

Consolidated Financial Statements of

LOOK COMMUNICATIONS INC.

Years ended August 31, 2007 and 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Corporation. Management is responsible for the information and representations contained in these financial statements.

The Corporation maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting principles which management believes are appropriate for the Corporation are described in note 2 to the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee of three Directors is appointed by the Board.

The Audit Committee reviews the financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited financial statements for publication. KPMG LLP, the Corporation's external auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.



Gerald T. McGoey
Vice-Chairman and Chief Executive Officer



Jason Redman
Senior Vice-President and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Look Communications Inc. as at August 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licenced Public Accountants
Toronto, Canada
November 7, 2007

LOOK COMMUNICATIONS INC.

Consolidated Balance Sheets
(In thousands of dollars)

As at August 31

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,828	\$ 5,102
Restricted cash (note 3)	500	511
Accounts receivable	280	386
Other receivable (note 9)	346	929
Inventory	62	174
Prepaid expenses and deposits	382	359
	9,398	7,461
Capital assets, net (note 4)	12,508	23,033
Deferred charges, net (note 5)	129	196
	\$ 22,035	\$ 30,690

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable	\$ 12,257	\$ 10,051
Accrued liabilities and provisions	2,942	2,173
Unearned revenue	819	956
Current portion of long-term debt (note 6)	14	39
Current portion of liability component of convertible debentures (note 7)	62	63
	16,094	13,282
Long-term debt (note 6)	1,800	1,814
Liability component of convertible debentures (note 7)	2,702	2,726
Shareholders' equity:		
Share capital (note 7)	32,946	32,534
Equity component of convertible debentures	1,490	1,504
Contributed surplus (note 7)	10,833	10,720
Deficit	(43,830)	(31,890)
	1,439	12,868
Basis of presentation - going concern (note 1)		
Commitments and contingencies (note 13)		
	\$ 22,035	\$ 30,690

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board:



Michael Cytrynbaum Director



Louis Mitrovich Director

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

	2007	2006
Service and sales revenue (note 8)	\$ 24,620	\$ 29,877
Carrier charges and cost of sales (note 8)	11,996	13,116
Gross margin	12,624	16,761
Expenses:		
Marketing and sales	150	662
Customer care	1,978	3,193
Engineering and operations	3,325	5,002
General and administrative (note 10)	8,111	8,178
Amortization of capital assets (note 4)	5,461	5,876
Impairment of capital assets (note 4)	5,182	—
Amortization of deferred charges (note 5)	67	75
	24,274	22,986
Loss from operations	(11,650)	(6,225)
Accretion on liability component of convertible debentures (note 7)	(369)	(391)
Interest and finance charges	(204)	(187)
Interest income	297	172
Loss on disposal of capital assets	(14)	—
	(290)	(406)
Loss for the year	(11,940)	(6,631)
Deficit, beginning of year	(31,890)	(25,259)
Deficit, end of year	\$ (43,830)	\$ (31,890)
Basic and diluted loss per share	\$ (0.10)	\$ (0.05)
Weighted average number of shares outstanding	124,571,579	119,871,088

See accompanying notes to Consolidated Financial Statements.

LOOK COMMUNICATIONS INC.

Consolidated Statements of Cash Flows
(In thousands of dollars)

Years ended August 31, 2007 and 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (11,940)	\$ (6,631)
Items not affecting cash:		
Amortization of capital assets	5,461	5,876
Impairment of capital assets	5,182	-
Amortization of deferred charges	67	75
Amortization of stock-based compensation	113	52
Accretion on liability component of convertible debentures	369	391
Loss on disposal of capital assets	14	-
	(734)	(237)
Change in non-cash operating working capital:		
Accounts receivable and other receivable	689	(447)
Inventory	112	(45)
Prepaid expenses and deposits	(23)	111
Accounts payable and accrued liabilities	2,975	381
Unearned revenue	(137)	(397)
	2,882	(634)
Financing activities:		
Interest payments on convertible debentures	(1)	(9)
Increase in long-term debt	-	600
Repayment of obligations under capital leases	(39)	(67)
Exercise of stock options (note 7)	5	-
	(35)	524
Investing activities:		
Purchase of capital assets	(159)	(771)
Proceeds on disposition on capital assets	27	-
Increase in deferred charges	-	(42)
Decrease in restricted cash	11	659
	(121)	(154)
Increase / (decrease) in cash and cash equivalents	2,726	(264)
Cash and cash equivalents, beginning of year	5,102	5,366
Cash and cash equivalents, end of year	\$ 7,828	\$ 5,102

Supplemental cash flow disclosure (note 14)

See accompanying notes to Consolidated Financial Statements.

LOOK COMMUNICATIONS INC.

Notes to Consolidated Financial Statements

(In thousands of dollars, except shares and per share amounts)

Years ended August 31, 2007 and 2006

1. Basis of presentation - going concern:

These consolidated financial statements have been prepared on a going concern basis, in accordance with Canadian generally accepted accounting principles. 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 \$6,696 as at August 31, 2007 (2006 - \$5,821).

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 12 and 13(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.

2. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates are used in determining allowances for doubtful accounts, useful lives of capital assets, capital asset impairment assessments, income tax valuation allowances, certain liabilities for cost of carrier services, stock-based compensation expense, and contingent liabilities.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of all bank balances and highly liquid short-term investments with original maturities of less than 90 days.

(d) Inventory:

Inventory, which consists primarily of modems, antennae, and remote controls, is recorded at the lower of cost and net realizable value.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided at rates and on bases designed to amortize the cost of the assets over their estimated useful lives as follows:

Asset	Basis	Rate
Building	Declining balance	4%
Headend and network equipment	Straight line	8 - 10 years
Customer connections	Straight line	5 - 10 years
Computer hardware	Declining balance	30%
Computer software	Straight line	Up to 1 year
Office equipment and other	Declining balance	20%
Vehicles under capital leases	Declining balance	30%

Capital assets associated with the Corporation's network and customer connections are subject to technological risks and market changes due to new products and services and changing customer demands. These changes may result in changes to the estimated useful lives of these assets.

(f) Impairment of long-lived assets:

The carrying amount of long-lived assets to be held and used is reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value. See note 4 regarding the impairment recognized during the year ended August 31, 2007.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

2. Significant accounting policies (continued):

(g) Deferred charges:

Deferred charges consists primarily of licence renewal application costs, and deferred financing charges. Licence renewal application costs represent expenditures incurred in the course of obtaining the licence renewals from the Canadian Radio-television and Telecommunications Commission (the "CRTC") and are being amortized on a straight-line basis over the term of the licence of approximately seven years.

Deferred financing charges represent costs incurred to complete the rights offering (see notes 5 and 7) and are amortized on a straight-line basis over the term of the debt.

(h) Revenue recognition:

Service and sales revenue includes earned subscriber service revenue for television and internet access. Service charges billed or paid for in advance are recorded as revenue when services are provided. Revenue from the sale of receiving equipment and modems is recognized in the period in which the services are activated. Customer installation costs are expensed as incurred. Unearned revenue consists of prepayments under certain customer contracts and is amortized to revenue over the term of the contract.

(i) Government assistance:

Government assistance is recorded as an expense reduction in the period that the expenditure is incurred and when reasonable assurance exists that the Corporation has complied with the terms and conditions of the approved grant program and there is reasonable assurance that the proceeds will be received. The Quebec E-business activities subsidy ended effective December 31, 2006.

(j) Foreign currency translation:

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at the exchange rate in effect at the date of the transaction. Resulting exchange gains or losses are included in the loss for the year.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

2. Significant accounting policies (continued):

(k) Income taxes:

Under the asset and liability method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the years in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

(l) Stock-based compensation:

(i) Stock option incentive plan:

The Corporation has a stock option incentive plan, which is described in note 7(c). The Corporation accounts for all stock options to employees and non-employees using the fair value-based method. Under the fair value-based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Forfeitures are accounted for as they occur. Consideration paid by employees and non-employees on the exercise of stock options is recorded as share capital.

(ii) Share appreciation rights plan:

The Corporation has a Share Appreciation Rights plan ("SAR"), which is described in note 7(d). The Corporation accounts for SAR units as a liability and compensation cost is recorded based on the intrinsic value of the award when it is considered likely that the terms and conditions of the SAR plan will be met.

(m) Basic and diluted loss per share:

Basic loss per share is calculated using the weighted average number of Multiple Voting and Subordinate Voting Shares outstanding during the year. Diluted loss per share reflects the dilution that would occur if outstanding stock options were exercised or converted into the Corporation's Subordinate Voting Shares using the treasury stock method. For the years ended August 31, 2007 and 2006, the inclusion of the Corporation's stock options in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are, therefore, excluded from the computation.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

2. Significant accounting policies (continued):

(n) Recent accounting pronouncements:

(i) Accounting changes:

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 will be adopted by the Corporation on September 1, 2007.

(ii) Financial instruments:

In 2005 and 2006, the CICA issued Handbook Section 3855, Financial Instruments - Recognition and Measurement, Handbook Section 1530, Comprehensive Income, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. 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 (loss) and accumulated other comprehensive income (loss). 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. Sections 3855 and 1530 will be adopted by the Corporation on September 1, 2007 and Sections 3862 and 3863 will be subsequently adopted on September 1, 2008.

3. Restricted cash:

The Corporation pledged \$500 (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 3.93%.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

4. Capital assets:

August 31, 2007	Cost	Accumulated amortization	Net book value
Land	\$ 195	\$ –	\$ 195
Building	1,402	435	967
Headend and network equipment	34,553	28,066	6,487
Customer connections	20,767	17,147	3,620
Computer hardware and software	19,502	19,169	333
Office equipment and other	2,542	1,702	840
Vehicles under capital leases	267	201	66
	<u>\$ 79,228</u>	<u>\$ 66,720</u>	<u>\$ 12,508</u>

August 31, 2006	Cost	Accumulated amortization	Net book value
Land	\$ 195	\$ –	\$ 195
Building	1,402	394	1,008
Headend and network equipment	34,513	22,212	12,301
Customer connections	20,766	13,108	7,658
Computer hardware and software	19,438	18,627	811
Office equipment and other	2,539	1,580	959
Vehicles under capital leases	284	183	101
	<u>\$ 79,137</u>	<u>\$ 56,104</u>	<u>\$ 23,033</u>

As described in notes 6, 7, and 10, certain assets have been pledged as security in connection with certain agreements.

During the fourth quarter of 2007, the Corporation completed a review of the carrying amount of its long-lived capital assets. Through this review and based on, amongst other things, subscriber attrition and technological changes within the telecommunications sector, the Corporation determined that certain of these long-lived capital assets were carried at amounts greater than their net recoverable amounts (based on undiscounted estimated future net cash flows). As a result of the foregoing, a non-cash write-down of \$5,182 was recorded, bringing the carrying values of the assets on par with their fair values. The fair values of the assets subject to impairment were determined using quoted market prices where available, offers to purchase, or management's assessment of market values for similar assets.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

5. Deferred charges:

August 31, 2007	Cost	Accumulated amortization	Net book value
Licence renewal application costs	\$ 252	\$ 154	\$ 98
Deferred financing costs	169	142	27
Customer lists	12	8	4
	\$ 433	\$ 304	\$ 129

August 31, 2006	Cost	Accumulated amortization	Net book value
Licence renewal application costs	\$ 252	\$ 118	\$ 134
Deferred financing costs	169	114	55
Customer lists	12	5	7
	\$ 433	\$ 237	\$ 196

6. Long-term debt:

August 31	2007	2006
Mortgage payable (a)	\$ 1,800	\$ 1,800
Obligations under capital leases (b)	14	53
	1,814	1,853
Less current portion	14	39
	\$ 1,800	\$ 1,814

(a) The mortgage payable bears interest at 10.5% per annum and matures on August 21, 2009. The mortgage is collateralized by a general security agreement over the assets at the Corporation's Milton, Ontario premises, and a first legal charge over the land and building of the Corporation.

(b) Obligations under capital leases at August 31, 2007 represent the Corporation's vehicle purchases under capital leases. These capital leases bear interest at 9-10% per annum.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

6. Long-term debt (continued):

Long-term debt is repayable as follows:

Year ended August 31	
2008	\$ 14
2009	1,800
	\$ 1,814

7. Share capital:

(a) Authorized:

Preference Shares - issuable in series

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 preferred 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 preferred 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.

(b) Issued and outstanding:

	2007				
	Multiple Voting Shares		Subordinate Voting Shares		Total \$
	#	\$	#	\$	
Balance, Beginning of year	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)	-	-	734,136	369	369
Shares issued pursuant to stock option conversion (note 7(c))	-	-	23,981	5	5
Balance, End of year	59,831,603	16,024	65,372,157	16,922	32,946

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

7. Share capital (continued):

	2006				
	Multiple Voting Shares		Subordinate Voting Shares		Total \$
	#	\$	#	\$	
Balance, Beginning of year	56,811,602	15,797	58,788,783	15,934	31,731
Shares issued pursuant to debenture conversion (i)	2,766,667	208	2,766,667	207	415
Shares issued pursuant to interest payments on debentures(ii)	-	-	2,805,257	388	388
Balance, End of year	59,578,269	16,005	64,360,707	16,529	32,534

- (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.

If all the 7% convertible debentures were converted to shares, the impact would be to increase the number of Multiple Voting Shares outstanding from 59,831,603 to 87,778,270 and the number of Subordinate Voting Shares outstanding from 65,372,157 to 93,318,824. 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 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 of the Corporation (2006 - convertible debentures in the amount of \$415 were converted into 2,766,667 Multiple Voting and 2,766,667 Subordinate Voting Shares).

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

7. Share capital (continued):

- (ii) The Corporation obtained regulatory approvals to pay the interest on the convertible debentures in shares in lieu of cash. Accordingly, on June 30, 2007, 455,949 Subordinate Voting Shares were issued in consideration for \$146 of interest payable. On December 30, 2006, 278,187 Subordinate Voting Shares were issued in consideration for \$147 of interest payable. On June 30, 2006, 1,509,640 Subordinate Voting Shares were issued in consideration for \$148 of interest payable. On December 30, 2005, 1,295,617 Subordinate Voting Shares were issued in consideration for \$155 of interest payable.

Share capital increased by \$76 during the year ended August 31, 2007 (2006 - \$85) related to the accretion charges recorded on the convertible debentures.

(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"). 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 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 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 and 2005, and 2007 vest over a two-year period.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

7. Share capital (continued):

The following table reflects activity under the 2002 Plan during 2007 and 2006:

	2007		2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of year	3,947,228	\$ 0.108	3,600,877	\$ 0.122
Granted	1,920,500	\$ 0.159	1,150,000	\$ 0.120
Exercised	23,981	\$ 0.190	—	—
Cancelled	1,252,297	\$ 0.128	803,649	\$ 0.190
Outstanding, end of year	4,591,450	\$ 0.128	3,947,228	\$ 0.108

Note: During the year ended August 31, 2007, 23,981 options were exercised for consideration of \$5. No options were exercised during the year ended August 31, 2006.

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

Exercise Price	Number Outstanding	Weighted average remaining life (years)	Number Exercisable
\$0.065	1,565,912	6.9	1,565,912
\$0.100	1,246,000	9.1	—
\$0.120	675,000	8.3	485,417
\$0.190	723,288	7.4	608,422
\$0.300	250,000	9.9	—
\$0.500	131,250	9.5	65,625
Total	4,591,450	7.3	2,725,376

During the year, the Corporation recorded stock-based compensation expense of \$113 (2006 - \$52) related to the options granted to directors, employees, and non-employees. The average of the Black-Scholes option pricing model assumptions for option grants during the year were as follows:

	2007	2006
Expected option life (years)	3	3
Expected volatility	125%	107%
Risk-free interest rate	4.20%	3.88%
Dividend yield	nil	nil

The weighted average fair value of options granted during the year was \$0.12 (2006 - \$0.08) per option.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

7. Share capital (continued):

(d) Share appreciation rights plan:

On February 22, 2005, the Board of Directors approved a 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.

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 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 August 31, 2007, is 33,927,882 (2006 - 33,547,599). Compensation expense for the year ended August 31, 2007 relating to the SAR Plan was nil (2006 - nil).

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

8. 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.

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

Years ended August 31, 2007 and 2006

8. Segment disclosure (continued):

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

Service	2007		2006	
	Revenues	Cost of sales	Revenues	Cost of sales
Broadcast Services	\$ 10,903	\$ 6,163	\$ 12,698	\$ 5,739
Internet Services	9,370	3,954	11,923	5,012
Other Services	3,957	1,483	4,629	1,592
Total	24,230	11,600	29,250	12,343
Sales and Installations	390	396	627	773
Total Service and Sales	\$ 24,620	\$ 11,996	\$ 29,877	\$ 13,116

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.

9. Government assistance:

During the year, the Corporation recognized government assistance of \$90 (2006 - \$398) 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 August 31, 2007, the amount receivable by the Corporation for government assistance is \$346 (2006 - \$929). The Quebec E-business activities subsidy ended effective December 31, 2006.

10. 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:

	2007	2006
Management fees expense (i)	\$ 2,400	\$ 2,400
Interest expense (ii)	210	210
Rent revenue (iii)	(74)	(73)

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

10. Related party transactions (continued):

- (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.

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 (see note 7(c)). 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) During the year, the Corporation paid \$210 (2006 - \$210) by way of issuance of shares to UBS related to interest expense on the convertible debentures held by UBS.
- (iii) During the year, the Corporation subleased a portion of its premises to UBS in the amount of \$74 (2006 - \$73), 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.
- (iv) 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.
- (v) The Corporation paid \$240 (2006 - \$240) 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.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

11. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to losses before income taxes. The reasons for the differences are as follows:

	2007	2006
Tax recovery at combined federal and provincial rates	\$ (4,095)	\$ (2,289)
Expiration of Ontario loss carryforwards	924	1,740
Change in valuation allowance	(2,504)	(2,105)
Change in enacted tax rates	5,307	3,020
Other	368	(366)
Income taxes recovery	\$ —	\$ —

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at August 31, 2007 and 2006 are presented below:

	2007	2006
Future tax assets:		
Non-capital loss carryforwards	\$ 96,198	\$ 101,476
Tax basis in excess of book value	4,165	1,601
	100,363	103,077
Future tax liabilities:		
Labor tax credit	(111)	(321)
	(111)	(321)
Valuation allowance	(100,252)	(102,756)
Net future tax assets	\$ —	\$ —

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the year in which the temporary differences are deductible. Management considers the scheduled reversals of future income tax liabilities, the character of the income tax asset, and the tax planning strategies in making this assessment. To the extent that management believes that the realization of future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is recorded against the future tax assets.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

11. Income taxes (continued):

As at August 31, 2007, 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 (see note 16):

2007	\$ 110,971
2009	7,093
2010	184,302
2014	12,588
2015	55
2026	403
2027	403
	<hr/>
	\$ 315,815

12. 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 (see note 13(b)).

13. Commitments and contingencies:

(a) Commitments

- (i) Future minimum annual lease payments under operating leases for premises and equipment as at August 31, 2007 are as follows:

2008	\$ 714
2009	346
2010	236
2011	186
2012	178
Thereafter	—
	<hr/>
	\$ 1,660

- (ii) As described in note 10(i), the Corporation is required to pay \$2,400 annually for services received from UBS.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

13. Commitments and contingencies (continued):

- (iii) 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 2007 will amount to approximately \$600.

(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.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

13. Commitments and contingencies (continued):

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.

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.

- (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. 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) 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.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

13. Commitments and contingencies (continued):

(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.

14. Supplemental cash flow disclosure:

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

	2007	2006
Conversion of debentures to share capital (note 7(b))	\$ 38	\$ 415
Shares issued in consideration of interest payable (note 7(b))	369	388

During the year ended August 31, 2007, the Corporation paid \$193 in cash interest (2006 - \$140) and received \$297 in cash interest (2006 - \$172). No income tax payments were made during the year (2006 - nil).

15. Financial instruments:

(a) Fair values:

The fair values of cash and cash equivalents, restricted cash, accounts receivable, other receivable, accounts payable, and accrued liabilities approximate their carrying values due to their short-term nature. The fair value of long-term debt, which bears interest at current market rates, approximates its carrying value based on discounted cash flow using current market rates.

(b) Currency risk:

The purchase of equipment from suppliers billing in foreign currencies exposes the Corporation to fluctuations in foreign currency exchange rates. The Corporation does not use derivative financial instruments to reduce its currency risk.

As at August 31, 2007, approximately 1.0% (2006 - 1.3%) of the balance of accounts payable and accrued liabilities is denominated in U.S. dollars.

LOOK COMMUNICATIONS INC.

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

Years ended August 31, 2007 and 2006

15. Financial instruments (continued):

(c) Credit risk:

The Corporation is exposed to credit risk by its customers. However, credit risk concentration is minimized because of the large number of customers.

16. Subsequent events

On October 10, 2007 the Corporation approved a certain reorganization plan (the "Plan") which involves the transfer of certain assets to a 100 per cent controlled entity. The purpose of the Plan is to utilize certain of its \$315,815 of non-capital losses which may otherwise expire, to reduce future taxable income.

On November 7, 2007 the Corporation was granted an order by the Ontario Superior Court of Justice that permitted it to transfer certain assets in accordance with the Plan.

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

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Transfer Agent and Registrar

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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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