

WellPoint Systems Inc.

FORM 51-102F1

**Management's Discussion and Analysis
For the Three Months and Year Ended December 31, 2008**

April 24, 2009

This Management's Discussion and Analysis ("MD&A") for WellPoint Systems Inc. ("WellPoint Systems" or the "Company") for the three month period and year ended December 31, 2008 should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2008 and the notes that accompany these financial statements filed on SEDAR, which are available at www.sedar.com. The audited Consolidated Financial Statements of WellPoint Systems have been prepared in accordance with accounting policies in accordance with Canadian generally accepted accounting principles (GAAP). All dollar amounts are in Canadian dollars unless otherwise indicated.

The Board of Directors carries out its responsibility for review of the disclosure in this MD&A principally through its Audit Committee, comprised of three directors, one of whom is independent. The Audit Committee reviews this disclosure and recommends its approval to the Board of Directors. This MD&A has been approved by the Board of Directors.

The Company reports on certain non-GAAP measures that are used by management to evaluate the performance of the business. Since non-GAAP measures do not have a standardized meaning, securities regulators require that non-GAAP measures be clearly defined and qualified, reconciled to the nearest GAAP measure, and be given no more prominence than the closest GAAP measures. The definition, calculation, and reconciliation of the non-GAAP measures are provided in the section "Reconciliation of non-GAAP Measures" in this MD&A.

WellPoint Systems is publicly traded on the TSX Venture Exchange under the symbol WPS.

This MD&A is dated as at April 24, 2009.

Forward-looking Statements

All statements in this MD&A that do not directly relate to historical facts constitute "forward-looking statements". These statements represent WellPoint Systems intentions, plans, expectations, and beliefs, and are subject to risks, uncertainties, and other factors that are not in the Company's control. These factors could cause actual results to differ materially from such forward-looking statements. These factors include and are not restricted to the retention of reference customers, customer adoption of new and somewhat unproven software packages, market competition in the energy and natural resources information systems industry, the Company's ability to attract and retain qualified employees, potential acquisitions and other corporate developments, foreign exchange and other general economic and business conditions. The words "believe", "likely", "expect", "intend", "plan" and similar words, expressions and variations thereof, identify certain of such forward-looking statements. Such statements speak only as of the date of this MD&A. Readers are cautioned not to place undue reliance on these forward-looking statements.

Additional information about WellPoint Systems is available on its website at www.wellpointsystems.com.

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Business Overview

WellPoint Systems is the premier provider of software and related services for managing business in the global energy sector. Our diverse product line reaches across boundaries from upstream ERP to mid-stream marketing – all targeting energy and natural resources companies globally. The Company helps its customers decrease operating costs and increase earnings through improved financial accounting and management reporting systems; effective utilization of assets; and greater operational efficiency with its midstream and upstream solutions.

Headquartered in Calgary, Alberta, WellPoint Systems Inc. was founded in 1997 and has offices around the world that currently employ 173 people and 24 contractors. Approximately 92% (2007-88%) of revenue is generated from customers in North and South America. The Company currently has 433 customers using WellPoint Systems' proprietary solutions that are delivered through three lines of business:

- **WellPoint Energy Suite** provides state of the art solutions built to improve operational efficiency, international financial management and business analysis for oil & gas producers, marketers and pipeline operations. This suite includes two products developed specifically for the energy industry. Energy Broker (ENB) is used by marketing groups in the Midstream Commodity Market to lessen their financial credit and operational delivery exposure. Energy Financial Management (EFM) is used by global energy companies to meet worldwide financial management and reporting requirements. WellPoint Enterprise Asset Management (AX EAM) helps companies both within and outside the energy industry, manage the operational and financial aspects of all asset types including complex mission critical equipment, plants, rental units and fleets. AX EAM, allows companies to understand and drive key factors such as asset utilization, operational uptime and profitability by managing the complete asset life cycle – from asset commissioning through maintenance, modification and decommissioning. WellPoint Energy Suite takes advantage of the Microsoft Dynamics AX architecture which provides integration with a complete ERP system as well as multi-currency, multi-location and multi-language functionality.
- **BOLO by WellPoint Systems** provides back office management solutions for the upstream oil and gas companies. The integration of accounting, land and production automates the complex business process requirements of the oil and gas industry in the US. BOLO's seamless approach to the back office provides more than 150 customers with access to the information they need to make critical business decisions in order to manage their companies better.
- **IDEAS by WellPoint System** provides a complete accounting package used by 209 companies internationally. Specifically developed to accommodate the unique requirements of multi-national oil and gas operators, Ideas was designed in conjunction with the world's most successful oil and gas companies. The system is unique in its capability to comply with local accounting and reporting requirements of any country in which it is being used, while simultaneously meeting home country financial reporting standard.

Vision and Strategy

WellPoint Systems' mission is to help its customers manage their businesses through the application of integrated technologies and superior services. The Company's strategic objective is to become the dominant provider of software solutions to enterprise customers within the global oil and gas and natural resources industries. The Company's ability to achieve this objective rests upon the following key strategic initiatives:

- **Maintaining a Strong Leadership Team** – WellPoint has taken the steps necessary to strengthen the executive management team. The current team, with a proven track record for building companies, has a history of driving and sustaining growth in market share and financial performance.
- **Building Market Awareness** – WellPoint has invested in establishing itself as a thought leader in its market space and conducts targeted marketing campaigns in order to increase market awareness.

- **Develop Superior Technology** – WellPoint has created industry specific functionality for the complex energy and natural resources industry while taking full advantage of a complete ERP solution, providing its customers with innovative solutions for their business needs.
- **Focusing on Customers** – WellPoint’s culture centers on its customers, partnering to drive software development and service programs that enable them to better manage their businesses.
- **Building on a Strong Platform** – WellPoint is uniquely aligned with Microsoft to be the only ERP solution in the Energy sector built on the Dynamics AX platform. This arrangement enables WellPoint products to take full advantage of the Microsoft’s commitment to the Dynamics AX architecture.
- **Attracting and Retaining Key People** – WellPoint seeks to be the employer of choice by offering its employees an opportunity to promote their personal development, growth and success, allowing them to share in the benefits of corporate success in an environment that leads to excellence, passion, and integrity.

The preceding vision and strategy provides WellPoint with the tools and focus to drive continued growth and success.

Business Environment

WellPoint Systems focuses primarily on the oil and gas and natural resources sectors. The recent downward pressure in oil and natural gas prices in North America has impacted our customers’ exploration and development budgets. Additionally, the instability of the capital and credit markets and the general slowdown in the economy has continued to negatively impact the oil and gas industry. As a result, capital investment projects ranging from exploration and drilling to technology investments are being highly scrutinized and often delayed.

Despite these negative signals, the Company continues to have a robust sales pipeline and is anticipating a strong first half of 2009. To date, the Company has been able to offset the negative influences by focusing on building brand awareness and ensuring that customers understand the efficiencies that can be gained by implementing the Company’s products. Based on awarded contracts and the current pipeline, we are cautiously optimistic that the current sales pipeline will remain active.

Even though the Company’s sales channel looks promising, the risk of customer’s delaying purchasing activities has increased. In response to these challenging industry conditions, the Company has implemented cost control and efficiency measures, reduced capital expenditures to maintenance only and has focused on improved profitability. The Company has demonstrated its ability to grow through corporate acquisitions and organically over the last three years and continues to look for opportunities to expand its operations in North America and international markets.

Key Performance Indicators

WellPoint Systems monitors a number of key performance indicators including those set out below:

- **Revenue** provides an overall indication of success and progress toward achieving growing market share;
- **Gross Margin** measures success in developing and delivering products and services efficiently and on a scalable basis;
- **Net Income Per Share** measures the return to shareholders and also allows management to assess whether acquisitions are accretive to earnings; and
- **Adjusted EBITDA** is Standardized EBITDA¹, excluding foreign exchange gains primarily related to the US dollar

denominated debt of the Company and can vary significantly depending on exchange rate fluctuations, which are beyond the control of the Company, and write downs of deferred development costs, goodwill impairment, financing costs, stock based compensation, fees and expenses on settlement of debt and losses on extinguishment of debt and after deducting the annual amount invested in respect of deferred development costs, which, with the implementation of International Financial Reporting Standards in the year ended December 31, 2011, will generally be required to be expensed on an annual basis.

1. Standardized EBITDA is a non-GAAP measure. Standardized EBITDA is in accordance with the definition noted in the Canadian Institute of Chartered Accountants ("CICA") draft publication *"Improved Communication with Non-GAAP Financial Measures"* issued by the Canadian Performance Reporting Board of the CICA.

Overall Performance

Events or Activities Impacting the Business in 2008

WellPoint Systems achieved several milestones in 2008 including the following:

- Increased total revenue by 22.5% to \$35.3 million, compared with \$28.8 million in 2007;
- Increased non-Canadian revenue by \$6.5 million to \$26.9 million from \$20.4 million in 2007. This was primarily due to the BOLO acquisition completed in August 2007;
- Closed US\$15.2 million, US\$2.0 million and CDN\$2.7 million convertible secured debenture financings with Quorum Funding Corporation;
- Closed \$1.1 million convertible unsecured subordinated debenture financing with Raymond James Ltd.;
- Closed US\$2.0 million license sale to new Middle Eastern channel partner, QMENA for WellPoint's Microsoft Dynamics AX solutions;
- Restructured the Company's debt to extend the maturity dates of various convertible debentures from 2009 to 2010;
- Decreased working capital deficiency by \$15.6 million;
- Implemented several key management changes, including the promotion of Mr. Richard Slack, the former head of BOLO to the position of Chief Executive Officer and President of WellPoint. Mr. Slack had served as the Company's chief operating officer, responsible for managing day-to-day operations, since May 2008. During this period Mr. Slack appointed a new management team that is focused on returning WellPoint to profitability. As part of this focus, the Company was recently reorganized to leverage cost savings across all business units;
- Restructured the operations of the Company to generate annual cost reductions of \$3.0 - \$4.0 million. The Company consolidated its R&D development center in Calgary with its head office to leverage synergies between product management, marketing, consulting and product development. The Company anticipates strong demand for its Dynamics AX platform based products and bringing these groups together will allow WellPoint to respond with greater speed to customer requirements;
- Brought to market the first phase of the Company's complete end to end business solution in Energy Broker. The product was successfully implemented at a key lighthouse customer;
- Finished the integration of two of WellPoint's major Microsoft AX products on a single platform;
- Passed the Software Solution Test for Microsoft Dynamics on the Energy Financial Management (EFM) software version 3.0.2.0. The Software Solution Test is a major requirement for Certified for Microsoft Dynamics® status, Microsoft's highest standard for partner-developed software. WellPoint's EFM solution is the only Oil & Gas Financial solution built on Dynamics AX to pass this milestone;
- Ranked 6th in the Over \$20 Million Group for Alberta Venture's 2009 Fast Growth 50 list, a ranking of Alberta's 50 fastest growing companies working in information technology, real estate development, and manufacturing, as well as business, financial and oilfield services. Rankings are based on growth in revenues, assets, profits, head count and other criteria over the past three years; and
- Received a ranking of 28 on the Deloitte Technology Fast 50 and 249 on the Deloitte's Technology 500, a result of a

696% revenue growth rate from 2003 to 2007.

Selected Fourth Quarter Financial Information

In thousands, except per share amounts

	2008	2007	% Change 2007 - 2008
Revenue	7,693	7,707	(0.2%)
Gross Profit	4,284	3,404	25.9%
Selling, general and Administration	2,743	2,900	(5.4%)
Facilities	407	437	(6.9%)
Research and Development	1,505	664	126.7%
Depreciation and Amortization	370	1,154	(67.9%)
Financing and Amortization of Debt and note payable issue Costs	(174)	1,612	(110.8%)
Interest	1,036	870	19.1%
Foreign Exchange loss (gain)	2,463	(528)	(566.5%)
Loss on extinguishment of convertible debt	6,372	-	
Write-down of deferred development costs	590	529	11.5%
Write-down of intangible assets	578	-	
Goodwill impairment	3,208	1,605	
Income (loss) before tax	(14,814)	(5,839)	153.7%
Income tax expense (recovery)	(807)	(1,140)	(29.2%)
Net income (loss)	(14,007)	(4,699)	198.1%
Income (loss) per share	(0.31)	(0.12)	
Adjusted EBITDA	(773)	(1,624)	(52.4%)
Total assets	47,866	50,342	(4.9%)
Total liabilities	44,873	37,058	21.1%
Total equity	2,993	13,283	(77.5%)

Revenue for the fourth quarter of 2008 stayed relatively flat as compared with the same period in 2007. Gross profit increased by \$0.9 million in the fourth quarter of 2008 due to the Company's revenue mix of higher license fees and a decrease in lower margin professional services. WellPoint decreased its selling, general and administrative ("SG&A") expenses by \$0.2 million in the fourth quarter of 2008 as compared with the fourth quarter of 2007 primarily as a result various cost optimization efforts implemented during the latter half of 2008 and the reversal of discretionary employee bonuses to reflect the current general economic conditions. R&D expenses increased by \$0.8 million primarily as the Company stopped capitalizing R&D on various products as those expenses no longer meet the criteria for capitalization. Adjusted EBITDA loss decreased by approximately \$0.9 million primarily due to the \$0.9 million increase in the Company's gross profit. Net loss increased by \$9.3 million primarily due to large foreign exchange losses, write-down of intangible assets, goodwill impairment and losses on refinancing of the Company's debt. These items are predominately non-cash charges.

Results of Operations for the Three Months ended December 31, 2008

Revenue-

The following table provides a breakdown of WellPoint's revenues by category and major geography for the fourth quarters of 2008 and 2007:

Revenue by category

<u>(all amounts in thousands)</u>	2008	2007	% Change 2007 - 2008
License	\$ 1,674	\$ 1,204	39.0%
Maintenance	2,667	2,278	17.1%
Professional Services	3,352	4,225	(20.7%)
	<u>\$ 7,693</u>	<u>\$ 7,707</u>	<u>(0.2%)</u>

% of total revenue	2008	2007
License	22%	16%
Maintenance	35%	30%
Professional Services	44%	55%
	<u>100%</u>	<u>100%</u>

Revenue by geography

<u>(all amounts in thousands)</u>	2008	2007	% Change 2007 - 2008
Canada	\$ 2,300	\$ 2,046	12.4%
United States	4,810	4,510	6.7%
Central & South America	44	1,005	(95.6%)
Other International	539	147	266.7%
	<u>\$ 7,693</u>	<u>\$ 7,707</u>	<u>(0.2%)</u>

% of total revenue	2008	2007
Canada	30%	27%
United States	63%	59%
Central & South America	1%	13%
Other International	7%	2%
	<u>100%</u>	<u>100%</u>

WellPoint Systems derives revenue from three sources relating to the software packages specifically designed for its key markets. Each product generates revenue from license sales, annual maintenance (based on a percentage of the license fee), and professional services for implementation and related support. Software is licensed to customers in perpetuity, whereby the fair value of the license is separately determinable from maintenance and/or professional service fees. Software license revenue is recognized once the license agreement is signed, the price is fixed or determinable, and the software is delivered to the customer and collectability reasonably assured. Maintenance fee arrangements generally include ongoing customer support, rights to periodic software upgrades, if and when available, and products sold on a subscription basis. Customers are generally charged in advance for maintenance services either annually or monthly. Maintenance fees are initially recorded as deferred revenue and subsequently recognized as income on a monthly basis. Professional service revenue consists of fees charged for product training, consulting, and implementation services.

Overall revenues for the fourth quarter of 2008 stayed relatively flat as compared with the fourth quarter of 2007. License revenue increased to \$1.7 million from \$1.2 million in 2007 which was primarily due to an increase in sales of WellPoint's BOLO product. Maintenance revenue grew to \$2.7 million in 2008 from \$2.3 million in 2007, an increase of 17%, due to growth in the Company's customer base. WellPoint now provides maintenance to 433 customers worldwide and continues to achieve maintenance and support customer retention rates of approximately 99%. Professional services revenue decreased by \$0.9 million in the fourth quarter of 2008 as compared with the same period of the prior year. Demand for professional services is significantly affected by the Company's license sales. During the third quarter of 2008 the Company experienced weak license sales which had a negative impact on the Company's fourth quarter professional services revenue. In 2007, the Company had a large implementation in South America. This implementation was predominately complete in the third quarter of 2008 which also contributed to the drop in the 2008 fourth quarter professional services revenue. Further impacting the professional services revenue was the extremely unstable general economic climate at the end of 2008 where customers chose to preserve cash and defer implementations and software enhancements.

Revenue from outside of Canada decreased to \$5.4 million in the fourth quarter of 2008 from \$5.7 million in 2007. This was primarily due to the completion of the large implementation in South America in the third quarter of 2008 partially offset by the increased revenues from BOLO.

Gross Profit-

Gross profit was \$4.3 million (55.7% of total revenue) compared with \$3.4 million (44.2% of total revenue) for the fourth quarter of 2007. The \$0.9 million (25.9%) increase in gross profit is attributed primarily to the Company's revenue mix. During the fourth quarter of 2008 compared with the same period of the prior year, the Company increased its sales of higher margin licenses and maintenance revenue by \$0.9 million and decreased its lower margin professional services revenue by the same amount. This shift in revenue mix resulted in an increase in both gross profit and gross margin.

Expenses-

The following table sets forth total expenses by function and as a percentage of total revenue for the fourth quarter of 2008 and 2007:

(in thousands)	2008	2007	% Change 2007 - 2008
Selling, general and administration	\$ 2,743	\$ 2,900	(5.4%)
Facilities	407	437	(6.9%)
Research and development	1,505	664	126.7%
	<u>\$ 4,655</u>	<u>\$ 4,001</u>	<u>16.3%</u>

<u>% of total revenue</u>	<u>2008</u>	<u>2007</u>
Selling, general and administration	35.7%	37.6%
Facilities	5.3%	5.7%
Research and development	19.6%	8.6%
	<u>60.5%</u>	<u>51.9%</u>

Sales, General and Administrative Expenses-

SG&A decreased to \$2.7 million (35.7% of revenue) compared with \$2.9 million (37.6% of revenue) in the fourth quarter of 2007. The decrease in SG&A costs is a result of various cost optimization efforts implemented during the latter half of 2008 and the reversal of discretionary employee bonuses reflecting the current general economic conditions.

Facilities-

Facilities expenses decreased slightly to \$0.41 million compared with \$0.44 million in the third quarter of 2007. The decrease primarily relates to consolidation of the Company's offices in Calgary.

Research and Development-

Research costs are expensed as incurred. Development costs are expensed in the year unless management believes they meet the criteria set out under GAAP for deferral and amortization. Furthermore, in accordance with GAAP, development costs are deferred only to the extent that their recovery can reasonably be regarded as assured. Management reviews the applicable criteria on a regular basis and if the criteria are no longer met, any remaining unamortized balance is written off as a charge to income. If the Company defers a portion of development costs, they are amortized over a three-year period. The three-year period is consistent with the historical lifecycle of prior product versions and appropriately matches the

product revenue stream with its development costs. Research and development costs include personnel and related costs, overhead and consulting fees.

The following table sets forth research expenses and deferred development costs capitalized for the fourth quarter of 2008 and 2007:

(in thousands)	% Change		
	2008	2007	2007 - 2008
Research and development expense	\$ 1,505	\$ 664	126.7%
Deferred development costs	380	1,072	(64.6%)
	<u>\$ 1,885</u>	<u>\$ 1,736</u>	<u>8.6%</u>

<u>% of total revenue</u>	2008	2007
Research and development expense	19.6%	8.6%
Deferred development costs	4.9%	13.9%
	<u>24.5%</u>	<u>22.5%</u>

In 2008, the Company incurred research and development expenses of \$1.5 million (19.6% of revenue) compared with \$0.6 million (8.6% of revenue) for the comparable period in 2007. The increase is related to the research in connection with ongoing projects along with a decision to stop capitalizing expenses related to the Company's Microsoft Dynamics AX product lines as they no longer meet the criteria for capitalization. When combined with development expenditures capitalized in the fourth quarter, the Company invested \$1.9 million (24.5% of revenue) compared with \$1.7 million (22.5% of revenue) in the fourth quarter of 2007. The \$0.1 million increase is primarily attributable to investments in WellPoint Energy Broker including its integration with the WellPoint Energy Financial Management system, enhanced multicurrency functionality and additional investments made by the companies acquired in 2007, including investments in WellPoint EAM.

WellPoint Systems is committed to enhancing its position as a leading provider of software and related solutions within the energy and natural resources industries. The Company will increase its investment in the development of new and innovative products utilizing the Microsoft AX Dynamics architecture. This investment is a fundamental requirement as WellPoint Systems continues to build products that meet the needs of its customers.

The Company also wrote-off \$0.6 million of deferred development costs relating to projects that no longer met the criteria for deferral.

Depreciation and Amortization-

Depreciation and amortization expenses decreased to \$0.4 million compared with \$1.2 million for the fourth quarter of 2007. The decrease primarily relates to the Company's decision to write-off a significant portion of its deferred development costs in the third quarter of 2008. Since these costs have been written off, there is no longer a requirement to amortize the expenses.

Interest-

Interest expenses include the cash and interest accretion on the Company's interest-bearing obligations. In addition, interest costs include the interest payable on convertible debentures. Interest accretion is a result of the allocation of proceeds received from the issuance of convertible debt to their component parts, measured at their respective fair values at the time of issue or renegotiation. The debt component has been calculated as the present value of the required interest and principal payments, discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued or reduced, when the fair value of the conversion option increases following a change in

the conversion price or conversion period. Interest expense is determined on the debt component. The difference between the debt component and the face value of the debenture is classified as shareholders' equity-convertible debentures, net of issue costs, and adjusted for income taxes. The debentures are accreted to their face value over their term with a charge to operations included in interest expense.

Interest expenses increased to \$1.0 million as compared with \$0.9 million for the fourth quarter of 2007. The increase primarily stems from the new financings in 2008 to retire the debt taken on as part of the 2007 acquisitions. As at December 31, 2008, the Company had notes payable, capital leases and convertible debt with a carrying value of approximately \$34.0 million with an effective annual interest rate of approximately 16.0%

Foreign Exchange Loss (Gain)-

Most of the Company's businesses are organized geographically so that many expenses are incurred in the same currency as the revenue generated, which mitigates some exposure to currency fluctuations. Following the acquisition of BOLO in 2007, the Company significantly increased its net liabilities denominated in United States dollars in connection with notes payable issued in connection with the acquisition along with US convertible debentures needed to complete the acquisition. The Company has not entered into any forward hedging contracts and therefore experiences gains and losses relating to foreign exchange. The loss for the three months ended December 31, 2008 was \$2.5 million (2007 – \$0.5 million gain).

Loss on Extinguishment of Debt-

During the fourth quarter of 2008, the Company renegotiated its debt with the Quorum Group of Companies ("Quorum") (as described below under Liquidity and Capital Resources). The debt renegotiation with Quorum resulted in a settlement of the debt for accounting purposes which required an immediate expensing of the financing costs associated with the Quorum debt as well as all future interest accretion costs to also be immediately expensed. As a result of these non-cash expenses, the Company recorded a \$6.3 million loss on the extinguishment of its convertible debentures.

Goodwill Impairment and Write-down of Intangible Assets-

The value of goodwill and intangible assets recorded as part of the iSoft acquisition were impaired at December 31, 2008. As a result, the Company recorded a non-cash goodwill impairment charge of \$3.2 million and write-down of intangible assets of \$0.6 million related to its iSoft acquisition in March, 2007.

Income Taxes-

The Company provides for income taxes using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities. Future income tax assets and liabilities are measured using tax rates expected to apply in the years that temporary differences are expected to be recovered or settled. Any change to the net future income tax asset or liability is included in operations in the year it occurs.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax assets considered realizable could change materially in the near term based upon the future taxable income during the carry-forward period. WellPoint operates globally and calculates its tax provision in each of the jurisdictions in which it conducts business. The Company's tax rate is therefore affected by the profitability of its operations in the various jurisdictions as well as the different tax rates that apply and its ability to utilize tax losses.

For the fourth quarter of 2008 the tax recovery was \$0.8 million compared with a tax recovery of \$1.1 million in the same period of the prior year. The tax recovery is primarily as a result of the Company's operations in the US.

Net Loss and Net Loss Per Share-

Due to the factors discussed above, the net loss for the fourth quarter of 2008 was \$14.0 million compared with a net loss of \$4.7 million for the fourth quarter of 2007. Basic and diluted net loss per share was (\$0.31) compared with a net loss per share of (\$0.12) for the fourth quarter of 2007.

Adjusted EBITDA-

Adjusted EBITDA loss was \$0.8 million compared with Adjusted EBITDA loss of \$1.6 million for the fourth quarter of 2007. The 2008 adjusted EBITDA loss was the result of the loss from operations which includes a significant investment with the ongoing development of the Dynamics AX product line. The EBITDA loss decreased by \$0.9 million primarily due to the \$0.9 million increase in the Company's gross profit.

Selected Year-To-Date Financial Information

In thousands, except per share amounts

	2008	2007	% Change 2007 - 2008
Revenue	35,309	28,834	22.5%
Gross Profit	19,683	17,426	13.0%
Selling, general and Administration	14,137	11,443	23.5%
Facilities	1,734	1,367	26.8%
Research and Development	5,285	1,611	228.1%
Depreciation and Amortization	3,786	2,769	36.7%
Financing and Amortization of Debt and note payable issue Costs	216	1,948	(88.9%)
Interest	3,857	1,844	109.2%
Foreign Exchange loss (gain)	3,502	(1,634)	(314.3%)
Fees and expenses on settlement of long term note payable	615	-	
Write down of deferred development costs	4,817	529	810.6%
Loss on extinguishment of convertible debt	6,372	-	
Goodwill impairment	3,208	1,605	99.9%
Write down of intangible assets	578	-	
Income (loss) before tax	(28,424)	(4,056)	600.8%
Income tax recovery	(765)	(382)	100.3%
Net income (loss)	(27,659)	(3,674)	652.8%
Income (loss) per share	(0.60)	(0.09)	566.7%
Adjusted EBITDA	(4,111)	135	(3145.2%)
Total assets	47,866	50,342	(4.9%)
Total liabilities	44,873	37,058	21.1%
Total equity	2,993	13,283	(77.5%)

WellPoint has included the financial results of its 2007 acquisitions in its results from the dates of acquisitions as follows: iSoft–March 13, 2007; and BOLO–August 13, 2007.

Revenue increased primarily due to the BOLO acquisition. Net loss increased by \$24.0 million primarily due the loss on extinguishment of debt, write down of deferred development costs and intangible assets, goodwill impairment and foreign exchange losses which are predominately non-cash items. Adjusted EBITDA loss in year ended December 31, 2008 was (\$4.1) million compared to Adjusted EBITDA of \$0.1 million in 2007. The decrease in Adjusted EBITDA is related to a onetime restructuring charge of \$1.1 million in 2008, increased spending on research of development by \$3.6 million and due to the substantial license revenue recognized in South America in the second quarter of 2007, which did not recur this

year.

Results of Operations for the Year

Revenue-

The following table provides a breakdown of WellPoint's revenues by category and major geography for the years ended December 31, 2008 and 2007:

Revenue by category

(all amounts in thousands)

	2008	2007	% Change 2007 - 2008
License	\$ 9,057	\$ 10,350	(12.5%)
Maintenance	9,825	6,622	48.4%
Professional Services	16,427	11,862	38.5%
	<u>\$ 35,309</u>	<u>\$ 28,834</u>	<u>22.5%</u>

% of total revenue

	2008	2007
License	26%	36%
Maintenance	28%	23%
Professional Services	47%	41%
	<u>100%</u>	<u>100%</u>

Revenue by geography

(all amounts in thousands)

	2008	2007	% Change 2007 - 2008
Canada	\$ 8,404	\$ 8,448	(0.5%)
United States	22,284	10,768	106.9%
Central & South America	1,963	6,266	(68.7%)
Other International	2,658	3,352	(20.7%)
	<u>\$ 35,309</u>	<u>\$ 28,834</u>	<u>22.5%</u>

% of total revenue

	2008	2007
Canada	24%	29%
United States	63%	37%
Central & South America	6%	22%
Other International	8%	12%
	<u>100%</u>	<u>100%</u>

Revenues increased by 22.5% to \$35.3 million in 2008 compared with \$28.9 million in the same period in 2007. The increase was primarily the result of BOLO revenue of \$19.8 million in 2008. Substantially offsetting this increase is a decrease in license revenue in South America from 2007 levels.

Revenue from outside of Canada increased to \$26.9 million in 2008 from \$20.4 million in 2007. This was primarily due to the growth in US revenue following the 2007 acquisition of BOLO. This increase would have been even more substantial if not for the large license sale recognized in South America in 2007.

License revenue decreased to \$9.1 million from \$10.4 million in 2007. The decrease is the result of license revenues recognized in South America in 2007 not recurring in 2008. Partially offsetting this is the \$5.4 million of license revenue attributed to BOLO in 2008. Maintenance revenue increased to \$9.8 million in 2008 from \$6.6 million in 2007, an increase of 48.4% with a substantial portion of the increase attributed to BOLO. WellPoint now provides maintenance to 433 customers worldwide and continues to achieve maintenance and support customer retention rates of approximately 99%. Revenue

from professional services increased to \$16.4 million from \$11.9 million in 2007, an increase of 38.5%. The substantial increase in professional services revenue is attributed primarily to the acquisition of BOLO and completion of the 2007 South American contract in Q3 of 2008.

Gross Profit-

Gross profit was \$19.7 million (55.7% of total revenue) compared with \$17.4 million (60.4% of total revenue) for 2007. The \$2.3 million increase in gross profit dollars is attributable to the 2007 acquisitions. However, gross profit as a percentage of sales, decreased 4.7%. This decrease in gross profit percentage is consistent with the decrease in higher margin license revenue, increases in lower margin professional services revenue and due to having attained higher margins in 2007 as a result of the large South American license sale.

Expenses-

The following table sets forth total expenses by function and as a percentage of total revenue for the twelve months ended 2008 and 2007:

(in thousands)	2008	2007	% Change 2007 - 2008
Selling, general and administration	\$ 14,137	\$ 11,443	23.5%
Facilities	1,734	1,367	26.8%
Research and development	5,285	1,611	228.1%
	\$ 21,156	\$ 14,421	46.7%

<u>% of total revenue</u>	2008	2007
Selling, general and administration	40.0%	39.7%
Facilities	4.9%	4.7%
Research and development	15.0%	5.6%
	59.9%	50.0%

Sales, General and Administrative Expenses-

SG&A expenses increased to \$14.1 million (40.0% of revenue) compared with \$11.4 million (39.7% of revenue) in the twelve months of 2007. The increase primarily relates to the full year affect of the acquisitions of 2007 along with higher expenses relating to bad debts in 2008 and restructuring charges of \$1.1 million; partially offsetting the increase are lower commissions and administrative expenses that were associated with the large South American contract recorded in 2007 that did not recur in 2008. During the second half of 2008, the Company initiated various cost optimization strategies that are anticipated to reduce SG&A costs by \$3.0 - \$4.0 million per year. Further, due to the negative general economic climate, the Company took additional steps in 2009 to reduce SG&A expenses by rolling back salaries at its North American operations by 10%.

Facilities-

Facilities expenses increased to \$1.7 million compared with \$1.4 million in 2007. The increase primarily relates to the 2007 acquisitions.

Research and Development-

The following table sets forth research expenses and deferred development costs capitalized for the years ended December 31, 2008 and 2007:

(in thousands)	2008	2007	% Change 2007 - 2008
Research and development expense	\$ 5,285	\$ 1,611	228.1%
Deferred development costs	2,796	3,037	(7.9%)
	<u>\$ 8,081</u>	<u>\$ 4,648</u>	<u>73.9%</u>

<u>% of total revenue</u>	2008	2007
Research and development expense	15.0%	5.6%
Deferred development costs	7.9%	10.5%
	<u>22.9%</u>	<u>16.1%</u>

In 2008, the Company incurred research and development expenses of \$5.3 million (15.0% of revenue) compared with \$1.6 million (5.6% of revenue) in 2007. The increase is primarily related to the research in connection with ongoing projects undertaken by the companies acquired in 2007 and the inability of the Company to continue capitalizing certain R&D expenses as they no longer meet the GAAP criteria for capitalization. When combined with development expenditures capitalized in the year, the Company invested \$8.1 million (22.9% of revenue) compared with \$4.7 million (16.1% of revenue) in 2007. The \$3.5 million increase is primarily attributable to investments in WellPoint Energy Broker including its integration with the WellPoint Energy Financial Management system, enhanced multicurrency functionality and additional investments made by the companies acquired in 2007, including investments in WellPoint Energy Asset Management.

The Company also wrote-off \$4.8 million of deferred development costs relating to projects that no longer met the criteria for deferral.

Depreciation and Amortization-

Depreciation and amortization expenses increased to \$3.9 million compared with \$2.8 million in 2007. The increase primarily relates to the amortization of intangibles purchased as part of the acquisitions completed in 2007.

Interest-

Interest expenses increased to \$3.8 million as compared with \$1.8 million for 2007. The increase primarily stems from the new financings in 2008 and the convertible debentures related to the BOLO and iSoft acquisitions. As at December 31, 2008, the Company had notes payable and convertible debt with a carrying value of approximately \$34.0 million with an effective annual interest rate of approximately 16.0%

Foreign Exchange Loss (Gain)-

Most of the Company's businesses are organized geographically so that many expenses are incurred in the same currency as the revenue generated, which mitigates some of our exposure to currency fluctuations. Following the acquisition of BOLO in 2007, the Company significantly increased its net liabilities denominated in United States dollars in connection with notes payable issued in connection with the acquisition. The Company has not entered into any forward hedging contracts and therefore may experience gains and losses relating to foreign exchange. The foreign exchange loss for 2008 was \$3.5 million (2007 – \$1.6 million gain).

Loss on Extinguishment of Debt-

During the fourth quarter of 2008, the Company renegotiated its debt with the Quorum Group of Companies ("Quorum") (as described below under Liquidity and Capital Resources). The debt renegotiation with Quorum resulted in a settlement of the debt for accounting purposes which required an immediate expensing of the financing costs associated with the Quorum debt as well as all future interest accretion costs to also be immediately expensed. As a result of these non-cash expenses,

the Company recorded a \$6.3 million loss on the extinguishment of its convertible debentures.

Goodwill Impairment and Write-down of Intangible Assets-

The value of goodwill and intangible assets recorded as part of the iSoft acquisition were impaired at December 31, 2008. As a result, the Company recorded a non-cash goodwill impairment charge of \$3.2 million and write-down of intangible assets of \$0.6 million related to its iSoft acquisition in March, 2007.

Income Taxes-

For the year ended December 31, 2008 the tax recovery was \$0.8 million compared with tax recovery of \$0.4 million in 2007. The tax recovery is primarily as a result of the Company's operations in the US.

Net Loss and Net Loss Per Share-

The net loss for the year ended December 31, 2008 was \$27.7 million compared with a loss of \$3.7 million for the same period in 2007. Basic and diluted net loss per share was (\$0.60) compared with a loss per share of (\$0.09) in 2007. The net loss and decreased earnings per share are attributed to the factors discussed above.

Adjusted EBITDA-

Adjusted EBITDA loss was (\$4.1) million compared with Adjusted EBITDA of \$0.1 million for 2007. The 2008 Adjusted EBITDA loss was the result of a onetime restructuring charge of \$1.1 million and research and development spending of \$8.1 million. A significant portion of the Company's research and development spending is dedicated to the ongoing development of the Dynamics AX product line.

2009 Outlook

During 2008, the Company has invested significant capital and management resources to integrate the BOLO and iSoft acquisitions into WellPoint Systems. In 2009, with the acquisitions now in place, the Company will focus on increasing its net income and Adjusted EBITDA and expects to advance on many fronts, through the following initiatives:

- Establishing deeper partnerships across the globe, including expanded and new agent relationships in international markets. In 2009, the Company particularly intends to focus its activities on increasing market share and driving revenue from opportunities primarily in the North American and Middle Eastern markets;
- Increasing sales and marketing of WellPoint Energy Broker in the North American and Middle Eastern markets and WellPoint EAM and WellPoint EFM solutions worldwide;
- Continuing development and marketing of BOLO and Ideas to increase market share;
- Continuing development of the WellPoint EAM, WellPoint EFM, and WellPoint Energy Broker solutions to expand functionality as well as integration with best practices in the computer software industry; and
- Increasing operational efficiencies.

The Company will also record revenue from the agreement the Company signed on December 24, 2008 with Quorum MENA Limited ("QMENA"), for a license sale of US\$2.0 million. The agreement with QMENA requires the Company to deliver the software in 2009 depending on when certain other conditions are met. The Company has already delivered half of the software in Q1 2009 and anticipates delivering the other half in Q2 2009.

Although the Company anticipates it will continue to post net losses in 2009, the Company anticipates posting improved Adjusted EBITDA in 2009. The Company will be in a net loss position primarily as a result of non-cash interest accretion on its convertible debentures. As such, investors may choose to use Adjusted EBITDA as an indicator of future earning potential and value.

Liquidity and Capital Resources

During 2008, WellPoint Systems financed the business through cash provided from the issuance of convertible debentures and an increase in its bank indebtedness. The Company's cash balance at December 31, 2008 was \$0.4 million. The Company's cash flows from operating, financing, and investing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized below for 2008 and 2007:

<u>in thousands</u>	2008	2007
Opening cash	-	2,929
Operating activities	2,101	716
Financing activities	2,315	20,199
Investing activities	(4,066)	(23,675)
Other	56	(169)
Closing cash	<u>406</u>	<u>-</u>

Operating Activities-

Cash generated from operating activities was \$2.1 million compared with cash generated in operations in the 12 months of 2007 of \$0.7 million. Operating cash flows in 2008 were impacted by approximately \$2.1 million of interest, which was prepaid on the convertible debentures issued during the year along with a \$2.4 million increase in deferred revenue due to a prepaid license sale in the fourth quarter of 2008.

Financing Activities-

Cash provided by financing activities for 2008 was \$2.3 million compared with \$20.2 million in 2007. Prepaid expenses as at December 31, 2008 include approximately \$0.5 million of interest which was prepaid on the issuance of convertible debentures in 2008.

The Company has access to a bank operating credit facility of US\$4 million with a maximum draw of 80% of allowable Canadian and United States accounts receivable. As at December 31, 2008 the Company had not utilized any of this available credit. The credit facility is payable on demand and bears interest at bank prime rate plus 3.0% and is secured against good standing accounts receivable and by a general security agreement covering the majority of the assets of the Company and its subsidiaries. The line of credit expires on August 31, 2009. Prior to the expiry date, the Company anticipates a new line of credit will be established.

In March 2008, the Company entered into a number of transactions in order to modify its debt structure. The purpose of these transactions was to increase convertible debt and reduce the notes payable, extend out the debt maturity dates, and reduce the cash interest costs associated with the Company's debt. The transactions included the following:

- On March 10, 2008, the Company issued US\$15.2 million, \$2.7 million, and \$1.1 million in new convertible debentures. The interest rate payable in cash on the new debentures is 7.75%. The interest rate increases to 15.75% for the \$2.7 million and \$1.1 million convertible debentures if they are not converted to common shares at the agreed upon conversion price of \$0.60 per common share prior to the maturity dates of July 31, 2009 and August 31, 2009, respectively. If the additional 8% interest becomes payable, it will be paid with the issuance of 1,105,425 common shares of the Company. The maturity date on the US\$15.2 million new convertible debenture is

April 10, 2013. On March 11, 2008, proceeds from the above financings were used to repay in full the US\$15.0 million Crown Note including all accrued interest, fees and expenses;

- On March 10, 2008, the Company amended the covenants in its \$3.0 million, \$0.3 million, and \$4.2 million convertible debenture agreements to be the same as the financial covenants in the new US\$15.2 million and \$2.7 million convertible debenture agreements; and
- On March 7, 2008, the Company and the former shareholders of BOLO amended the August 10, 2007 note payable. Under the terms of the amendment, the Company has agreed to pay all interest on a quarterly basis in arrears on March 31, June 30, September 30 and December 31 of each year. In addition, the Company agreed to pay all of the accrued interest up to the date of the amendment in the amount of US\$202,329 in 10 equal quarterly payments of US\$20,233 commencing March 31, 2008, and also agreed to increase the interest rate on the Note to 7.75% effective March 10, 2008.

On December 30, 2008, the Company completed a financing transaction with the Quorum Group of Companies (“Quorum”) and the former shareholders of BOLO which provided new financing and modified the Company’s debt structure as follows:

- Quorum provided the Company with new financing of US\$2.0 million. The financing is in the form of a convertible debenture and will carry an initial interest rate of 7.75%. The debenture will initially be convertible into shares of the Company at \$0.30/share.
- To reflect current market conditions and the Company’s recent stock price, all of Company’s existing debt with Quorum will carry an initial interest rate of 7.75% and will be convertible at \$0.30/share.
- Additional consideration of US\$2.25 million due to the former shareholders of BOLO which was due on December 20, 2008 was paid via a convertible debenture with a due date of October 1, 2010. The convertible debenture carries an initial interest rate of 7.75%. The debenture will initially be convertible into shares of the Company at \$0.30/share.
- Additional consideration of US\$1.5 million which may have been due to the former shareholders of BOLO in 2009 will be paid via a convertible debenture with a due date of October 1, 2010. The convertible debenture will be non-interest bearing until December 19, 2009 and will carry an 8.5% interest rate thereafter. The debenture will initially be convertible into shares of the Company at \$0.30/share.
- With respect to each of the debt amounts referred to above, if the Company meets certain EBITDA targets in 2009 the conversion price could increase to \$0.35 or \$0.40/share.

During 2008, the Company was in violation of its debt covenants with both of its primary lenders. In conjunction with the above financings the Company renegotiated its debt covenants with each of its lenders. In order for the Company to maintain compliance with its covenants going forward, the Company will need to generate certain levels of Adjusted EBITDA and maintain minimum current asset to current liability ratios in 2009. The Company does not anticipate any covenant violations in 2009.

Investing Activities-

The principal use of cash in 2008 related to the investment of \$2.8 million in deferred development compared with \$3.0 million in the same period of 2007. In addition, in 2008 the Company paid \$1.0 million in additional consideration relating to its 2006 and 2007 acquisitions as they had met their earnings targets.

Working Capital-

The following table presents summarized working capital information as at December 31, 2008 and December 31, 2007:

<u>in thousands</u>	<u>2008</u>	<u>2007</u>
Current assets	4,684	8,035
Current liabilities	12,257	31,250
Working capital	(7,573)	(23,215)
Working capital ratio	0.38	0.26

Based on WellPoint's current cash forecasts, the Company anticipates that with the new US\$2.0 million in funding from Quorum, the US\$2.0 million license sale to QMENA combined with its 2009 operational plan, the Company should have enough cash to be able to meet its operating and growth needs for the foreseeable future.

Financial Instruments-

The Company has exposure to counterparty credit risk, liquidity risk and market risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

Management's primary risk management objective is to protect earnings and cash flow and ultimately shareholder value. The strategies and policies are designed to ensure that the Company's risks and exposures are in line with business objectives and risk tolerance.

Counterparty Credit Risk Management-

Counterparty credit risk arises from the possibility that a counterparty to which the Company provides software, professional services and maintenance and support services has an amount owing to the Company and is unable or unwilling to meet its obligations in accordance with the terms and conditions of its contracts with the Company, which would result in a financial loss for the Company. This risk is mitigated through established credit management techniques including setting exposure limits, monitoring exposures against these limits and obtaining financial assurances where warranted.

The maximum counterparty credit exposure at the balance sheet date consists of the carrying amount (net of allowances) of non-derivative financial assets, which are trade accounts receivables predominately from oil and gas and mining companies. The average credit period on sales is 30 days. Included in trade accounts receivables are \$2.3 million which are past due as at December 31, 2008 for which the Company has provided an allowance of \$0.9 million. The Company does not hold any collateral over these balances.

The aging of the accounts receivables as at December 31, 2008 is as follows:

<u>in thousands</u>	<u>Gross</u>	<u>Impairment</u>	<u>Net</u>
Not past due	2,147	26	2,121
Past due 1-30 days	1,100	123	977
Past due 31-60 days	232	17	215
Past due 61-150 days	270	66	204
Greater than 150 days	633	618	15
	<u>4,382</u>	<u>850</u>	<u>3,532</u>

The movement in the allowance for doubtful accounts for the twelve month period ended December 31, 2008 is as follows:

<u>in thousands</u>	<u>Continuity</u>
Balance, Beginning of period	251
Provision	768
Accounts written off	<u>(169)</u>
	<u>850</u>

The Company has determined that an allowance of \$0.9 million is required in respect of the gross amount of trade accounts receivable. This has been based upon an individual account by account assessment based upon past credit history and the Company's knowledge of the counterparties. The concentration of credit risk as at December 31, 2008 is limited due to the customer base being large and unrelated. Accordingly, the Company believes that there is no further allowance required in excess of the allowance for doubtful accounts.

Liquidity Risk Management-

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This includes daily monitoring of cash requirements by preparing 60-day and longer term cash flow analyses. The Company maintains a revolving credit facility of US\$4.0 million with a maximum draw of 80% of allowable Canadian and United States accounts receivable. At December 31, 2008, the Company had not drawn (December 31, 2007 - \$1.2 million) on this facility.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the contingent consideration in connection with the 2007 acquisitions of the Company. The Company expects that with the funding referred to above along with its 2009 operation plan, it will be able to meet the current requirements for funding these obligations.

<u>in thousands</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flow</u>	<u>3 Months or less</u>	<u>Remainder of 2009</u>	<u>2010 -2014</u>
Accounts payable and accrued liabilities	5,718	5,718	2,658	3,060	
Current portion of long term notes payable	99	99	25	74	
Current portion of capital lease obligations	46	46	12	34	
Current portion of convertible debentures	1,358	1,490	-	1,490	
Long term notes payable	6,005	6,783	121	363	6,299
Capital lease obligations	58	80	2	7	71
Convertible debentures	26,476	45,015	219	2,018	42,778
Purchase commitments	-	4,150	482	1,447	2,221
	<u>39,760</u>	<u>63,381</u>	<u>3,519</u>	<u>8,493</u>	<u>51,369</u>

Market Risk Management-

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

Currency Risk-

The Company is exposed to currency risk on sales, purchases and loans that are denominated in a currency other than the Canadian dollar. The primary currency in which these transactions are denominated is the United States dollar. The Company does not currently hedge any of its trade receivables or payables denominated in a foreign currency or its estimated foreign currency exposure in respect of forecasted sales and purchases. Principal and interest payments on United States dollar long term debt and contingent consideration from the 2006 and 2007 acquisitions are matched with the cash flow generated by the United States operations.

The following table summarizes the foreign currency financial instruments as at December 31, 2008:

<u>in thousands</u>	<u>USD</u>	<u>Rand</u>
Cash	\$ 392	512
Accounts receivable	2,307	1,161
Accounts payable and accrued liabilities	(2,765)	(662)
Current portion of long term debt	(81)	-
Current portion of capital lease obligations	(38)	-
Long term debt	(4,950)	-
Capital lease obligations	(47)	-
Convertible debentures	(20,950)	-
	<u>\$ (26,132)</u>	<u>1,011</u>

A 10% weakening of the Canadian dollar against the United States dollar and South African rand as at December 31, 2008 would have decreased net income by approximately \$2.1 million and increased other comprehensive income by approximately \$0.1 million. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk-

The Company is exposed to interest rate risk as we borrow funds at both fixed and floating interest rates. As at the reporting date the interest rate profile of the Company's interest bearing financial liabilities was:

<u>in thousands</u>	<u>Carrying Amount</u>	<u>Carrying Amount %</u>
Fixed rate financial liabilities	\$ 34,042	100%
Variable rate financial liabilities	-	0%
	<u>\$ 34,042</u>	<u>100%</u>

The risk is mitigated by maintaining an appropriate mix between fixed and floating rate borrowings. All of the Company's convertible debentures and long term notes payables have fixed interest rates which remain fixed during the term of the obligation other than in the event of default in which case the interest rate on the obligations are increased. The Company's bank indebtedness bears interest at prime plus 3.0%. The Company does not account for any of its fixed rate financial liabilities as held for trading, therefore a change in interest rates at the reporting date would not affect net income with respect to its fixed rate instruments.

The sensitivity analysis has been determined based upon exposure to interest rates. For floating rate financial liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole period.

Fair value of financial instruments

Financial instruments included in the balance sheet are measured at fair value upon initial recognition and approximate their fair value as at December 31, 2008. The carrying amount of financial instruments classified as current approximates fair value due to their short term to maturity. Long term notes payable and convertible debentures were initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method. The carrying amount of long term notes payable and convertible debentures approximates fair value as at December 31, 2008.

Capital Disclosures-

The Company manages its capital by matching long lived assets with long term financial instruments and equity. All sources of financing, including long term notes payable, convertible debt and other financing related to acquisitions are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are to:

- Safeguard the Corporation's ability to continue as a going concern and provide returns for shareholders; and
- Facilitate the acquisition and development of new products consistent with the growth strategy of the Company.

The Company manages capital through its detailed review and performance of all potential acquisitions, preparing short term and long term cash flow analyses to ensure that liquidity is adequate and monthly reviews of financial performance.

The Company considers the following items as capital of the Company:

<u>in thousands</u>	<u>Carrying Amount</u>
Long term notes payable	\$ 6,103
Convertible debentures	27,834
Shareholders' equity	2,993
	<u>\$ 36,930</u>

The Company has the following externally imposed requirements on its capital as a result of primarily the issuance of the August 25, 2005, March 12, 2007, March 10, 2008, and December 30, 2008 convertible debentures. These requirements include maintaining certain targets for current assets to current liabilities and trailing 12 month Adjusted EBITDA ("TTM EBITDA") as defined in the debt agreements.

There have been no changes to the Company's approach to capital management from the prior year.

Outstanding Share Data-

The following data is as of April 24, 2009, unless otherwise noted.

The Company is authorized to issue an unlimited number of voting common and preferred shares. There are 45,890,562 common shares outstanding.

The Company has various convertible debentures outstanding, which upon conversion would result in the issuance of approximately 109,854,996 common shares based on a conversion price of \$0.30 - \$0.60 per share.

Pursuant to the completion of the \$1.1 million convertible debenture offering on March 10, 2008, the Company granted the agent options to purchase 100,000 common shares of the Company at a price of \$0.60 per common share, expiring on July 31, 2009. Furthermore, in connection with the completion of this offering, and the \$2.7 million convertible offering on March 10, 2008, if these convertible debentures are not converted to common shares prior to the respective maturity dates in 2009, the Company will be required to issue up to 1,105,425 common shares of the Company as compensation for additional interest at a rate of 8% per annum.

The Company has a stock option plan for employees, directors, and consultants. As at December 31, 2008, a total of 3,700,000 shares were reserved for issuance under this plan. Options granted vest over two to four years and as at December 31, 2008, 1.7 million options were outstanding with a weighted average exercise price of \$0.40 per share.

The Company implemented a Directors' deferred share unit plan effective July 1, 2007. As at December 31, 2008, 530,414 DSU's are issuable to settle \$0.1 million of directors' fees.

On a fully diluted basis, if all convertible debentures were converted, warrants exercised, options exercised and Deferred Share Units (DSU's) redeemed for common shares as at April 24, 2009, the total number of common shares issued and outstanding would be approximately 159.1 million.

Change in Accounting Policies

Effective January 1, 2008, the Company adopted the following new CICA Handbook sections:

Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments – Presentation.

These new accounting standards replaced 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.

Section 1535 - Capital Disclosures.

This new accounting standard requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements.

Future Accounting Policies

Section 3064 – Goodwill and Intangible Assets will be adopted effective January 1, 2009. The Corporation does not expect the adoption of this standard will have any material impact on its consolidated financial statements.

International Financial Reporting Standards (IFRS). In 2006 the Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements in Canada. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over a five year transition period with adoption required effective January 1, 2011. The financial impact of the transition to IFRS cannot be reasonably estimated at this time.

Selected Quarterly Financial Information and Overview

The following table summarizes selected unaudited quarterly financial data for the past eight fiscal quarters:

(in thousands)	2008				2007			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Revenue	7,693	7,826	10,269	9,520	7,707	6,744	9,460	4,923
Depreciation and amortization	370	1,122	1,144	1,150	1,154	730	476	409
Financing and amortization of debt and note payable issue costs	(175)	137	161	93	1,613	280	33	22
Interest	1,036	959	931	932	870	608	223	143
Foreign exchange loss (gain)	2,463	739	(245)	545	(528)	(1,122)	23	(7)
Fees and expenses on settlement of long term note payable	-	-	-	615	-	-	-	-
Write down of deferred development costs	590	4,227	-	-	529	-	-	-
Loss on extinguishment of convertible debt	6,372	-	-	-	-	-	-	-
Goodwill impairment	3,208	-	-	-	1,605	-	-	-
Write down of intangible assets	578	-	-	-	-	-	-	-
Income (loss) before tax	(14,814)	(9,268)	(1,664)	(2,677)	(5,840)	292	1,582	(90)
Income tax expense (recovery)	(807)	(313)	727	(372)	(1,141)	94	665	-
Net Income (loss)	(14,007)	(8,955)	(2,391)	(2,305)	(4,699)	198	917	(90)
Earnings (loss) per share - Basic and diluted	(0.31)	(0.19)	(0.05)	(0.05)	(0.12)	-	0.02	-

Quarterly revenues, expenses, and net income are impacted by a number of external factors including the timing of large transactions, timing of budget approvals by customers, acquisitions, product mix, seasonality of economic activity, and write down and impairment charges.

Large transactions and acquisitions that affected quarterly results included the following: first quarter of 2007, the \$0.5 million WellPoint EAM software license sale and the iSoft acquisition on March 13 2007; second quarter of 2007, the software license sale to the South American customer; and third quarter of 2007, the acquisition of BOLO on August 13, 2007.

Related Party Transactions

One director the Board of the Company is the Managing Director of Quorum who manages investment funds which have provided financing to the Company. Quorum as fund manager has received fees from the Company in the amount of \$537,000 in connection with the issuance of US\$15.2 million and \$2.7 million of convertible debentures and fees of US\$120,000 in connection with the US\$2.0 million convertible debenture issued on December 30, 2008.

The Company has also signed a definitive agreement with Quorum MENA Limited ("QMENA") for the purchase of USD\$2.0 million worth of the Company's back office oil and gas solutions for sales to independent oil companies, and national oil

companies within the Middle East, North Africa and India. Under the agreement, QMENA has obtained exclusive rights to sell certain of the Company's products in those regions.

Several members of the Company's executive team are shareholders of Sirocco Holdings, Inc. (formerly Bolo Systems Inc.) ("Sirocco"). On December 31, 2008 the Company owed Sirocco \$225,326 in accounts payable. As part of the consideration for the purchase of Bolo, in 2007 the Company issued a note payable to Sirocco for US \$5 million. In order to satisfy the Company's obligations relating to earnouts from the strong performance of Bolo, in 2008 the Company issued convertible debentures to Sirocco for US\$2.25 million and US\$1.5 million. In 2008 the Company paid US\$0.4 million of interest to Sirocco.

Reconciliation of Non-GAAP Measures

Adjusted EBITDA-

The Company reports this non-GAAP measure because it is a key measure used by management to evaluate the performance of the business. The Company believes that EBITDA is a measure commonly reported and widely used by investors as an indicator of a Company's operating performance and ability to incur and service debt. It is also used as a valuation metric. The Company believes that EBITDA assists investors in comparing performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

Adjusted EBITDA is Standardized EBITDA¹, excluding foreign exchange gains primarily related to the US dollar denominated debt of the Company and can vary significantly depending on exchange rate fluctuations, which are beyond the control of the Company, and write downs of deferred development and intangible costs, goodwill impairment, financing costs, stock based compensation, fees and expenses on settlement of debt and losses on extinguishment of debt and after deducting the annual amount invested in respect of deferred development costs, which, with the implementation of International Financial Reporting Standards in the year ended December 31, 2011, will generally be required to be expensed on an annual basis.

Adjusted EBITDA is not a calculation based on GAAP and should not be considered to be an alternative to net income in measuring the Company's performance, or used as an exclusive measure of cash flow, because it does not consider the impact of working capital growth, all capital expenditures, debt reductions, and other sources and uses of cash, which are disclosed in the consolidated financial statements. Investors should carefully consider the specific items included in the Company's calculation of Adjusted EBITDA. While Adjusted EBITDA has been disclosed to permit a more complete comparative analysis of the Company's performance and debt servicing ability relative to other companies, investors should be cautioned that Adjusted EBITDA as reported by WellPoint Systems may not be comparable in all instances to Adjusted EBITDA reported by other companies.

The following is a reconciliation of Standardized EBITDA¹ with net income (loss) as reported in the consolidated financial statements and the calculation of Adjusted EBITDA for the three and twelve months ended December 31, 2008 and 2007.

<u>(in thousands)</u>	<u>Three Months Ended Dec. 31</u>		<u>Year Ended Dec. 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income (loss)	\$ (14,007)	(4,699)	(27,659)	(3,674)
Interest	1,036	870	3,857	1,844
Income taxes	(807)	(1,140)	(765)	(382)
Depreciation and amortization	370	1,154	3,786	2,769
Amortization of convertible debt issue costs	(175)	1,612	216	1,948
Standardized EBITDA	(13,583)	(2,203)	(20,565)	2,505
Fees and expenses on settlement of long term note payable	-	-	615	-
Foreign exchange loss (gain)	2,464	(528)	3,502	(1,634)
Stock based compensation expense	(22)	45	158	167
Goodwill impairment	3,208	1,605	3,208	1,605
Write-down of deferred development costs	590	529	4,817	529
Write-down of intangible assets	578	-	578	-
Loss on extinguishment of convertible debt	6,372	-	6,372	-
Less deferred development costs	(380)	(1,072)	(2,796)	(3,037)
Adjusted EBITDA	\$ (773)	(1,624)	(4,111)	135

- Standardized EBITDA is a non-GAAP measure. Standardized EBITDA is in accordance with the definition noted in the Canadian Institute of Chartered Accountants ("CICA") draft publication *"Improved Communication with Non-GAAP Financial Measures"* issued by the Canadian Performance Reporting Board of the CICA.