



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of illumiCell Corporation's (the "Company") financial condition and results of operations is a review of the three month period ended March 31, 2007 and results compared with the same period of previous years. The discussion and analysis should be read in conjunction with the audited financial statements for the year ended December 31, 2006, which are prepared in accordance with Canadian generally accepted accounting principles. The discussion is intended to provide both a historical and prospective analysis of illumiCell's activities. Any estimates are based on assumptions of future events and may be subject to change.

The discussion and analysis for the three month period ended March 31, 2007 is prepared and contains disclosure of material change occurring up to and including May 22, 2007.

Forward-looking Statements

Management's discussion and analysis contains forward-looking statements related to management's intentions and plans concerning future financing and investing activities, and the sufficiency of working capital to continue operations. These statements reflect Management's view with respect to future events. Assumptions made herein, with respect to these future events, are subject to certain uncertainties and factors which could cause actual results or events to differ materially from those implied by these forward-looking statements. Although the Company believes that the forward-looking statements contained herein are reasonable, no assurance can be given that its expectations are correct and that the results, performance or achievements expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Overview

illumiCell Corporation (TSXV: ICC) has developed and operates the first local search service that works over Microsoft Windows Live® Messenger in Canada. The 24-hour service allows consumers to search for information on events, retailers and consumer goods they want to buy at the moment they are interested in finding the information or purchasing the goods or services. The Company is currently focused on partnering with operators of local directory service providers commonly known as yellow pages publishers.

In partnering with yellow page publishers, illumiCell provides the development and operation of automated search agents, which includes the design, software coding, data integration, testing, provisioning of these automated search agent applications on the Microsoft Windows Live™ Messenger Service in Canada and the ongoing operation of these applications. The directory service partner provides the marketing to local businesses, collects/manages merchant information, assists with integrating the merchant information into the automated search agent application and may deliver ongoing promotion of the automated search agent service to consumers.

**First Quarter Highlights**

- Commenced trading on the TSX Venture exchange on January 12th, 2007.
- Deployment of the latest version of the illumiCell search service in February.
- Subsequent to the end of the quarter, the Company announced the appointment of Sr. VP Operations and Technology Mr. John Shillington; and
- The signing of a Multi-Year Joint-Marketing Agreement with Sympatico MSN

FINANCIAL RESULTS AND SHARE INFORMATION			
For the Three Month Period Ended March 31			
Financial Results	2007	2006	2005
Revenues	\$ 3,469	\$ 108	\$ -
Consulting & Salaries	\$ 455,025	\$ 144,891	\$ 77,540
Total Expenses	\$ 1,125,184	\$ 250,933	\$ 97,294
Capital Expenditures	\$ 293,942	\$ 202,949	\$ 221,703
Shares Outstanding			
Basic	46,284,959	30,053,850	29,478,850
Fully Diluted	49,363,655	33,114,685	32,337,185

LIQUIDITY AND CAPITAL RESOURCES			
For the Three Month Period Ended March 31			
	2007	2006	2005
Current Assets	\$ 1,350,940	\$ 153,059	\$ 21,603
Current Liabilities	\$ 565,847	\$ 89,958	\$ 457,915
Total Assets	\$ 3,192,409	\$ 995,184	\$ 446,301

Results of Operations

Revenues for the three month ended March 31, 2007 were \$3,469 compared to \$108 for the same period last year. Net loss for the three month period ended March 31, 2007 was \$1,105,271, compared to \$250,825 for the same period of 2006. The increase in expenditures for the quarter was primarily related to the addition of personnel and consultants, as well as investment in business development, marketing and IT infrastructure to support future growth.

Operating Expenses

Consulting fees and salary for the first quarter of the year were \$230,055 and \$224,970 respectively (2006 – \$144,891 and \$Nil), which represented 21% and 20% of total operating expenses for the quarter (2006 – 58% and 0%). The increase related primarily to additions of staff in marketing, product development and IT support.

During the first three months of the year, the Company carried a number of advertising campaigns through radio and internet media. As a result, advertising and promotion expenses increased to \$337,529 from Nil for the same quarter in 2006.



Occupancy and office expenses increased \$40,797 (537%) and \$39,068 (350%) respectively in the first three months of the year compared to the same period in 2006. These increases were related primarily to the office setup in Calgary, Alberta and the establishment of an office in Barrie, Ontario to meet the growth in personnel, operations and market development.

Amortization for the first quarter of 2007 was \$75,841 compared to \$22,850 in the same period of previous year. The increase consisted of \$66,180 of amortization for deferred development costs as a result of the commercial release of the YellowPages™ MSN Instant Messenger™ system in February 2006.

During the three month period ended March 31, 2007, the Company granted 2,720,000 stock options to employees, officers and directors. As a result, the Company recognized \$41,631 of non-cash stock option expense compared to \$11,687 in the same quarter of 2006.

Revenue

Sales for the first three month of the year were \$3,469 compared to \$108 in the first quarter of 2006. Increase of sales was related directly to the increased public awareness and usage of the Company's YellowPages™ MSN Instant Messenger™ system.

Deferred development costs

The Company has certain projects that meet the criteria for deferral and amortization of development costs. Development costs are capitalized and deferred to the extent that their recovery can be reasonably assured. Amortization of development costs commences when commercial use of the product or process begins.

Summary of Deferred Development Costs					
Fiscal year 2007	1st Quarter Mar 31	2nd Quarter Jun 30	3rd Quarter Sep 30	4th Quarter Dec 31	Fiscal Year 2007
Balance, beginning of period	\$ 1,485,266				
Additions	239,397				
Amortization	(66,180)				
Balance, end of period	<u>\$ 1,658,483</u>				
Fiscal year 2006	1st Quarter Mar 31	2nd Quarter Jun 30	3rd Quarter Sep 30	4th Quarter Dec 31	Fiscal Year 2007
Balance, beginning of period	\$ 646,729	\$ 819,688	\$ 1,122,723	\$ 1,250,871	\$ 646,729
Additions	195,019	369,215	194,328	300,575	1,059,137
Amortization	(22,060)	(66,180)	(66,180)	(66,180)	(220,600)
Balance, end of period	<u>\$ 819,688</u>	<u>\$ 1,122,723</u>	<u>\$ 1,250,871</u>	<u>\$ 1,485,266</u>	<u>\$ 1,485,266</u>
Fiscal year 2005	1st Quarter Mar 31	2nd Quarter Jun 30	3rd Quarter Sep 30	4th Quarter Dec 31	Fiscal Year 2007
Balance, beginning of period	\$ 177,464	\$ 399,167	\$ 470,729	\$ 512,729	\$ 177,464
Additions	221,703	71,562	42,000	134,000	469,265
Amortization	-	-	-	-	-
Balance, end of period	<u>\$ 399,167</u>	<u>\$ 470,729</u>	<u>\$ 512,729</u>	<u>\$ 646,729</u>	<u>\$ 646,729</u>



Summary of Quarterly Results					
Fiscal year 2007	1 st Quarter Mar 31	2 nd Quarter Jun 30	3 rd Quarter Sep 30	4 th Quarter Dec 31	Fiscal Year 2007
Net sales	\$ 3,469				
Net Loss from operations	\$ (1,105,271)				
Loss per share – Basic	\$ (0.02)				
Total assets	\$ 3,189,714				
Total liabilities	\$ 565,847				
Fiscal year 2006	1 st Quarter Mar 31	2 nd Quarter Jun 30	3 rd Quarter Sep 30	4 th Quarter Dec 31	Fiscal Year 2006
Net sales	\$ 108	\$ 117,863	\$ (9,508)	\$ 375	\$ 108,838
Net Loss from operations	\$ (250,825)	\$ (191,033)	\$ (447,691)	\$ (551,235)	\$ (1,440,784)
Loss per share – Basic	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Total assets	\$ 1,023,482	\$ 1,481,001	\$ 1,464,780	\$ 4,290,295	\$ 4,290,295
Total liabilities	\$ 116,936	\$ 135,121	\$ 214,105	\$ 547,538	\$ 547,538
Fiscal year 2005	1 st Quarter Mar 31	2 nd Quarter Jun 30	3 rd Quarter Sep 30	4 th Quarter Dec 31	Fiscal Year 2005
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss from operations	\$ (97,294)	\$ (105,986)	\$ (116,891)	\$ (202,770)	\$ (522,941)
Loss per share – Basic	\$ (0.004)	\$ (0.004)	\$ (0.004)	\$ (0.008)	\$ (0.02)
Total assets	\$ 446,301	\$ 542,469	\$ 667,009	\$ 1,034,453	\$ 1,034,453
Total liabilities	\$ 457,915	\$ 255,135	\$ 198,166	\$ 155,089	\$ 155,089

Liquidity and capital resources

As at March 31, 2007, the Company had a overdraft of \$81,463 and a short term investment in cashable GIC of \$1,100,700, as compared to cash on hand of \$53,712 and \$Nil respectively on March 31, 2006. During the first quarter of 2007, the Company had cash outflow of \$442,523 compared to \$229,139. The increase of cash outflow was related to the Company's expansion in operations.

Operating Activities

During the first quarter of the year, the Company used \$146,037 cash in operating activities compared to \$291,190 for the same period last year. Decrease of cash outflow in operating activities was related primarily to the redemption of \$1 million short term GIC to support the growth of operations. As at March 31, 2007, the Company had \$1.1 million GIC earning interest at 4% per annum.

Investing Activities

Net cash used in investing activities for the three-month period ended March 31, 2007 was \$241,236 compared to \$202,949 for the same period in 2006. During the first quarter of 2007, the Company capitalized \$239,397, including \$52,706 remained in accounts payable, in the deferred development cost pool. Investments in tangible and intangible assets for the three-month period ended March 31, 2007 were \$40,182 and \$14,363 respectively. Intangible assets consist of costs to obtain patents and trademarks that protect the Company's investment in technologies and continuous development.



Financing Activities

During the first quarter of 2007, the Company repurchased 154,021 common shares, pursuant to the terms of the amalgamation agreement, for a total cost of \$55,250, of which \$21,876 was recorded as a reduction in share capital and the remainder, \$33,374, as a charge to the deficit.

Related Parties Transactions

For the three month period ended March 31, 2007, officers and directors of the Company received management fees totalling \$80,000.

Activities Subsequent to March 31, 2007

During April and May 2007, the Company granted stock options to employees and directors of the Company to purchase 1,297,000 common shares at average exercise price of \$0.44 per share.

Outstanding Share Data

As of May 22, 2007, the Company had 45,622,459 issued common shares and 662,500 warrants. In addition, there were 4,325,696 options outstanding with exercise price ranging from \$0.32 and \$0.55 per share.

Critical Accounting Policies and Estimates

Significant accounting policies and estimates are those policies, assumptions and estimates most important in the preparation of the Company's financial statements. Policy selection requires management's subjective and complex judgment from many alternatives and estimates involving matters that are inherently uncertain. Management believes that those policies, assumptions and estimates are reasonable, based on the information available. Those policies, assumptions and estimates affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period represented. There have been no significant changes to the Company's critical accounting policies and estimates since December 31, 2006, except as noted below.

Changes in accounting policies

On January 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 - "Financial Instruments - Recognition and Measurement", Section 3861 "Financial Instruments - Disclosure and Presentation", and Section 3865 "Hedges". As required by the new standards, prior periods have not been restated.

The adoption of these standards has had no material impact on the Corporation's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

Comprehensive income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Upon adoption of Section 1530, the Corporation revised its "Statements of Loss and Comprehensive Loss and Deficit" to include the newly required statement of comprehensive income by creating a combined statement.



The adoption of comprehensive income has been made in accordance with the applicable transitional provisions and no amounts have been reclassified to accumulated other comprehensive income. Currently, the Corporation has no OCI.

Financial instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables" or "other financial liabilities", as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Corporation in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Accounts receivable is designated as "loans and receivables". Account payable are designated as "other liabilities".

The adoption of the financial instruments standard had no impact on opening retained earnings.

Accounting change

As of January 1, 2007, the Corporation adopted revised CICA Section 1506 "Accounting Changes", which provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted, or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP, or when the change results in more relevant and reliable information. There is no material impact to the Corporation's financial statement as a result of implementing this new standard.

In addition, the Corporation has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Corporation:

As of January 1, 2008, the Corporation will be required to adopt two new CICA standards, Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation", which will replace Section 3861 "Financial Instruments - Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Corporation is assessing the impact on its financial statements.

As of January 1, 2008, the Corporation will be required to adopt the new CICA Section 1535 "Capital Disclosures", which will require companies to disclose their objectives, policies and processes for



managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Corporation is assessing the impact on its financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Corporation continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

Controls and Procedures

As required by, and defined in, Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, IllumiCell's Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in the Company's interim filings with the provincial securities regulators.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings, and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In conducting the evaluation it has become apparent that management relies upon certain undocumented procedures, informal communication, and "hands-on" knowledge or the direct involvement of senior management. Given this current state, lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company will take whatever steps necessary to minimize the consequences thereof. Additionally, the Company plans to enhance disclosure controls and procedures during the current fiscal year with the addition of personnel, documentation of procedures and communication, and improvement in information systems.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of



financial statements for external purposes in accordance with Canadian GAAP. During the process of management's review and evaluation of the design of the Company's internal control over financial reporting, it was determined that certain weaknesses existed in internal controls over financial reporting.

As is typical of many small companies, the partial segregation of duties and documentation of only key procedures were identified as areas where improvements could be made. Given this situation, the Company's internal controls over financial reporting could result in a more-than-remote likelihood that a material misstatement in financial reporting would not be prevented or detected. The Company is recruiting additional personnel to ensure segregation of duties as the operations of the Company expand. The Company is also in the process of adding documentation and implementing necessary policies and procedures to minimize internal control and financial reporting risks that currently exist.

The Chief Executive Officer and Chief Financial Officer, together with other members of management, for the three month period ended March 31, 2007, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Review of Interim Financial Statements

The Company's auditors have not reviewed the financial statements, the accompanying notes nor the MD&A for the three months period ended March 31, 2007.

Risk and Uncertainty

The Company's business involves a high degree of risk that a combination of experience, knowledge and careful evaluation may not overcome. Due to the Company's limited history of operations and no history of earnings, there can be no assurance that the Company will be successful or profitable. In addition to the risks described elsewhere in this report, the Company is subject to each of, the cumulative effect of, and all of, the following risk factors:

Competition

The Company operates in an environment with rapidly changing technology. It faces competition from other companies with greater financial resources and larger marketing organizations. All companies in this industry are subject to competition and technological advances which can render existing products or services obsolete or unmarketable.

Dependence on key personnel and products

Although the Company is staffed by experienced senior management and personnel, it is substantially dependent upon the services of a few key senior officers and technical personnel. The loss of the services of any of these staff members could have an adverse material effect on the business of the Company.

Risk of inability to effectively manage future growth and expansion

The Company's growth continues to place significant demands on its management and other resources. Future results of operations will depend, in part, on the ability of its officers and other key employees to implement and expand operations, customer support, and financial control systems. The Company's



future performance will also depend to a significant extent on its ability to identify, attract and retain highly skilled sales, technical, marketing and management personnel.

Potential fluctuations in quarterly results

The Company's quarterly operating results may vary significantly depending on factors such as timing of new product introductions, competition, and market acceptance of new and enhanced versions of the Company's products. Since the Company's operating expenses are based on anticipated revenues and certain expenses are relatively fixed in the short term, variations in revenues can cause significant fluctuations in operating results from quarter to quarter. The market price of the Company's common shares may be highly volatile in response to such quarterly fluctuations.

Finite financial resources and the potential need for future financing

The Company may require additional financing to pursue its operations, to make further investments or take advantage of unanticipated opportunities. The ability of the Company to obtain such financing will depend in part upon prevailing capital market conditions. There is no guarantee that the Company will be successful in obtaining additional funding.

Changes in the regulatory environment

From time-to-time governments may review the legislation and regulations applied to the industry. Such review could result in the enactment of new laws and/or the adoption of new regulations in Canada, which might adversely impact businesses in Canada in general and consequently, may threaten our growth prospects.

The Company regularly reviews its risk management practices to offset these risk factors to the greatest extent possible.

Outlook

With the completion of the amalgamation with Z28 Capital Corp and commencement of trading on the TSX Venture Exchange in January 2007 is poised to be an important year in the Company's growth. Plans for 2007 focus on three fronts:

1. Geographic expansion starting with the US market;
2. Addition of vertical market-specific functionality; and the
3. Deployment of SMS and Blackberry platforms.

Geographic Expansion

The agreements to roll out our system in the US market should be complete the second quarter of 2007, and anticipated deployment in Q3 of 2007. Discussions in other markets around the world are ongoing, but operational focus remains the US. The Company is continuing to pursue opportunities in Mexico, Australia and China.

Vertical Market Functionality

A key factor in the success of local search is the ability to offer enhanced data on the merchant and its business. To this end, there are a number of opportunities to offer enhanced merchant data in specific market segments or verticals. The Company is actively looking at different type of data, data sources, and user needs to provide the right data, in the right vertical, to the right users.



Mobile Versions

SMS and Blackberry

Testing of the short message service (SMS) version of the system is ongoing. The evaluation of the service, the market needs, and user acceptance is to come. The Company is a Blackberry ISV member and deployment of the illumiCell system on the Blackberry platform is ongoing. Given the relatively high bandwidth capabilities of the latest Blackberry devices, it is a good platform to showcase the illumiCell system on mobile devices.

Additional Information

Additional information about illumiCell is available from the Company's website at www.illumiCell.com, on Sedar at www.sedar.com or by request from the Company at #304, 5819 - 2nd Street SW, Calgary, AB, T2H 0H3.