

**NEWLOOK INDUSTRIES CORP.**  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND SEPTEMBER 30, 2007



## AUDITORS' REPORT

To the Shareholders of  
Newlook Industries Inc.

We have audited the consolidated balance sheet of Newlook Industries Corp. (the "Company") as at December 31, 2007 and the consolidated statements of operations and deficit, comprehensive income and cash flows for the three month period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 Company as at December 31, 2007 and the results of its operations and its cash flows for the three month period then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at September 30, 2007 and for the year then ended were audited by Mintz & Partners LLP, who expressed an opinion without reservation on those statements in their report dated January 24, 2008.

CHARTERED ACCOUNTANTS

Licensed Public Accountants

April 28, 2008  
Toronto, Ontario

Member of  
Deloitte Touche Tohmatsu

**NEWLOOK INDUSTRIES CORP.**

## Consolidated Balance Sheets

As at December 31, 2007

and September 30, 2007

|   | December 31,<br>2007 | September 30,<br>2007 |
|---|----------------------|-----------------------|
| <b><u>ASSETS</u></b>                                      |                      |                       |
| Current   |                      |                       |
| Cash and cash equivalents                                 | \$ 185,724           | \$ 11,474             |
| Accounts receivable                                       | 3,912,048            | 2,719,166             |
| Inventory   | 2,417,355            | 2,078,509             |
| Prepaid expenses and sundry assets                        | 151,211              | 221,971               |
| Assets of discontinued operations – Note 7                | 46,382               | 69,844                |
|   | <u>6,712,720</u>     | <u>5,100,964</u>      |
| Property and equipment – Note 4                           | 869,773              | 836,141               |
| Intangible assets – Note 5                                | 1,862,757            | 1,393,359             |
| Assets of discontinued operations – Note 7                | 1,240,974            | 1,280,506             |
|   | <u>\$ 10,686,224</u> | <u>\$ 8,610,970</u>   |
| <b><u>LIABILITIES</u></b>                                 |                      |                       |
| Current   |                      |                       |
| Accounts payable and accrued liabilities                  | \$ 7,713,894         | \$ 5,431,670          |
| Due to related party – Note 8                             | 196,088              | 1,220,476             |
| Current portion of deferred revenue and customer deposits | 204,463              | 183,670               |
| Current portion of note payable – Note 6                  | 100,000              | 258,288               |
| Obligations under capital leases – Note 6                 | 28,635               | 32,839                |
| Liabilities of discontinued operations – Note 7           | 2,655,702            | 2,829,088             |
|   | <u>10,898,782</u>    | <u>9,956,031</u>      |
| Deferred revenue  | 98,003               | 89,649                |
| Long term debt – Note 6                                   | 1,500,000            | -                     |
| Obligations under capital leases – Note 6                 | 33,018               | 38,125                |
| Liabilities of discontinued operations – Note 7           | 750,000              | 750,000               |
|   | <u>\$ 13,279,803</u> | <u>\$ 10,833,805</u>  |
| Non-controlling interest – Note 12 (k)                    | 485,084              | 270,375               |
| Commitments and Contingencies – Notes 2 and 11            |                      |                       |
| <b><u>SHAREHOLDERS' DEFICIENCY</u></b>                    |                      |                       |
| Share capital – Note 12                                   | \$ 4,382,551         | \$ 5,038,037          |
| Contributed Surplus – Note 12(i)                          | 621,344              | 621,344               |
| Accumulated deficit                                       | (8,024,600)          | (8,199,612)           |
| Accumulated other comprehensive income (loss)             | (57,958)             | 47,021                |
|   | <u>(3,078,663)</u>   | <u>(2,493,210)</u>    |
|   | <u>\$ 10,686,224</u> | <u>\$ 8,610,970</u>   |

**APPROVED ON BEHALF OF THE BOARD****"Jason Moretto"**

Director

**"John Simmonds"**

Director

The accompanying notes are an integral part of these financial statements.

**NEWLOOK INDUSTRIES CORP.**Consolidated Statements of Operations and Deficit  
Three Months Ended December 31, 2007  
and Twelve Months Ended September 30, 2007

|  | For the three<br>months ended<br>December 31,<br>2007 | For the twelve<br>months ended<br>September 30,<br>2007 |
|--|---|---|
| Sales:   |   |   |
| Sales – products and services                                  | \$ 9,587,847  | \$ 7,440,221  |
| Commission and residual revenue                                | 1,332,874   | 1,208,564   |
| Total sales  | 10,920,721  | 8,648,785   |
| Cost of goods sold – products and services                     | 8,257,724   | 6,334,297   |
| Margin on products and services (excluding amortization below) | 2,662,997   | 2,314,488   |
| Operating expenses   |   |   |
| Selling and administrative                                     | 2,102,611   | 1,801,503   |
| Amortization   | 137,403   | 163,890   |
| Recovery on note receivable – Note 9                           | (75,415)  | (79,264)  |
| Earnings from operations                                       | 498,398   | 428,359   |
| Other expenses (income)  |   |   |
| Interest expense   | 81,520  | 87,436  |
| Foreign exchange (gain) loss                                   | (14,482)  | 76,329  |
| Total other expenses   | 67,038  | 163,765   |
| Income before non-controlling interest                         | 431,360   | 264,594   |
| Non-controlling interest – Note 12 (k)                         | (214,709)   | (195,098)   |
| Income from continuing operations                              | \$ 216,651  | \$ 69,496   |
| Income (loss) from discontinued operations – Note 7            | \$ (41,639)   | \$ 217,459  |
| Net income   | \$ 175,012  | \$ 286,955  |
| Deficit – beginning of period                                  | (8,199,612)   | (8,486,567)   |
| Deficit – end of period  | (8,024,600)   | (8,199,612)   |
| Earnings per share – continuing operations - basic             | \$ 0.001  | \$ 0.002  |
| Earnings per share – continuing operations – diluted           | \$ 0.001  | \$ 0.002  |
| Earnings (loss) per share – discontinued operations - basic    | \$ (0.002)  | \$ 0.008  |
| Earnings (loss) per share – discontinued operations – diluted  | \$ (0.002)  | \$ 0.008  |
| Earnings per share – basic                                     | \$ 0.001  | \$ 0.010  |
| Earnings per share – diluted                                   | \$ 0.001  | \$ 0.010  |
| Weighted average number of common shares outstanding:          |   |   |
| Basic  | 26,096,672  | 28,487,565  |
| Diluted  | 26,319,062  | 28,861,202  |

The accompanying notes are an integral part of these financial statements.

**NEWLOOK INDUSTRIES CORP.**

## Consolidated Statements of Shareholders' Equity

Three Months Ended December 31, 2007

and Twelve Months Ended September 30, 2007

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|  | <u>Common Shares</u> |                     | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income | Deficit               | Total                 |
|--|----------------------|---------------------|------------------------|---|-----------------------|-----------------------|
|  | Number               | Value               |                        |   |                       |                       |
| Balance, September 30, 2006                          | <u>28,540,000</u>    | <u>\$ 5,695,614</u> | <u>\$ 515,486</u>      | <u>\$ -</u>                                     | <u>\$ (8,486,567)</u> | <u>\$ (2,275,467)</u> |
| Adjustment arising from grant of options             | -                    | -                   | 105,858                | -   | -                     | 105,858               |
| Effect of shares held by majority owned subsidiary   | (1,258,432)          | (657,577)           | -                      | -   | -                     | (657,577)             |
| Adjustment arising from foreign currency translation | -                    | -                   | -                      | 47,021  | -                     | 47,021                |
| Net income for the year                              | <u>-</u>             | <u>-</u>            | <u>-</u>               | <u>-</u>  | <u>286,955</u>        | <u>286,955</u>        |
| Balance, September 30, 2007                          | <u>27,281,568</u>    | <u>\$ 5,038,037</u> | <u>\$ 621,344</u>      | <u>\$ 47,021</u>                                | <u>\$ (8,199,612)</u> | <u>(2,493,210)</u>    |
| Effect of shares held by majority owned subsidiary   | (1,421,875)          | (655,486)           | -                      | -   | -                     | (655,486)             |
| Adjustment arising from foreign currency translation | -                    | -                   | -                      | (104,979)                                       | -                     | (104,979)             |
| Net loss for the period                              | <u>-</u>             | <u>-</u>            | <u>-</u>               | <u>-</u>  | <u>175,012</u>        | <u>175,012</u>        |
| Balance, December 31, 2007                           | <u>25,859,693</u>    | <u>\$ 4,382,551</u> | <u>\$ 621,344</u>      | <u>\$ (57,958)</u>                              | <u>\$ (8,024,600)</u> | <u>\$ (3,078,663)</u> |

The accompanying notes are an integral part of these financial statements.

**NEWLOOK INDUSTRIES CORP.**  
Consolidated Statements of Comprehensive Income  
Three Months Ended December 31, 2007  
and Twelve Months Ended September 30, 2007

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|  | For the three<br>months ended<br>December 31,<br>2007 | For the twelve<br>months ended<br>September 30,<br>2007 |
|--|---|---|
|  | <u>                    </u>                           | <u>                    </u>                             |
| Net income   | \$ 175,012  | \$ 286,955  |
| Other comprehensive income, net of tax:                    |   |   |
| Unrealized gain (loss) on translating financial statements | <u>(104,979)</u>                                      | <u>47,021</u>   |
| Comprehensive income                                       | <u>\$ 70,033</u>                                      | <u>\$ 333,976</u>                                       |

The accompanying notes are an integral part of these financial statements.

**NEWLOOK INDUSTRIES CORP.**  
Consolidated Statements of Cash Flows  
Three Months Ended December 31, 2007  
and Twelve Months Ended September 30, 2007

|  | For the three<br>months ended<br>December 31,<br>2007 | For the twelve<br>months ended<br>September 30,<br>2007 |
|--|---|---|
| <b>Cash Flows from Operating Activities</b>            |   |   |
| Income from continuing operations                      | \$ 216,651  | \$ 69,496   |
| Adjustments for:                                       |   |   |
| Amortization   | 137,403   | 163,890   |
| Stock-based compensation                               | -   | 105,858   |
| Stock issued for consulting services provided          | -   | 25,581  |
| Changes in non-cash operating assets and liabilities:  |   |   |
| Accounts receivable                                    | (1,192,882)   | (78,616)  |
| Inventory  | (338,846)   | (293,535)   |
| Prepaid expenses                                       | 70,760  | (111,360)   |
| Accounts payable and accrued liabilities               | 1,831,316   | 1,005,794   |
| Deferred revenue and deposits                          | 29,147  | 4,457   |
| Non-controlling Interest                               | 214,709   | -   |
| Cash provided by operating activities                  | <u>968,258</u>  | <u>967,762</u>  |
| <b>Cash Flows from Investing Activities</b>            |   |   |
| Acquisition of property and equipment                  | (94,506)  | (95,531)  |
| Purchase of common stock by subsidiary                 | (655,486)   | (795,659)   |
| Business acquisition                                   | (100,000)   | -   |
| Cash (used in) investing activities                    | <u>(849,992)</u>                                      | <u>(891,190)</u>  |
| <b>Cash Flows from Financing Activities</b>            |   |   |
| (Payments) proceeds due to related party               | (1,185,167)   | 1,184,154   |
| Increase in long term debt                             | 1,500,000   | -   |
| Increase in bank indebtedness                          | -   | 8,982   |
| Repayment of long term debt                            | (267,597)   | -   |
| Cash provided by financing activities                  | <u>47,236</u>   | <u>1,193,136</u>  |
| <b>Net Increase in Cash from Continuing Operations</b> | 165,502   | 1,269,708   |
| Net cash provided by (used in) discontinued operations | 8,748   | (1,300,037)   |
| Increase (decrease) in cash during the year            | <u>174,250</u>  | <u>(30,329)</u>   |
| <b>Cash and cash equivalents– beginning of period</b>  | <u>11,474</u>   | <u>41,803</u>   |
| <b>Cash and cash equivalents – end of period</b>       | <u>\$ 185,724</u>                                     | <u>\$ 11,474</u>  |
| <b>Supplementary Information</b>                       |   |   |
| Interest paid  | <u>\$ 81,520</u>                                      | <u>\$ 87,436</u>  |
| Income taxes paid                                      | <u>\$ -</u>   | <u>\$ -</u>   |

Non cash activities:

During the three months ended December 31, 2007:

- None

During the twelve months ended September 30, 2007:

- The Company's majority owned subsidiary Wireless Age issued 357,157 shares of its stock for consulting services provided valued at \$25,581.
- The Company agreed to issue, subject to regulatory approval, 1,018,432 shares of its common stock valued at \$499,032 (Note 11) for 3,426,500 common shares of Wireless Age.

The accompanying notes are an integral part of these financial statements

## NEWLOOK INDUSTRIES CORP.

Notes to Consolidated Financial Statements  
Three Months Ended December 31, 2007  
and Twelve Months Ended September 30, 2007

### 1. Organization and Nature of Business

Newlook Industries Corp. (the "Company") was incorporated on October 26, 1999 under the British Columbia Company Act. Following its "Qualifying Transaction", the Company was listed as a Tier 2 Industrial Issuer on the Toronto Stock ("TSX") Venture Exchange.

The Company is engaged in making investments in telecommunications businesses. Through a series of transaction, beginning on April 10, 2007 and ending on June 29, 2007, the Company completed the acquisition of a 53% interest in Wireless Age Communications, Inc. ("Wireless Age"). Wireless Age is in the business of operating retail cellular and telecommunications outlets in cities in western Canada and distributing two-way radio products, prepaid phone cards, wireless accessories and various battery and ancillary electronics products in Canada. The Company is considering the acquisition of other wireless communications enterprises. The Company's year end was changed from September 30 to December 31 effective for the year ended December 31, 2007. The change in year end allows the Company to align itself with its majority owned subsidiary Wireless Age Communications, Inc.

#### Discontinued Operations

Onlinetel is engaged in developing Voice over Internet Protocol ("VoIP") based long distance calling between North American cities. During the year, the Company decided to dispose of the historic businesses of Onlinetel and focus on the Wireless Age acquisition and other telecommunications opportunities. As a result, the operating results of Onlinetel Corp. ("Onlinetel") for the period October 1, 2005 to December 31, 2007 have been classified as discontinued operations – Note 7. In addition, the assets and liabilities of Onlinetel have been segregated as assets and liabilities of discontinued operations.

#### Subsidiaries

The following is a list of the principal subsidiaries:

| <u>Name of Corporation</u>            | <u>Nature of Relationship</u>                      |
|---------------------------------------|--|
| Wireless Age Communications, Inc.     | 53% Subsidiary of Newlook Industries Corp.         |
| Vision Unlimited Equipment Inc.*      | 100% Subsidiary of Newlook Industries Corp.        |
| A.D.H. Custom Metal Fabricators Inc.* | 100% Subsidiary of Vision Unlimited Equipment Inc. |
| Onlinetel Corp.                       | 100% Subsidiary of Newlook Industries Corp.        |
| Onlinetel Inc. *                      | 100% Subsidiary of Onlinetel Corp.                 |
| Onlinetel Canada Inc.*                | 100% Subsidiary of Onlinetel Inc.                  |

\* *Inactive or holding company only*

### 2. Going Concern

These consolidated financial statements have been prepared on a going concern basis, in accordance with Canadian generally accepted accounting principles ("GAAP").

The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

## **NEWLOOK INDUSTRIES CORP.**

Notes to Consolidated Financial Statements

Three Months Ended December 31, 2007

and Twelve Months Ended September 30, 2007

There is doubt about the Company's ability to continue as a going concern as the Company has a working capital deficiency of \$4,186,062 as at December 31, 2007 (September 30, 2007- \$4,855,067) and shareholders' deficiency of \$3,078,663 as at December 31, 2007 (September 30, 2007- \$2,493,210). The Company's ability to continue as a going concern is dependent upon its ability to achieve profitable operations. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company believes that future shares issuance and certain sales related efforts will provide sufficient cash flow for it to continue as a going concern in its present form, however, there can be no assurances that the Company will achieve such results. The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

### **3. Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The principal accounting policies followed by the Company are as follows:

a) **Basis of Presentation**

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries as listed in Note 1. The Company's discontinued operating subsidiary Onlinetel Corp. includes the accounts of Onlinetel Inc. and Onlinetel Canada Inc. Vision Unlimited Equipment Inc. ("Vision") and Vision's wholly owned subsidiary A. D. H. Custom Metal Fabricators Inc. ("ADH") are inactive. All intercompany transactions and balances have been eliminated upon consolidation.

b) **Non-controlling interests**

Non-controlling interests represents the interests of outside shareholders in the operating results and net assets of Wireless Age.

c) **Reciprocal shareholdings**

Wireless Age owns shares of the Company. In accordance with Section 1600 of the CICA Handbook, the parent's shares held by the subsidiary have been shown as a deduction from shareholders' equity of the Company.

d) **Cash and cash equivalents**

Cash and cash equivalents includes bank balances and bankers acceptances notes with maturities equal to or less than 90 days at the date of acquisition.

e) **Inventory**

Telecommunications equipment and accessories inventory is recorded at the lower of cost and net realizable value with cost being determined by the first-in, first-out method.

f) **Allowance for Doubtful Accounts**

The Company records an allowance for doubtful accounts based on specifically identified amounts that management believes to be uncollectible. The criteria for allowance provision are

## NEWLOOK INDUSTRIES CORP.

Notes to Consolidated Financial Statements

Three Months Ended December 31, 2007

and Twelve Months Ended September 30, 2007

determined based on historical experience and the Company's assessment of the general financial conditions affecting its customer base. If the Company's actual collections experience changes, revisions to the allowance may be required.

### g) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the following annual rates:

|                                |                          |
|--------------------------------|--------------------------|
| Computer hardware              | 30% declining balance    |
| Computer software              | 2 years straight-line    |
| Equipment under capital lease  | 10 years straight-line   |
| Vehicle under capital lease    | 30% declining balance    |
| Leasehold improvements         | 5-10 years straight-line |
| Office equipment               | 5-10 years straight-line |
| Rental equipment               | 30% declining balance    |
| Shop tools / service equipment | 10 years straight-line   |

### h) Long-Lived Asset Impairment

The carrying values of long-lived assets are periodically reviewed by management and impairments recognized if the expected future operating non discounted cash flows derived from an asset are less than carrying value. No impairments have been recorded.

### i) Intangible assets:

Intangible assets acquired in a business combination are recorded at their fair values and all intangible assets are tested for impairment annually or more frequently when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Intangible assets with determinable lives are amortized over their estimated useful lives and are tested for impairment. Intangible assets having an indefinite life are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. An impairment loss on indefinite life intangible assets is recognized when the carrying amount of the asset exceeds its fair value.

Residual premiums are amounts paid for future residual revenue of retail cellular and telecommunications subscriber business recorded at cost less accumulated amortization. Amortization is provided for on a straight line basis over five years. Agency fees are amortized over the term of the related agreement (ten years) on a straight line basis.

### j) Acquisitions and Business Combinations

The Company accounts for acquisitions and business combinations under the purchase method of accounting. The Company includes the results of operations of the acquired business from the acquisition date. Net tangible and intangible assets of the companies acquired are recorded at their fair value at the acquisition date. The excess of the purchase price over the fair value of net assets acquired, if any, is included as goodwill in the accompanying consolidated balance sheets.

### k) Capital Leases

The Company's policy is to record leases, which transfer substantially all benefits and risks incidental to ownership of property, as acquisitions of property and equipment and to record the incurrences of corresponding obligations as liabilities. Obligations under capital leases are reduced by rental payments net of imputed interest.

## **NEWLOOK INDUSTRIES CORP.**

Notes to Consolidated Financial Statements

Three Months Ended December 31, 2007

and Twelve Months Ended September 30, 2007

l) Deferred Revenue

The Company, through Wireless Age, sells extended warranty plans for certain telecommunications equipment. It recognizes revenue on a straight line basis over the period in which the Company is obligated to service the equipment. Deferred revenue represents the extent that billings to clients are in excess of revenue recognized to date.

m) Revenue Recognition

The Company recognizes revenue from the sale of telecommunications equipment, digital subscriber line equipment, accessories and other electronics products when the products are delivered and accepted by the customer and collectability reasonably assured. Activation commission fees earned from the telephone companies are recognized at the time of activation by the customer and include the sale of post paid cellular service contracts, high speed internet and television services. Residual commission fees are recognized at the time they are earned. The Company receives revenue from rental contracts for radio equipment and recognizes the revenue upon completion of the service. The Company receives co-op advertising revenue from the telephone companies based on the requirement to spend 30% - 60% of the available co-op advertising allotment. Any amount received under this program is deducted from advertising expense.

n) Other Comprehensive income

Other comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations, all net of income taxes. The components of comprehensive income are disclosed in the Consolidated Statements of Comprehensive Income.

o) Financial Instruments

All financial instruments are initially recognized at fair value on the balance sheet. The Corporation has classified each financial instrument into one of the following categories: held for-trading (assets and liabilities), loans and receivables, financial assets available-for-sale, financial assets held-to-maturity, and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities "held-for-trading" are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

Financial assets held-to-maturity: "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

Cash and cash equivalents are classified as "available for sale". Accounts receivable are classified as "loans and receivables". Accounts payable and accrued liabilities are designated as "other financial liabilities". Restricted cash is classified as "available for sale".

p) Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of accounts receivable.

## **NEWLOOK INDUSTRIES CORP.**

Notes to Consolidated Financial Statements

Three Months Ended December 31, 2007

and Twelve Months Ended September 30, 2007

The Company, in the normal course of business, is exposed to credit risk from its customers. Management believes that sufficient allowance has been made for bad debts in these financial statements based on a review of accounts on an individual basis. The concentration of credit risk in trade accounts receivable is not considered to be significant due to the Company's large client base.

q) Discontinued Operations

The Company has recognized the results of the Onlinetel subsidiary as discontinued operations, part of which was disposed of on May 1, 2007 and part of which is subject to an option agreement dated June 28, 2007. The Company believes the assets relating to Onlinetel are recorded at their respective fair values.

r) Income Taxes

The Company accounts for and measures future tax assets and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

s) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. Diluted earnings (loss) per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share. Diluted loss per share is not presented when the effects would be anti-dilutive.

t) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at

the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

## NEWLOOK INDUSTRIES CORP.

Notes to Consolidated Financial Statements

Three Months Ended December 31, 2007

and Twelve Months Ended September 30, 2007

### u) Stock-Based Compensation

Executives and certain senior managers of the Company participate in the stock-based compensation plan, as described in Note 12(h). Compensation for all equity based awards made to non-employees and employees are measured and recorded at fair value. The fair value of stock-based compensation is determined using the Black-Scholes option pricing model. The resulting value is charged against income over the vesting periods of the option.

### v) Foreign Currency Translation

The functional currency of the Company is Canadian dollars. Assets and liabilities are translated at the exchange rate at the balance sheet date and revenue and expenses are translated at the exchange rate at the date those elements are recognized. Any translation adjustments resulting are not included in determining net income but are included in other comprehensive income.

### w) Accounting Policy Development in 2007

- 1) *Financial Instruments, comprehensive income, hedges:* In January 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 1530, Comprehensive Income (“Section 1530”), Handbook Section 3855, Financial Instruments – Recognition and Measurement (“Section 3855”), Handbook Section 3861, Financial Instruments – Disclosure and Presentation (“Section 3861”) and Handbook Section 3865, Hedges (“Section 3865”).

Section 1530 requires the financial statements to present certain gains and losses outside net income in a new component of shareholders’ equity entitled Other Comprehensive Income.

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides character based definition of a derivative, provides criteria to be used to determine when a financial instrument should be recognized and provides criteria to be used to determine when a financial liability is considered to be extinguished. Under Section 3855, financial instruments must be classified into one of five categories; held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measure in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

Section 3865 establishes standards for when and how hedge accounting may be applied. The use of hedge accounting is optional. These standards are effective beginning October 1, 2006. The adoption of these sections did not have a material impact on the Company’s consolidated financial statements.

The Company’s financial assets and liabilities are classified as follows:

| <u>Asset/Liability</u>                   | <u>Classification</u>       | <u>Measurement</u> |
|--|-----------------------------|--------------------|
| Cash and cash equivalents                | Held for trading            | Fair value         |
| Accounts receivable                      | Loans and receivables       | Amortized cost     |
| Due from related parties                 | Loans and receivables       | Amortized cost     |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost     |
| Loans and notes payable                  | Other financial liabilities | Amortized cost     |

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- 2) *Accounting changes:* In July 2007, the CICA revised handbook Section 1506, Accounting Changes, which requires that voluntary changes in accounting policy be made only if they result in the financial statements providing more reliable and more relevant information and that material prior period errors are corrected retrospectively. The section applies to interim and annual financial statements effective for periods beginning on or after January 1, 2007. The adoption of this Section did not have a material impact on the Company's financial statements.
  - 3) *Equity:* The Company adopted Handbook Section 3251, "Equity", on November 1, 2006. Section 3251 establishes standards for the presentation of equity and changes in equity during reporting years beginning after October 1, 2006. Financial statements of prior years have not been restated for any specified adjustments, as the effect on the Company's consolidated financial statements is not material.
  - 4) *Stock-based compensation for employees eligible to retire before the vesting date:* Emerging Issues Committee Abstract 162, Stock-based compensation for Employees Eligible to Retire Before the Vesting Date ("EIC-162"), addresses how compensation cost should be accounted for in the case of a stock-based award that contains provisions that allow for the option to continue vesting in accordance with the stated vesting terms after the employee has retired from the entity when the grantee is an employee who is eligible to retire during the vesting period. EIC 162 requires the reporting enterprise to consider the substantive vesting period rather than the stated vesting terms. EIC-162 is to be retroactively applied, with the restatement of prior periods for all stock-based compensation awards accounted for in accordance with CICA handbook Section 3870 in financial statements issued for interim and annual periods on or after December 31, 2006. The adoption of this standard did not have a material impact on the Company's financial statements.
- x) Future Accounting Pronouncements for 2008
- i) *Financial Instruments – Disclosure and Presentation:* In December 2006, the CICA issued Section 3862, "Financial Instruments Disclosures," and Section 3863, Financial Instruments, Presentation." These standards provide additional guidance on disclosing risks related to recognized and unrecognized financial instruments and how those risks are managed. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of adopting these standards on the consolidated financial statements.
  - ii) *Capital Disclosures:* CICA issued handbook Section 1535, Capital Disclosure, which provides standards for disclosures regarding a company's capital and how it is managed. Enhanced disclosures with respect to the objectives, policies and processes for managing capital and quantitative disclosures about what a company regards as capital is required. These recommendations are effective for fiscal years beginning on or after October 1, 2007 and, therefore, the Company will be required to implement these standards on November 1, 2007. The Company is currently evaluating the impact of this standard on the consolidated financial statements.
  - iii) *Inventory:* In June 2007, the CICA issued Section 3031, "Inventories," which requires inventory to be measured at lower of cost and net realizable value. The standard also provides guidance on the costs that can be capitalized. In addition, previous inventory write-downs must be reversed if the economic circumstances have changed to support an increase in inventory value. The standard is effective for annual and interim periods in

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fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

- iv) In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions for IFRS IAS 38, Intangible Assets. The new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The Company is assessing the impact of the new standard on its consolidated financial statements.
- v) In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards ("IFRS") into Canadian GAAP". This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting principles with IFRS. The changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011.

**4. Property and Equipment**

|                                     | December 31, 2007   |                             |                   | September 30, 2007  |                             |                   |
|-------------------------------------|---------------------|-----------------------------|-------------------|---------------------|-----------------------------|-------------------|
|                                     | Cost                | Accumulated<br>Amortization | Net               | Cost                | Accumulated<br>Amortization | Net               |
| Computer hardware<br>& software     | \$ 42,469           | \$ 42,469                   | \$ -              | \$ 42,469           | \$ 42,469                   | \$ -              |
| Equipment under<br>capital lease    | 165,428             | 165,428                     | -                 | 165,428             | 162,568                     | 2,860             |
| Vehicle under<br>capital lease      | 44,427              | 3,287                       | 41,140            | 44,427              | 2,467                       | 41,960            |
| Leasehold<br>improvements           | 1,143,117           | 806,389                     | 336,736           | 1,120,814           | 787,783                     | 333,031           |
| Office equipment                    | 532,671             | 306,389                     | 226,282           | 503,909             | 297,040                     | 206,869           |
| Rental equipment                    | 654,994             | 409,547                     | 245,447           | 619,245             | 387,309                     | 231,936           |
| Shop tools and<br>service equipment | 47,788              | 27,620                      | 20,168            | 46,521              | 27,036                      | 19,485            |
|                                     | <u>\$ 2,630,894</u> | <u>\$ 1,761,121</u>         | <u>\$ 869,773</u> | <u>\$ 2,542,813</u> | <u>\$ 1,706,672</u>         | <u>\$ 836,141</u> |

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**5. Intangible Assets**

|  | <u>Cost</u>         | <u>Accumulated<br/>Amortization</u> | <u>December 31,<br/>2007<br/>Net</u> |
|--|---------------------|-------------------------------------|--------------------------------------|
| Intangible assets subject to amortization:       |                     |                                     |                                      |
| Retail segment:                                  |                     |                                     |                                      |
| Residual premiums                                | \$ 1,927,178        | \$ (145,421)                        | \$ 1,781,757                         |
| Agency fees                                      | <u>97,000</u>       | <u>(16,000)</u>                     | <u>81,000</u>                        |
| Total intangible assets subject to amortization: | <u>2,024,178</u>    | <u>(161,421)</u>                    | <u>1,862,757</u>                     |
| Total intangible assets                          | <u>\$ 2,024,178</u> | <u>\$ (161,421)</u>                 | <u>\$ 1,862,757</u>                  |

During the fiscal period ended December 31, 2007, the Company recorded an increase to residual premiums of \$345,927 representing the effect of Wireless Age's repurchase of 7,000,000 outstanding stock purchase warrants and \$205,000 reflecting the acquisition of G.L. Enns Electronics Selkirk store.

|  | <u>Cost</u>         | <u>Accumulated<br/>Amortization</u> | <u>September 30,<br/>2007<br/>Net</u> |
|--|---------------------|-------------------------------------|---------------------------------------|
| Intangible assets subject to amortization:       |                     |                                     |                                       |
| Retail segment:                                  |                     |                                     |                                       |
| Residual premiums                                | \$ 1,376,242        | \$ (71,882)                         | \$ 1,304,360                          |
| Agency fees                                      | <u>97,000</u>       | <u>(8,001)</u>                      | <u>88,999</u>                         |
| Total intangible assets subject to amortization: | <u>1,473,242</u>    | <u>(79,883)</u>                     | <u>1,393,359</u>                      |
| Total intangible assets                          | <u>\$ 1,473,242</u> | <u>\$ (79,883)</u>                  | <u>\$ 1,393,359</u>                   |

The Company does not have intangible assets which are not subject to amortization.

**6. Notes Payable, Capital Lease Obligations and Long Term Debt****Notes Payable**

On September 28, 2007, the Company issued a non-interest bearing unsecured demand note payable in the amount of \$258,288 to a third party. On October 11, 2007, the Company fully repaid the note.

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On November 1, 2007 the Company issued a \$100,000 promissory note as part of the consideration to acquire the G.L. Enns Electronics Selkirk store (Note 10). The promissory note is non-interest bearing and will be paid \$25,000 on each of January 31, 2008, February 29, 2008, March 31, 2008 and April 30, 2008.

**Obligations Under Capital Leases**

|  | December 31,<br>2007 | September 30,<br>2007 |
|--|----------------------|-----------------------|
| Obligation under capital lease to National Leasing in monthly payments of \$292 including interest at 11.9%. Equipment is pledged as security. Maturity date December 2009.    | \$ 5,994             | \$ 6,680              |
| Obligation under capital lease to Alliance Funding in monthly payments of \$1,699 including interest at 12.5%. Equipment is pledged as security. Maturity date July 2008.      | 9,844                | 14,536                |
| Obligation under capital lease to Ingram Bodkin Capital in monthly payments of \$729 including interest at 12.5%. Equipment is pledged as security. Maturity date January 2009 | 8,183                | 10,084                |
| Obligation under capital lease to GMAC in monthly payments of \$848 including interest at 7.4%. Vehicle is pledged as security. Maturity date April 2012.                      | <u>37,632</u>        | <u>39,664</u>         |
|  | \$ 61,653            | \$ 70,964             |
| Less: current portion  | <u>(28,635)</u>      | <u>(32,839)</u>       |
|  | <u>\$ 33,018</u>     | <u>\$ 38,125</u>      |

Minimum lease payments on capital lease obligations are as follows:

|                       |                  |
|-----------------------|------------------|
| December 31, 2008     | \$ 32,630        |
| 2009                  | 13,391           |
| 2010                  | 10,175           |
| 2011                  | 10,175           |
| 2012                  | 3,391            |
|                       | <u>69,762</u>    |
| Less imputed interest | <u>(8,109)</u>   |
| Lease obligation      | 61,653           |
| Less: current portion | <u>(28,635)</u>  |
|                       | <u>\$ 33,018</u> |

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### Long Term Debt

The Company has a loan facility with an asset based lender of \$1,500,000, secured by the accounts receivable and inventory of the retail segment and another legal entity within the commercial segment. The loan is for a three year term, at 18% interest per annum and may be retired 18 months into the term on 90 days notice subject to a \$75,000 prepayment penalty. The loan was drawn by 1,500,000 as of December 31, 2007.

### 7. Discontinued Operations

During the year ended September 30, 2007 the Company began a process of reviewing all lines of business or segments for their long term viability. Through this process the Company came to the conclusion that the Onlinetel business subsidiary was non-strategic in the long run, difficult to fund and placed the unit for sale. On May 1, 2007, the Company entered into an Asset Purchase Agreement with Yak Communications (Canada) Corp. pursuant to which it sold the 10-10-580 business unit of Onlinetel. On June 28, 2007 the Company granted an option to 1597541 Ontario Inc. (operating as Worldline) to acquire substantially all the remaining operations of Onlinetel. In accordance with the requirements of the CICA Handbook section 3475, the comparative figures for 2006 have also been reclassified to discontinued operations.

The summarized operating results for discontinued operations are as follows:

|                               | Three months<br>ended<br>December 31,<br>2007 | Twelve<br>months ended<br>September 30,<br>2007 |
|-------------------------------|---|---|
| Revenues                      | \$ 328,692                                    | \$ 4,074,934                                    |
| Costs and expenses            | 370,331                                       | 4,547,347                                       |
| Net loss from operations      | (41,639)                                      | (472,413)                                       |
| Gain on disposal of 10-10-580 | -   | 330,000   |
| Gain on reduction of debt     | -   | 408,291   |
| Net income (loss), net of tax | \$ (41,639)                                   | \$ 217,459                                      |

Discontinued operation operating results during the three month period ended December 31, 2007 include the Company's 53% share of \$61,924 (\$32,820) of Wireless Age earnings from discontinued operations. Discontinued operations costs in Wireless Age include various settlements of legal suits and claims associated with the bankruptcy of mmwave Technologies Inc.

The Company disposed of 10-10-580 business unit intangible assets having a \$nil value for cash consideration of \$330,000. The Pursuant to a Forbearance Agreement signed on September 30, 2005 with a telecommunications company, the Company was obligated to pay a principal amount of \$579,971 plus interest calculated at an annual rate of 8% per annum. The Company unconditionally and irrevocably guaranteed payment of the obligation. Amendments to the Forbearance Agreement were signed on May 25, 2006 and December 5, 2006. The Company made payments towards the outstanding balance of \$286,619 on April 11, 2006 and \$124,205 on November 9, 2006. The remaining amount was settled with a payment of \$280,000 on April 30, 2007 and the Company recorded a gain on settlement of debt of \$408,291.

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Assets and liabilities of discontinued operations as at December 31, 2007 and September 30, 2007 are summarized as follows:

|  | December 31,<br>2007 | September 30,<br>2007 |
|--|----------------------|-----------------------|
| Cash                                     | \$ 23,347            | \$ 14,599             |
| Accounts receivable                      | 1,471                | 10,330                |
| Due from related parties                 | -                    | 11,305                |
| Prepaid expenses                         | 21,564               | 33,610                |
| Total current assets                     | <u>46,382</u>        | <u>69,844</u>         |
| Property and equipment                   | 490,974              | 530,506               |
| Prepaid telecommunications services      | 750,000              | 750,000               |
| Total long term assets                   | <u>\$ 1,240,974</u>  | <u>1,280,506</u>      |
| Total assets                             | <u>\$ 1,287,356</u>  | <u>\$ 1,350,350</u>   |
| Accounts payable and accrued liabilities | \$ 548,743           | \$ 853,070            |
| Deferred revenue                         | 565,638              | 340,277               |
| Due to related parties                   | 1,541,321            | 1,635,741             |
| Total current liabilities                | <u>2,655,702</u>     | <u>2,829,088</u>      |
| Unearned revenue                         | 750,000              | 750,000               |
| Total liabilities                        | <u>\$ 3,405,702</u>  | <u>\$ 3,579,088</u>   |

Cash flows of discontinued operations for the years ended December 31, 2007 and September 30, 2007 were as follows:

|   | December 31,<br>2007 | September 30,<br>2007 |
|---|----------------------|-----------------------|
| Net income (loss) from discontinued operations                  | \$ (41,639)          | \$ 217,459            |
| Items not involving cash:                                       |                      |                       |
| Amortization  | 39,533               | 225,537               |
| Changes in operating assets and liabilities:                    |                      |                       |
| Accounts receivable   | 8,859                | 234,607               |
| Prepaid expenses  | 12,046               | (18,203)              |
| Accounts payable and accrued liabilities                        | 309,732              | (1,736,724)           |
| Deferred revenues   | <u>(225,361)</u>     | <u>(118,008)</u>      |
| Net cash provided by (used in) operating activities:            | 103,170              | (1,195,332)           |
| Net cash (used in) investing activities:                        | -                    | -                     |
| Net (used in) by financing activities:                          | <u>(94,422)</u>      | <u>(104,705)</u>      |
| Net increase (decrease) in cash<br>from discontinued operations | <u>\$ 8,748</u>      | <u>\$ (1,300,037)</u> |

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On June 28, 2007, the Company's wholly owned subsidiary, Onlinetel, granted an option to a third party to acquire the remaining assets of Onlinetel for a cash payment of \$1, subject to the Company achieving \$1,500,000 of positive cash flow (as defined in the option agreement) from discontinued operations over the 5 year period ending June 28, 2012. The purchaser may opt to exercise the option prior to the Company achieving \$1,500,000 of positive cash flow by increasing the purchase price payable by the difference between \$1,500,000 and the positive cashflow to the date of exercise of the option. The purchaser agreed to provide \$750,000 of telecommunications services to the Company, without charge as consideration for the option. The Company recorded unearned revenue of \$750,000 primarily representing the deferred purchase price of the assets to be sold if the option is exercised. If the option is exercised the unearned revenue will be offset against the assets disposed of and the Company will record a net gain or loss. If the option expires unexercised the unearned revenue will be taken into income if and the Company realizes cash for the prepaid telecommunications services asset. The Company also recorded a \$750,000 asset characterized as prepaid telecommunications services within long term discontinued assets. Although the term of the option is 5 years, the Company expected the option to vest or become exercised within 12 months of entering into the agreement. The Company is taking steps and believes that the Onlinetel business will be disposed of within the original 12 month period, through the option or otherwise.

### **8. Due to Related Party**

The Company has received advances from Eiger Technology, Inc. which is a significant shareholder of the Company. At December 31, 2007, the Company owed Eiger \$1,684,486 (of which \$1,488,397 is reflected as a discontinued operations liability). The advances bear interest at varying rates between CRA prescribed rate and CRA rate plus 2%, are unsecured and due upon demand.

The advances are expected to be repaid from the cash flows of discontinued operations (Note 7).

### **9. Recovery on Note Receivable**

The Company recovered \$75,415 (US\$75,000) during each of the three month period ended December 31, 2007 and \$79,264 (US\$75,000) during the twelve month period ended September 30, 2007 from a related party entity that had been previously fully reserved as doubtful accounts. The party is considered a related party due to certain officers and directors in common with the Company.

### **10. Business Acquisitions**

Wireless Age Communications Inc.

Effective July 1, 2007, the Company acquired 53% of the issued and outstanding shares of Wireless Age. As total consideration, the Company paid \$795,659 in cash and agreed to issue 1,018,432 common shares of the Company valued at \$499,032. The consolidated financial statements include the operating results of Wireless Age from the date of acquisition, June 29, 2007.

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The business combination is accounted for using the purchase method. The fair value of the assets and liabilities acquired are as follows:

|   |    |                  |
|---|----|------------------|
| Current assets  | \$ | 4,649,710        |
| Property and equipment  |    | 619,040          |
| Intangible assets - residual premiums                           |    | 1,392,789        |
| Intangible assets - agency fees                                 |    | <u>96,782</u>    |
| Total assets  |    | 6,758,321        |
| Less: Liabilities assumed                                       |    |                  |
| Current liabilities   |    | 5,326,170        |
| Long-term debt  |    | <u>136,096</u>   |
|   |    | 1,296,055        |
| Less: non-controlling interest                                  |    | <u>1,364</u>     |
| Net assets acquired at fair values                              | \$ | <u>1,294,691</u> |
| Total consideration   |    |                  |
| Cash  | \$ | 795,659          |
| 1,018,432 common shares issuable subject to regulatory approval |    | <u>499,032</u>   |
|   | \$ | <u>1,294,691</u> |

The fair value of the common shares issued was based on closing share price on the date of acquisition. Included in the fair value is the total amount of \$1,392,789, assigned to residual premiums at the date of acquisition. The residual premiums have a finite life and are being amortized over 5 years, on a straight-line basis.

**G.L. Enns Electronics – Selkirk Store**

Wireless Age on November 1, 2007 acquired the business assets of G.L. Enns Electronics – MTS Connect Selkirk store (“Selkirk”) in exchange for \$105,000 paid in cash at closing and a \$100,000 promissory note. The promissory note is non-interest bearing and will be paid \$25,000 on each of January 31, 2008, February 29, 2008, March 31, 2008 and April 30, 2008. The consolidated financial statements include the operating results of Selkirk effective November 1, 2007.

The fair value of the assets acquired is as follows:

|                                       |    |                   |
|---------------------------------------|----|-------------------|
| Intangible assets (residual premiums) | \$ | 205,000           |
| Net assets acquired at fair values    |    | <u>\$ 205,000</u> |
| Total consideration                   |    |                   |
| Cash                                  | \$ | 105,000           |
| Note payable                          |    | <u>100,000</u>    |
|                                       | \$ | <u>205,000</u>    |

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The purchase price was assigned to intangible assets within the retail segment and represented residual premiums.

### 11. Commitments and Contingencies

- a) There is a claim outstanding against the Company by a former employee for wrongful dismissal, alleged breach of contract, punitive and aggravated damages and costs. It is the Company's opinion that there is no merit to the claim. Management believes that damages resulting from this claim would be immaterial, if any. Any payment resulting from this claim will be recorded in the period the amount is determinable.
- b) The Company has irrevocable letters of credit outstanding in the aggregate amount of \$27,000.
- c) The Company has a variety of contractual obligations and commercial commitments including leased premises that represent future cash outlays.

Under the terms of various agreements, the Company is committed to rental payments as follows:

|      |                     |
|------|---------------------|
| 2008 | 376,372             |
| 2009 | 280,280             |
| 2010 | 231,732             |
| 2011 | 113,184             |
| 2012 | 47,655              |
|      | <u>\$ 1,049,223</u> |

### 12. Share Capital

Authorized

|             |   |
|-------------|---|
| 100,000,000 | class "A" preference shares, non-voting, cumulative dividend, par value of \$1 each |
| 100,000,000 | class "B" preference shares, non-voting, cumulative dividend, par value of \$5 each |
| 100,000,000 | common shares without par value   |

Issued

| Number               |                       |  | Book Value           |                       |
|----------------------|-----------------------|--|----------------------|-----------------------|
| December 31,<br>2007 | September 30,<br>2007 |  | December 31,<br>2007 | September 30,<br>2007 |
| 28,540,000           | 28,540,000            | common shares                            | \$ 5,844,099         | \$ 5,844,099          |
|                      |                       | share issuance costs                     | (148,485)            | (148,485)             |
| (2,680,307)          | (1,258,432)           | shares held by majority owned subsidiary | (1,313,063)          | (657,577)             |
| <u>25,859,693</u>    | <u>27,281,568</u>     |  | <u>\$ 4,382,551</u>  | <u>\$ 5,038,037</u>   |

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- a) On March 18, 2004, in accordance with British Columbia Securities Commission ("BCSC") regulations, the Company placed 20,000,000 shares issued to Eiger Technology, Inc. into escrow. The shares were released at the rate of one-twentieth semi-annually until March 15, 2006, and are being released subsequently at a rate of one-tenth semi-annually until March 15, 2010. As at December 31, 2007, 8,000,000 (September 30, 2007 - 8,000,000) shares had been released - leaving 12,000,000 (September 30, 2007 - 12,000,000) shares in escrow.
- b) On March 18, 2004, the Company closed a private placement of 1,000,000 units of its securities at a price of \$1.00 per unit. Each unit is comprised of one share and one warrant exercisable at \$0.50 per share. The private placement was fully subscribed, for which the Company received proceeds of \$1,000,000. The Company subsequently received \$470,000 from the exercise of the warrants in 2006.
- c) On March 18, 2004, the Company issued a total of 786,000 shares to three shareholders to replace three lost share certificates. The original share certificates have not been retracted by the Company and are legally outstanding, however not included in the issued and outstanding shares noted above, because certificates were lost and in substance are not outstanding. Accordingly, the lost share certificates are not included in the weighted average number of shares outstanding and earnings per share calculation.
- d) On February 8, 2006, the Company completed a private placement of 500,000 units of its securities at a price of \$0.75 per unit. Each unit is comprised of one share and one-half warrant. Each whole warrant is convertible to one common share for a period of one year at an exercise price of \$1.00 per share. The private placement was fully subscribed, for which the Company received proceeds of \$375,000. All warrants expired unexercised.
- e) During fiscal 2006 options to acquire 10,000 common shares were exercised for total proceeds of \$5,000 which was credited to share capital.
- f) On June 29, 2007, the Company acquired 3,426,500 common shares of Wireless Age (Note 11) and agreed to issue, subject to regulatory approval, 1,018,432 shares, valued at \$0.49 per share (\$499,032 was recorded as an accrued liability). Approval to issue such shares was received in January 2008 and the shares were issued.
- g) As of December 31, 2007, Wireless Age (a majority owned subsidiary) acquired 2,680,307 shares of the Company in a private transaction in exchange for total consideration of \$1,313,063. Accordingly the acquisition value has been reflected as a reduction of share capital and such number of shares has been deducted from the number of issued shares.
- h) Stock Options

The Company awards unconditional stock options to employees, officers, directors and others at the recommendation of the Chief Executive Officer ("CEO") under an incentive stock plan (the "Plan"). Under the Plan, the Company has for issuance a maximum authorized number of 5,200,000 options to acquire common shares of the Company of which 340,000 options are still available. The total proceeds that would be generated upon exercise of all issued and outstanding options are \$2,360,000. Options are granted at the fair market value of the shares on the day granted, and vest over various terms. Compensation expense is recognized over the vesting period (Note 3). The following is a continuity schedule of outstanding options for the reporting periods, where WAEP refers to "weighted average exercise price" and yrs refers to "years".

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|                     | December 31, 2007 |                | September 30, 2007 |                |
|---------------------|-------------------|----------------|--------------------|----------------|
|                     | No. of<br>Options | WAEP           | No. of<br>Options  | WAEP           |
| Beginning of period | 4,410,000         | \$ 0.53        | 3,260,000          | \$ 0.55        |
| Granted             | -                 | -              | 1,600,000          | 0.49           |
| Expired             | -                 | -              | (450,000)          | 0.53           |
| End of period       | <u>4,410,000</u>  | <u>\$ 0.53</u> | <u>4,410,000</u>   | <u>\$ 0.53</u> |

The following table summarizes stock option information outstanding at December 31, 2007.

| Exercise Prices of<br>Options | Number Outstanding<br>and Exercisable | Weighted-Average<br>Remaining<br>Contractual Life | Weighted-Average<br>Exercise Price |
|-------------------------------|---------------------------------------|---|------------------------------------|
| \$ 0.40                       | 550,000                               | 2.96 yrs  | \$ 0.40                            |
| 0.50                          | 2,460,000                             | 2.91 yrs  | 0.50                               |
| 0.65                          | 1,400,000                             | 3.23 yrs  | 0.65                               |
| <u>\$ 0.40-\$ 0.65</u>        | <u>4,410,000</u>                      |   | <u>\$ 0.53</u>                     |

The following table summarizes stock option information outstanding at September 30, 2007.

| Exercise Prices of<br>Options | Number Outstanding<br>and Exercisable | Weighted-Average<br>Remaining<br>Contractual Life | Weighted-Average<br>Exercise Price |
|-------------------------------|---------------------------------------|---|------------------------------------|
| \$ 0.40                       | 550,000                               | 3.31 yrs  | \$ 0.40                            |
| 0.50                          | 2,460,000                             | 3.17 yrs  | 0.50                               |
| 0.65                          | 1,400,000                             | 3.48 yrs  | 0.65                               |
| <u>\$ 0.40-\$ 0.65</u>        | <u>4,410,000</u>                      | <u>3.22 yrs</u>                                   | <u>\$ 0.53</u>                     |

In the year ended December 31, 2007 no options were awarded.

In the year ended September 30, 2007, the Company awarded to employees, directors and consultants a total of 1,600,000 options to buy shares of the Company under the Plan. These options carry a term of five years, have an exercise price of between \$0.40 and \$0.50 and vest immediately. In the year ended September 30, 2007, 450,000 options expired unexercised.

**NEWLOOK INDUSTRIES CORP.**

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Three Months Ended December 31, 2007

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The estimated fair value of the option was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

|  | <u>September 30,</u><br><u>2007</u> |
|--|-------------------------------------|
| Risk free interest rate  | 4.48%                               |
| Dividend yield   | 0%                                  |
| Volatility factor of expected market price of the Newlook's shares | 29%                                 |
| Expected option life (in years)                                    | 5                                   |
| Weighted average grant date fair values of options granted         | \$0.07                              |

## i) Contributed Surplus

Contributed surplus balances are explained as follows:

|  |                   |
|--|-------------------|
| Balance – September 30, 2006                     | 515,486           |
| Add: Stock-based compensation                    | <u>105,858</u>    |
| Balance September 30, 2007 and December 31, 2007 | <u>\$ 621,344</u> |

Stock-based compensation includes the fair value of options granted.

## j) Wireless Age Warrants

As of September 30, 2007, the Company's subsidiary Wireless Age had warrants to issue 2,000,000 common shares exercisable at US\$0.15 per share, 2,500,000 common shares exercisable at US\$0.125 per share and 2,500,000 common shares exercisable at US\$0.25 per share, outstanding. During the three month period ended December 31, 2007 the remaining warrants were repurchased all 7,000,000 outstanding warrants for total cash payments of US\$372,500.

## k) Non-controlling Interest

|   |                   |
|---|-------------------|
| Balance – September 30, 2006  | \$ -              |
| Add: adjustments arising from initial acquisition and equity issued by subsidiary | 75,277            |
| Add: Minority interest in period earnings   | <u>195,098</u>    |
| Balance – September 30, 2007  | \$ 270,375        |
| Add: Minority interest in period earnings   | <u>214,709</u>    |
| Balance – December 31, 2007   | <u>\$ 485,084</u> |

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Notes to Consolidated Financial Statements

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**13. Income Taxes**

The Company accounts for income taxes using the asset and liability method. Tax asset and liability account balances are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rate.

The provision for income taxes has been computed as follows:

|   | December 31,<br>2007        | September 30,<br>2007       |
|---|-----------------------------|-----------------------------|
| Expected income tax expense at the statutory rate of 36.12% (2006 – 36.12%) | \$ 78,254                   | \$ 25,102                   |
| Increase (decrease) in taxes resulting from:                                |                             |                             |
| Stock-based compensation  | \$ -                        | \$ 38,236                   |
| Tax effect of utilization of tax loss                                       | (78,254)                    | (63,338)                    |
|   | <u>                    </u> | <u>                    </u> |
| Provision for income taxes  | <u>\$ -</u>                 | <u>\$ -</u>                 |

The components of future income taxes are as follows:

|   | December 31,<br>2007 | September 30,<br>2007 |
|---|----------------------|-----------------------|
| Net operating loss carried forward  | \$ 3,057,978         | \$ 3,159,477          |
| Difference between accounting and tax carrying - value of equipment and intangible assets | 467,367              | 512,337               |
| Valuation allowance   | <u>(3,525,344)</u>   | <u>(3,671,814)</u>    |
|   | <u>\$ -</u>          | <u>\$ -</u>           |

The Company has tax losses of \$8,466,000 available to be applied against future years' taxable income. In order to record a future income tax benefit, it must be more likely than not that the future tax asset resulting from the tax losses available for carryforward will be realized. Given the Company's uncertainty regarding profitability, the Company has set up a 100% valuation allowance in respect of the future income tax asset. The tax losses expire as follows:

|      |                             |
|------|-----------------------------|
| 2008 | \$ 356,000                  |
| 2009 | 1,456,000                   |
| 2010 | 1,899,000                   |
| 2011 | -                           |
| 2012 | 180,000                     |
| 2013 | 1,164,000                   |
| 2014 | 2,055,000                   |
| 2015 | 603,000                     |
| 2026 | 157,000                     |
| 2027 | 596,000                     |
|      | <u>                    </u> |
|      | <u>\$ 8,466,000</u>         |

## NEWLOOK INDUSTRIES CORP.

Notes to Consolidated Financial Statements

Three Months Ended December 31, 2007

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### 14. Related Party Transactions

During the three months ended December 31, 2007, officers and former officers of the Company were paid \$28,500 (twelve months ended September 30, 2007 - \$328,500) in consulting fees for services provided, bonuses and termination payments. Such amounts were at exchange values agreed to by either party.

### 15. Economic Dependence

The Company's main source of income is derived from the sale of cellular phones and its related products and services. Its ability to continue viable operations is dependent upon maintaining its ability to act as an authorized sales agent for two provincial telephone companies, designated company X and Y herein. The following amounts are recorded in accounts receivable and revenue in the consolidated financial statements:

|                     | December 31,<br>2007 | September 30,<br>2007 |
|---------------------|----------------------|-----------------------|
| Accounts receivable |                      |                       |
| Company X           | \$ 973,741           | \$ 662,936            |
| Company Y           | <u>717,923</u>       | <u>322,223</u>        |
|                     | <u>\$ 1,691,664</u>  | <u>\$ 985,159</u>     |
| Revenue             |                      |                       |
| Company X           | \$ 2,036,477         | \$ 1,626,563          |
| Company Y           | <u>1,807,147</u>     | <u>906,906</u>        |
|                     | <u>\$ 3,843,624</u>  | <u>\$ 2,533,469</u>   |

### 16. Segmented Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company operates in two operating segments the retail and commercial operations.

The following table shows revenues, profit or loss and identifiable assets by operating segment:

|               | Retail    | Commercial | Discontinued<br>Operations | Corporate | Total      |
|---------------|-----------|------------|----------------------------|-----------|------------|
| Revenues      | 6,239,214 | 4,681,507  | -                          | -         | 10,920,721 |
| Income (loss) | 614,134   | 133,939    | (41,639)                   | (531,422) | 175,012    |
| Assets        | 4,754,407 | 2,551,261  | 1,287,356                  | 2,093,200 | 10,686,224 |

## **NEWLOOK INDUSTRIES CORP.**

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Three Months Ended December 31, 2007

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### **17. Subsequent Events**

#### Millennium Letter of Intent

The Company has entered into a letter of intent to acquire Vertex Integrations Inc., operating as Millennium Data Systems. Millennium is an IP network services organization. Pursuant to the letter of intent the Company will issue common shares with a value of \$7,500,000 to consummate the acquisition.

#### Callmore Acquisition

On March 20, 2008, Wireless Age acquired all of the business assets of Callmore Communications Inc. for \$100,000, \$25,000 paid at closing and \$25,000 paid in three consecutive monthly payments beginning April 1, 2008. The Callmore business assets will be utilized within the Commercial operating segment.

#### Wireless Age Stock Repurchases

Subsequent to December 31, 2007 and as of the date of financial statement issuance Wireless Age acquired a total of 778,800 shares of its own common stock for cancellation. Total consideration paid by Wireless Age was US\$159,654.

#### Wireless Age Exercise of Option to Acquire Newlook Shares

On March 8, 2008, Wireless Age exercised an option to acquire 180,000 common shares of the Company from Eiger Technology Inc., a related party by virtue of certain officers and directors in common with the Company, for a cash payment of \$72,000.