consolidated financial statements.

LOOK COMMUNICATIONS INC.

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

Three months ended November 30, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Income (loss) for the period	\$ (3,023)	\$ 1,799
Less: Income for the period from discontinued operations	(78)	(4,531)
Items not affecting cash:		
Amortization of property and equipment	115	1,147
Amortization of deferred charges	—	9
Interest and finance charges	4	4
Amortization of stock-based compensation	—	57
Accretion on liability component of convertible debentures	111	107
Adjustment to gain on sale of spectrum and broadcast licence	61	—
Gain on sale of other property and equipment	—	(2)
Change in non-cash operating assets and liabilities:		
Accounts receivable and other receivable	(834)	(12)
Inventory	40	(11)
Prepaid expenses and deposits	140	106
Accounts payable and accrued liabilities and provisions	(2,370)	(180)
Accrued restructuring liabilities	(2,074)	—
Accrued restructuring liabilities due to related parties	(17,224)	—
Unearned revenue	—	(7)
Restricted cash	30	8
Cash used in continuing operations	(25,102)	(1,506)
Cash provided by discontinued operations	78	507
	(25,024)	(999)
Investing activities:		
Purchase of property and equipment	(21)	(9)
Proceeds on sale of property and equipment	—	2
Proceeds from sale of spectrum and broadcast licence	50,000	—
Purchase of short-term investments	(36,000)	—
Interest earned on short-term investments	(38)	—
Transaction costs on sale of spectrum and broadcast licence	(61)	—
Cash provided by (used in) continuing operations	13,880	(7)
Cash provided by discontinued operations	—	1,957
	13,880	1,950
Net cash used in continuing operations	(11,222)	(1,513)
Net cash provided by discontinued operations	78	2,464
Net increase (decrease) in cash and cash equivalents	(11,144)	951
Cash and cash equivalents, beginning of period	14,254	3,565
Cash and cash equivalents, end of period	\$ 3,110	\$ 4,516

Supplemental cash flow information (note 11)

See accompanying notes to interim unaudited consolidated financial statements.

LOOK COMMUNICATIONS INC.

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

Three months ended November 30, 2009 and 2008

As a result of the sale of its spectrum and broadcast licence to Inukshuk Wireless Partnership ("Inukshuk") (note 3) and the resulting restructuring of its business, the Corporation, as of November 15, 2009, is no longer providing any service to subscribers and as of December 31, 2009, has decommissioned its wireless network. The Corporation is currently finalizing plans in respect of its future business operations and has concluded that the going concern basis of accounting as described in note 1 is appropriate.

The Corporation's shares are listed on the TSX Venture Exchange under the symbols "LOK" for Multiple Voting Shares and "LOK.A" for Subordinate Voting Shares.

1. Basis of presentation:

These consolidated financial statements have been prepared on a going concern basis, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with respect to the preparation of financial statements. The going concern basis of presentation assumes that 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. The Corporation is currently evaluating its future operations and strategies and will seek approval from the Corporation's shareholders as required.

2. Significant accounting policies:

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 short-term investments as noted below.

Short-term investments:

Short-term investments include variable rate guaranteed investment certificates with original maturities of less than 365 days. Short-term investments held during the period have been classified as held-for-trading instruments.

Recent accounting pronouncements:

(a) International Financial Reporting Standards ("IFRS")

The CICA plans to converge Canadian GAAP with IFRS. The Corporation will be required to adopt IFRS effective September 1, 2011. The impact of the transition to IFRS on the Corporation's consolidated financial statements is in the process of being evaluated and is not yet determinable as the Corporation is currently evaluating its plans for future operations. The Corporation's first reporting period under IFRS will be for the first interim period of the year ending August 31, 2012.

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

Three months ended November 30, 2009 and 2008

3. Sale of spectrum and broadcast licence:

On September 11, 2009, following the receipt of regulatory approval of the transaction by Industry Canada and the satisfaction of all remaining conditions precedent to the consummation of the transactions contemplated in the Agreement of Purchase and Sale (the "Agreement") between the Corporation and Inukshuk for the sale of its spectrum and broadcast licence, the Corporation received the full consideration of \$80,000 due from Inukshuk. In accordance with the Agreement, Inukshuk has requested that the Corporation support an application by Inukshuk to the Canadian Radio-Television and Telecommunications Commission for the grant of a licence under the *Broadcasting Act*.

The Corporation recorded transaction charges of \$61 during the quarter related to the sale of the spectrum and broadcast licence to Inukshuk.

4. Restructuring:

As a result of the sale of its spectrum and broadcast licence to Inukshuk and the resulting restructuring of its business, the Corporation has recorded and paid restructuring amounts during the quarter as set out in the following tables:

	Site restoration and contract termination charges	Human resource restructuring charges	Total restructuring amounts
Accrued restructuring liabilities			
Balance at August 31, 2009	\$ 204	\$ 2,039	\$ 2,243
Expensed in first quarter 2010	401	–	401
Paid in first quarter 2010	(430)	(2,037)	(2,467)
Balance at November 30, 2009	\$175	\$2	\$177
Accrued restructuring liabilities due to related parties			
Balance at August 31, 2009	\$ –	\$ 17,224	\$ 17,224
Paid in first quarter 2010	–	(17,224)	(17,224)
Balance at November 30, 2009	\$ –	\$ –	\$ –

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

Three months ended November 30, 2009 and 2008

4. Restructuring (continued):

During the quarter ended November 30, 2009, the Corporation expensed \$401 to restructuring charges as noted above. As of November 15, 2009, the Corporation is no longer offering service to any subscribers and as of December 31, 2009, the Corporation has decommissioned its wireless network. The Corporation is continuing to pursue opportunities to sell its remaining two material non-cash assets which include:

- (a) Tax Assets – Approximately \$360,000 in tax assets; and
- (b) Milton Property – The Corporation's current head office, network operating centre, and infrastructure in Milton, Ontario.

The Corporation expects that substantially all of the charges and activities related to the ongoing restructuring process, such as site shut down, will be completed by the end of the second quarter of fiscal 2010.

5. Cash and short-term investments:

- (a) Cash and cash equivalents:

At November 30, 2009, the Corporation held \$3,110 of cash (August 31, 2009 - \$14,254) and no cash equivalents (August 31, 2009 - nil).

- (b) Restricted cash:

At November 30, 2009, the Corporation held \$350 (August 31, 2009 - \$380) of restricted cash including \$300 in interest-bearing certificates at 0.2% (August 31, 2009 - \$300 at 0.2%).

- (c) Short-term investments:

At November 30, 2009, the Corporation held \$36,038 of short-term investments which include variable rate guaranteed investment certificates with original maturities of less than 365 days. The certificates bear interest at the rate of prime minus 1.75% and are fully redeemable at any time by the Corporation at its discretion. Short-term investments held during the period have been classified as held-for-trading instruments. At August 31, 2009, the Corporation held no short-term investments.

LOOK COMMUNICATIONS INC.

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

Three months ended November 30, 2009 and 2008

6. Share capital:

(a) Authorized:

Preference Shares - issuable in series. No such shares are issued and outstanding.

Unlimited Multiple Voting Shares - voting, entitled to 150 votes per share (except at separate meetings of holders of shares of any other class), subject to the rights of holders of any preference shares, entitled to dividends, and to the receipt of any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation.

Unlimited Subordinate Voting Shares - voting, entitled to one vote per share (except at separate meetings of holders of shares of any other class), subject to the rights of holders of any preference shares, entitled to dividends and to the receipt of any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation.

Unlimited Class A Non-Voting Shares. No such shares are issued and outstanding.

(b) Issued and outstanding:

Three months ended November 30, 2009	Multiple Voting Shares		Subordinate Voting Shares		Total
Balance, August 31, 2009	60,045	\$ 16,040	67,416	\$ 17,526	\$ 33,566
Shares issued pursuant to debenture conversion (i)	13	1	13	1	2
Balance, November 30, 2009	60,058	\$ 16,041	67,429	\$ 17,527	\$ 33,568

- (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, which commenced on June 30, 2004. The Corporation carries the debentures at amortized cost using an effective interest rate of 13.6%. 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 7 Multiple Voting Shares and 7 Subordinate Voting Shares per \$1 debenture. The convertible debentures have been 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. As at November 30, 2009, the outstanding face value was \$4,158 (August 31, 2009 - \$4,160). The debentures are direct obligations of the Corporation and rank *pari passu* with all other subordinated, secured obligations of the Corporation.

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

Three months ended November 30, 2009 and 2008

6. 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 60,058 to 87,778 and the number of Subordinate Voting Shares outstanding from 67,429 to 95,150. 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 three months ended November 30, 2009, \$2 of convertible debentures were converted into 13 Multiple Voting Shares and 13 Subordinate Voting Shares of the Corporation (year ended August 31, 2009 - convertible debentures in the amount of \$26 were converted into 173 Multiple Voting Shares and 173 Subordinate Voting Shares).

Interest on the debentures has historically been paid in shares. From the date of issuance to November 30, 2009, 11,362 Subordinate Voting Shares and Common Shares were issued in consideration of \$1,679 of interest payable. Interest owing as of December 30, 2009, in the amount of \$146, was paid in cash.

(c) 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"). As a result of the Corporation's restructuring process, there were no options to acquire Subordinate Voting Shares of the Corporation outstanding at November 30, 2009 or at August 31, 2009. The 2002 Plan remains in effect.

During the three months ended November 30, 2009, the Corporation recorded no stock-based compensation expense (2008 - \$57) related to the options granted to directors, employees and non-employees.

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

Three months ended November 30, 2009 and 2008

6. Share capital (continued):

(d) 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 SAR 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.

As a result of the Corporation's restructuring process, there were no SAR units outstanding at November 30, 2009 or at August 31, 2009. The SAR Plan remains in effect.

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

(e) Earnings per share:

In determining diluted earnings per share for the quarter ended November 30, 2009, the weighted average number of shares outstanding was not increased for convertible debentures outstanding as the impact would have been anti-dilutive. In determining diluted earnings per share for the quarter ended November 30, 2008, the weighted average number of shares outstanding was not increased for convertible debentures or in-the-money stock options outstanding as the impact would have been anti-dilutive.

7. Segment disclosure:

The Corporation sold its web hosting and domain name business, spectrum and broadcast licence, and its Internet business during the first, third, and fourth quarters of fiscal 2009 respectively. In accordance with Section 3475 of the CICA Handbook, the operations and cash flows of the web hosting and domain name business are presented as discontinued operations while the broadcast, Internet, and certain other operations which do not meet the definition of discontinued operations are shown as continuing operations.

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

Three months ended November 30, 2009 and 2008

7. Segment disclosure (continued):

The revenue, carrier charges and cost of sales, and gross margin for the three months ended November 30, 2009 and 2008 from continuing operations are as follows:

Service	Three months ended November 30, 2009			Three months ended November 30, 2008		
	Revenue	Carrier charges and cost of sales	Gross margin	Revenue	Carrier charges and cost of sales	Gross margin
Broadcast	\$434	\$425	\$ 9	\$1,796	\$1,058	\$ 738
Internet	–	–	–	1,702	823	879
Other	–	–	–	39	10	29
	434	425	9	3,537	1,891	1,646
Sales and installations	–	–	–	51	49	2
	\$434	\$425	\$ 9	\$ 3,588	\$1,940	\$1,648

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 gross revenue or accounts receivable.

The service and sales revenue and cost of sales from discontinued operations are as follows:

Service	Three months ended November 30, 2009			Three months ended November 30, 2008		
	Revenue	Carrier charges and cost of sales	Gross margin	Revenue	Carrier charges and cost of sales	Gross margin
Web hosting and domain names	\$ –	\$ –	\$ –	\$520	\$189	\$331

The income from discontinued operations for the quarter ended November 30, 2009 was \$78 and related to an adjustment to the gain on the sale of the web hosting and domain name business. As a result, the total gain on the sale of these assets was increased from \$4,200 to \$4,278. The income from discontinued operations for the quarter ended November 30, 2008 includes web hosting and domain name gross margin of \$331, and an initial gain on the sale of the web hosting and domain name business of \$4,200.

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

Three months ended November 30, 2009 and 2008

8. Related party transactions:

Related party transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not in the normal course of operations, such as the Corporation's accrued human resource restructuring contingent payments, have been measured at the carrying amount which is the amount of an item transferred or the cost of services provided. The Corporation enters into transactions with its majority shareholder, Unique Broadband Systems, Inc. and/or its wholly-owned subsidiaries (collectively "UBS"), a company which controls the Corporation. Related party transactions and balances with UBS are as follows:

	Three months ended November 30, 2009	Three months ended November 30, 2008
Management fees expense (a)	\$ 600	\$600
Rent revenue (b)	19	19

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

Under the terms of the MSA, the Corporation is required to pay an annual fee of \$2,400. The Corporation paid, in September 2007, in advance, an annual fee of \$2,400. On a 12-month rolling basis, the Corporation maintains the annual prepaid fee. The annual prepaid fee is included in the caption prepaid expenses and deposits. 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. The Corporation shall also reimburse UBS for certain expenses and disbursements incurred in respect of the MSA and the services provided by UBS. The initial term of the MSA 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 MSA not recommence, in which event, the MSA expires on the completion of the remaining term.

LOOK COMMUNICATIONS INC.

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

Three months ended November 30, 2009 and 2008

8. Related party transactions (continued):

- (b) During the quarter ended November 30, 2009, the Corporation subleased a portion of its premises to UBS in the amount of \$19 (2008 - \$19), 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.
- (c) 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.
- (d) The Corporation has accrued in fiscal 2009, and paid during the first quarter of fiscal 2010, amounts directly to, or to companies controlled by, the Executive Chairman of the Board of Directors of the Corporation, the Chief Executive Officer and Vice-Chairman of the Board of Directors of the Corporation, the Chief Technology Consultant to the Corporation, senior management, and directors as follows:

	Contingent payments ⁽¹⁾	Number of options relinquished	Number of SARs relinquished
First Fiscal Management Ltd. ⁽²⁾	\$ 4,146	727	7,384
Jolian Investments Ltd. ⁽³⁾	5,566	335	14,769
DOL Technologies Inc. ⁽⁴⁾	3,951	–	7,384
Directors and Senior Management	3,561	4,325	3,194
Total	\$ 17,224	5,387	32,731

⁽¹⁾ Payment was contingent on receipt by the Corporation of the full consideration of \$80,000 due from Inukshuk. If the transaction did not close, the contingent payments would not have been made and all rights to these contingent payments, options, and SARs would have remained relinquished (notes 3 and 4).

⁽²⁾ First Fiscal Management Ltd. is a company controlled by the Executive Chairman of the Board of Directors of the Corporation.

⁽³⁾ Jolian Investments Ltd. is a company controlled by the Chief Executive Officer and Vice-Chairman of the Board of Directors of the Corporation.

⁽⁴⁾ DOL Technologies Inc. is a company controlled by the Chief Technology Consultant to the Corporation.

All contingent payments were included in restructuring charges in fiscal 2009.

- (e) During the quarter ended November 30, 2009, \$15 was paid to the Executive Chairman of the Board of Directors of the Corporation and \$45 was paid to First Fiscal Management Ltd., a company controlled by the Executive Chairman of the Board of Directors of the Corporation (2008 - \$15 and \$45 respectively). The amounts are included in general and administrative operating expenses.

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

Three months ended November 30, 2009 and 2008

9. Income taxes:

As a result of the sale of the spectrum and broadcast licence and the restructuring of the Corporation's business, the cumulative eligible capital expenditure pool has been converted to a non-capital loss and is included in the table below with an expiry date of December 31, 2029.

The Corporation has the following federal non-capital income tax losses, which may be carried forward to reduce future years' taxable income. These losses will expire in the taxation years ending December 31 as follows:

2010	\$ 184,303
2014	12,588
2015	55
2026	403
2028	13,539
2029	149,598
	<hr/>
	\$ 360,486

10. Commitments and contingencies:

(a) Commitments:

The Corporation is required to pay \$2,400 annually for services received from UBS (note 8).

(b) Contingencies:

- (i) 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 claims 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 and numerous sanctions against the Corporation and other parties. On December 18, 2009, the Corporation exchanged Affidavit of Documents with Craig Wireless.

The Corporation believes that the entire claim is without merit and intends to vigorously defend itself. Accordingly, no accrual has been recorded in the accounts for this claim.

- (ii) The Corporation and Border Broadcasters Inc. executed a final settlement agreement to their ongoing litigation on August 17, 2009. During the quarter ended November 30, 2009 the Corporation paid \$1,000 to Border Broadcasters for complete settlement of all claims.

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Notes to Interim Unaudited Consolidated Financial Statements (continued)
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10. Commitments and contingencies (continued):

- (iii) In the normal course of its operations, the Corporation may be subject to other litigations 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.

- (iv) 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.

11. Supplemental cash flow information:

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

	Three months ended November 30, 2009	Three months ended November 30, 2008
Conversion of debentures to share capital (note 6)	\$ 2	\$ –

During the three months ended November 30, 2009, the Corporation paid \$45 in cash interest and received \$39 in cash interest (2008 - \$47 and \$27 respectively).

12. Capital risk management:

The Corporation manages its capital to maximize value to shareholders and other stakeholders. The Corporation's capital structure includes cash and cash equivalents, short-term investments, accounts receivable, short-term receivable due from Inukshuk, long-term debt due within one year, convertible debentures, and equity consisting of share capital, contributed surplus, and deficit.

The Corporation is not subject to externally-imposed capital requirements. The Corporation's overall strategy with respect to capital risk management is to hold low-risk highly-liquid cash accounts and short-term investments.

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Notes to Interim Unaudited Consolidated Financial Statements (continued)
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13. Financial risk management:

(a) Overview:

The Corporation may have exposure to credit risk, liquidity risk, and market risk. The Corporation's Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Audit and Corporate Governance Committee of the Board of Directors reviews the Corporation's risk management policies from time to time on an as needed basis.

(b) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash and cash equivalents, restricted cash, short-term investments, and accounts receivable. The carrying amount of financial assets represents the Corporation's estimate of its maximum credit exposure.

As at November 30, 2009, the Corporation had a nominal amount of past due accounts receivable from subscribers (August 31, 2009 - \$174 of past due accounts receivable and an allowance for doubtful accounts of \$86).

Cash and cash equivalents, restricted cash, and short-term investments consist of cash and variable rate guaranteed investment certificates with reputable Canadian financial institutions, from which the Corporation believes the risk of loss to be minimal.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due. At November 30, 2009, the Corporation has a working capital surplus of \$38,284 (August 31, 2009 - surplus of \$41,144).

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

The mortgage payable bears interest at the rate of 10.0% per annum and matures on March 1, 2010.

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Notes to Interim Unaudited Consolidated Financial Statements (continued)
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13. Financial risk management (continued):

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Corporation's income or the value of its financial instruments. Prior to the Corporation's restructuring process, the Corporation's products and services were available solely in Canada and substantially all of the Corporation's financial assets and liabilities originated in Canadian dollars. The Corporation was, however, exposed to currency risk for purchases that were denominated in foreign currencies. The Corporation believes this risk was minimal and has not entered into any currency hedging transactions.

The Corporation is subject to interest rate risk on its cash and cash equivalents, short-term investments, and restricted cash (note 5). The Corporation estimates that for each 1% change in the interest rate earned on its cash holdings and its short-term investments at November 30, 2009, interest income will increase or decrease by approximately \$31 per annum and \$360 per annum respectively.

The Corporation may also be subject to interest rate risk on its mortgage payable which bears interest at the rate of 10% per annum. A 1% increase or decrease in the interest rate charged on the mortgage is expected to impact net income, either positively or negatively respectively, by \$18 per annum.

The Corporation's convertible secured debentures bear interest at a rate of 7% per annum and will mature on December 30, 2013. The interest on the debentures has historically been paid in shares, however, interest owing as of December 30, 2009, in the amount of \$146, was paid in cash (note 6).

(e) Fair value of financial instruments:

The fair values of financial assets and financial liabilities are determined as follows:

- (i) For cash and cash equivalents, short-term investments, restricted cash, accounts receivable and other receivables, short-term receivable due from Inukshuk, accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties, and accrued liabilities and provisions carrying amounts approximate fair value due to the short-term nature of the assets and liabilities;

LOOK COMMUNICATIONS INC.

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

Three months ended November 30, 2009 and 2008

13. Financial risk management (continued):

- (ii) The long-term debt, due within one year is carried at amortized cost which approximates fair value; and
 - (iii) The liability component of the convertible debentures is carried at amortized cost which approximates fair value.
- (f) Classification of financial instruments:
- (i) Short-term investments, accounts receivable and other receivables, short-term receivable due from Inukshuk, and restricted cash have been classified as financial assets held for trading and are measured at fair value;
 - (ii) Accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties, and accrued liabilities and provisions have been classified as financial liabilities held for trading; and
 - (iii) Long-term debt due within one year and the liability component of convertible debentures are measured at amortized cost.

The Corporation had not classified any assets as available-for-sale or held-to-maturity during the three months ended November 30, 2009 or the year ended August 31, 2009.

14. Comparative figures:

Certain comparative figures have been reclassified to conform to the current period's presentation.

LOOK COMMUNICATIONS INC.

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

Computershare Trust Company of Canada
1500 University Street
Suite 700
Montreal, Québec
H3A 3S8

Investor Relations

Look Investor Relations
investorinfo@look.ca
647-259-3284

Stock Exchange Listing

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

Office

Ontario

8250 Lawson Rd.
Milton, Ontario L9T 5C6
Tel: (905) 693-0393
Fax: (905) 693-3647