

WellPoint Systems Inc.



FORM 51-102F1

**Management's Discussion and Analysis
For the Three Month Period and Year Ended
December 31, 2009**

February 25, 2010

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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, 2009 should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2009 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 two 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 February 25, 2010.

Section 1: Business Overview

WellPoint Systems is the premier provider of enterprise applications and related services for managing business in the global energy sector. 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. WellPoint is the only enterprise solution provider on the Microsoft Dynamics AX platform targeting global energy companies.

Headquartered in Calgary, Alberta, WellPoint Systems Inc. was founded in 1997 and has offices around the world that currently employ 173 people and 21 contractors. Approximately 74% (2008-87%) of revenue is generated from customers in North America. The Company currently has 452 customers using WellPoint Systems' proprietary solutions that are delivered through five 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 operators. 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 (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. WellPoint Energy Suite takes advantage of the Microsoft Dynamics AX architecture which provides integration with a complete enterprise resource planning (“ERP”) system as well as multi-currency, multi-location and multi-language functionality.
- **WellPoint AX EAM** provides enterprise asset management solutions to a wide variety of asset intensive industries including energy, aviation, and process and discrete manufacturing. 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.
- **BOLO by WellPoint Systems** provides back office management solutions for 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 160 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 joint venture accounting package used by over 300 companies in 62 countries. 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 standards.

- **OMS/COBRA by WellPoint Systems** are two heritage products that remain core to our business. OMS (Oil Marketing System) manages the entire midstream oil marketing process, allowing forecasting and reporting of crude oil volumes for both producers and shippers. Approximately 60% of all crude traded in Western Canada is tracked through OMS. COBRA (Crude Oil Balancing and Revenue Accounting) manages the complex process of allocating and balancing crude oil, condensate and other petroleum products flowing through pipelines and terminals.

Section 2: Vision and Strategy

WellPoint Systems' mission is to deliver innovative solutions that 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 enterprise applications to growth oriented companies within the global energy sector. The Company's ability to achieve this objective rests upon the following key strategic initiatives:

- **Delivering Superior Technology** – WellPoint has created industry specific functionality for the complex energy and natural resources sectors while taking full advantage of a complete ERP solution, providing customers with innovative solutions tailored to their specific business needs.
- **Focusing on Customers** – WellPoint's culture centers on its customers; partnering with clients 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 and is the only ERP solution in the Energy Sector built on the Dynamics AX platform. This arrangement enables WellPoint products to take full advantage of Microsoft's commitment to the Dynamics AX architecture.
- **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.
- **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.

Section 3: 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.
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.

Section 4: Overall Performance

2009 BUSINESS HIGHLIGHTS

- Increased net income for the year ended December 31, 2009 by \$30.8 million to \$3.2 million, compared with a net loss of (\$27.7) million for the same period in 2008;
- Improved net income per share to \$0.07 compared to a loss of (\$0.60);
- Increased Adjusted EBITDA for the 2009 by \$13.5 million to \$9.3 million, compared with an Adjusted EBITDA loss of (\$4.1) million in 2008;
- WellPoint’s Energy Broker commodity trading and risk management solution was selected by a marquee customer, Plains Midstream Canada, a crude oil and liquefied petroleum gas service provider, to use in its crude oil marketing business;
- Received a US\$3.3 million (CDN\$3.6 million) indemnity payment from Export Development Canada (“EDC”);

- Redeemed \$1.3 million (net) of convertible debentures that came due;
- Delivered US\$2.0 million of license sale for WellPoint's Microsoft Dynamics AX solutions to a new Middle Eastern channel partner, QMENA;
- Grew customer base by 40 companies, including 12 sales of WellPoint's Dynamics AX EAM and ENB products;
- Sold additional licenses to 72 current customers;
- Held four regional Users Conferences, in Calgary, Denver, Houston and Tunis;
- Achieved the Independent Software Vendor (ISV) / Software Solutions Competency in the Microsoft Partner Program. This certification demonstrates WellPoint's specific expertise with Microsoft technologies and a proven ability to meet customers' needs;
- Released WellPoint Integrated Suite (WIS) 5.2 which included enhancements to Energy Broker and Energy Financial Management such as data integration; improved budgetary processing enhanced reporting, enhanced tariff functionality and revised production forecasting. This release series also blends the Enterprise Asset Management product line with the WIS products such that a customer can purchase a fully-integrated system on the AX 2009 platform;
- Released AX EAM 5.0 on AX 2009, setting the stage for asset intensive companies to take advantage of core AX capabilities such as role-based user experience, business intelligence, workflow and requisitions;
- Released BOLO 9.0 which included enhancements to BOLO's Multicurrency, Asset Tracking, Revenue, Land, and Production Accounting features;
- Released IDEAS 5.0 which updated the product to Visual Basic 6, added a Report Wizard and provided an Advanced AFE module to provide project management controls;
- Released the WellPoint Intelligent Dashboard which gives users easy point and click access to critical industry and company data – all from a single, central point of access. It places powerful analytical reports and key performance indicators (KPI's) directly into the hands of executives and operations personnel who need to accurately measure financial, lease and production activity and performance;
- Ranked 28th among the Deloitte Technology Fast 50™, a ranking of the 50 fastest growing technology companies in Canada and 250 on Deloitte's 2009 Technology Fast 500, a ranking of 500 of the fastest growing technology, media, telecommunications, life sciences and clean technology companies in North America; and
- Ranked 96th in the 2009 Branham300 Top 250 Canadian ICT Companies, a ranking of top Canadian and multinational Information and Communication Technologies (ICT) companies operating in Canada.

Section 5: Selected Fourth Quarter Financial Information

(in thousands, except per share amounts)			% Change
	2009	2008	2008 - 2009
Revenue	7,717	7,693	0.3%
Gross Profit	5,315	4,284	24.1%
Selling, General and Administration	2,168	2,743	(21.0%)
Facilities	325	407	(20.1%)
Research and Development	1,180	1,505	(21.6%)
Depreciation and Amortization	831	370	124.6%
Financing and Amortization of Debt and note payable issue Costs	42	(175)	(124.0%)
Interest	1,485	1,036	43.3%
Foreign Exchange loss (gain)	(349)	2,464	(114.2%)
Loss on extinguishment of convertible debt	-	6,372	(100.0%)
Write-down of deferred development costs	-	590	(100.0%)
Write-down of intangible assets	-	578	(100.0%)
Goodwill impairment	-	3,208	(100.0%)
Income (loss) before tax	(367)	(14,814)	97.5%
Income tax expense (recovery)	136	(807)	116.9%
Net income (loss)	(503)	(14,007)	(96.4%)
Income (loss) per share	(0.01)	(0.31)	96.5%
Adjusted EBITDA	1,785	(773)	330.9%
Total assets	39,556	47,867	(17.4%)
Total liabilities	37,632	44,873	(16.1%)
Total equity	1,924	2,993	(35.7%)

Revenue for the fourth quarter of 2009 remained flat as compared with the same period in 2008. Gross profit increased by \$1.0 million in the fourth quarter of 2009 due to the Company's changing revenue mix, which saw higher license and maintenance fees and a decrease in lower margin professional services revenue. WellPoint decreased its selling, general and administrative ("SG&A") expenses by \$0.6 million in the fourth quarter of 2009 as compared with the fourth quarter of 2008 primarily as a result various cost optimization efforts implemented during the latter half of 2008. In addition, the Company rolled back salaries at its North American operations by 10% in early 2009. R&D expenses decreased by \$0.3 million primarily as part of the Company's cost optimization efforts. Adjusted EBITDA increased by approximately \$2.6 million primarily due to the significant decreases in the Company's operating costs, and stronger gross profit. Net income increased by \$13.5 million for the same reasons as the Adjusted EBITDA increase, write-offs of deferred development costs, intangible assets and goodwill impairment costs in 2008 that did not recur in 2009 and due to a foreign exchange gain in the fourth quarter of 2009.

Section 6: Results of Operations for the Three Months ended December 31, 2009

REVENUE

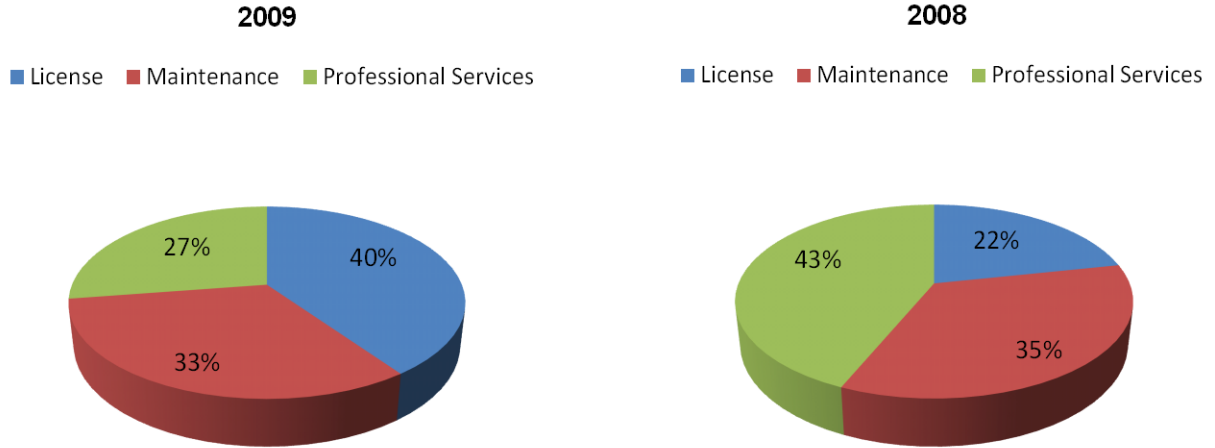
The following table provides a breakdown of WellPoint's revenues by category and major geography for the fourth quarter of 2009 and 2008:

Revenue by category

(all amounts in thousands)

	2009	2008	% Change 2008 - 2009
License	\$ 3,096	\$ 1,674	84.9%
Maintenance	2,511	2,667	(5.8%)
Professional Services	2,110	3,352	(37.1%)
\$	7,717	\$ 7,693	0.3%

% of total revenue

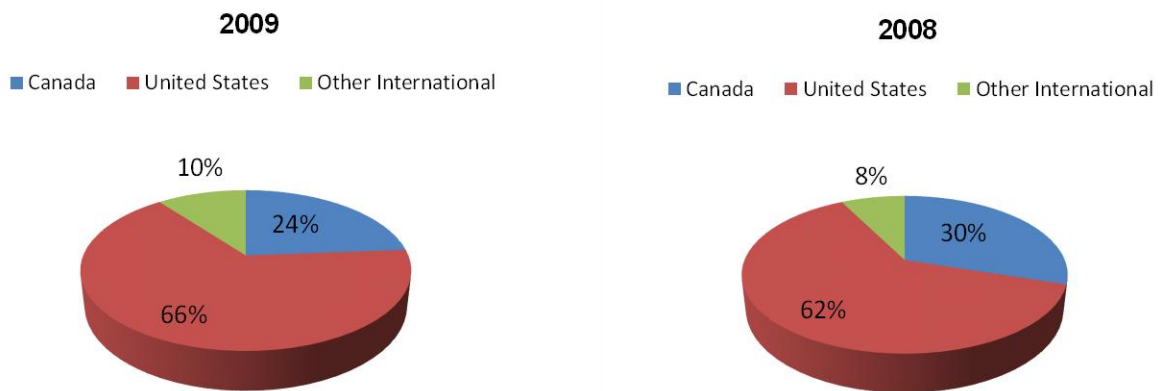


Revenue by geography

(all amounts in thousands)

	2009	2008	% Change 2008 - 2009
Canada	\$ 1,838	\$ 2,300	(20.1%)
United States	5,073	4,810	5.5%
Other International	806	583	38.3%
\$	7,717	\$ 7,693	0.3%

% of total revenue



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 non-exclusive perpetuity. 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. Professional service revenue is generally billed on a time and material basis; and not on a fixed price basis.

Overall revenues for the fourth quarter of 2009 stayed flat as compared with the fourth quarter of 2008. License revenue increased to \$3.1 million from \$1.7 million in 2008. License revenue for the fourth quarter of 2009 grew from 2008 due to large sales of both Energy Broker and BOLO in the fourth quarter of 2009 and due to stronger economic conditions as compared to the fourth quarter of 2008. Maintenance revenue declined to \$2.5 million in 2009 from \$2.7 million in 2008. The decline in maintenance revenue is entirely attributed to changes in the US dollar exchange rate. In the fourth quarter of 2008, the US dollar average exchange rate was 1.21 as compared to 1.06 in 2009. Had the exchange not dropped so significantly, WellPoint's maintenance revenue would have grown in the fourth quarter of 2009. WellPoint now provides maintenance to 552 customers worldwide and continues to

achieve maintenance and support customer retention rates of approximately 99%. Professional services revenue decreased by \$1.2 million in the fourth quarter of 2009 as compared with the same period of the prior year. The decline in professional services revenue in the fourth quarter of 2009 as compared to the same period in the 2008 is attributed to a number of factors. These factors include the Company's decision to partner with various value added resellers (VARs) to provide professional services for the Company's AX products, declines in foreign exchange rates (as discussed above) and a decrease in the demand for BOLO professional services as a result of smaller license deals in early 2009.

GROSS PROFIT

Gross profit was \$5.3 million (69% of total revenue) compared with \$4.3 million (56% of total revenue) for the fourth quarter of 2008. The \$1.0 million increase in gross profit is attributed to the Company's changing revenue mix. During the fourth quarter of 2009 compared with the same period of the prior year, the Company increased its sales of higher margin license and maintenance revenue by \$1.3 million and decreased its lower margin professional services revenue by \$1.2 million. 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 2009 and 2008:

(in thousands)	2009	2008	% Change 2008 - 2009
Selling, general and administration	\$ 2,168	\$ 2,743	(21.0%)
Facilities	325	407	(20.1%)
Research and development	1,180	1,505	(21.6%)
	<u>\$ 3,673</u>	<u>\$ 4,655</u>	<u>(21.1%)</u>
% of total revenue	2009	2008	
Selling, general and administration	28.1%	35.7%	
Facilities	4.2%	5.3%	
Research and development	15.3%	19.6%	
	<u>47.6%</u>	<u>60.5%</u>	

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A decreased to \$2.2 million (28% of revenue) compared with \$2.7 million (36% of revenue) in the fourth quarter of 2008. The 2008 SG&A costs were negatively impacted by severance costs and high bad debt expenses. The decrease in 2009 SG&A costs is a result of various cost reduction efforts implemented during the latter half of 2008. In addition, 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% (50% of these roll backs were reinstated on January 1, 2010). Further impacting the comparison between the Company's 2008 and 2009 SG&A costs is the decision by the Company to stop capitalizing research and development costs in 2009 as projects no longer meet the criteria for capitalization. In 2008, a portion of the Company's SG&A costs were allocated to research

and development and capitalized. Had these costs not been capitalized in 2008, the comparative change in SG&A would have been even greater.

FACILITIES

Facilities expenses decreased to \$0.33 million compared with \$0.40 million in the fourth quarter of 2008. 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 2009 and 2008:

(in thousands)	2009	2008	% Change 2008 - 2009
Research and development expense	\$ 1,180	\$ 1,505	(21.6%)
Deferred development costs	-	380	(100.0%)
	<u>\$ 1,180</u>	<u>\$ 1,885</u>	<u>(37.4%)</u>
% of total revenue	2009	2008	
Research and development expense	15.3%	19.6%	
Deferred development costs	0.0%	4.9%	
	<u>15.3%</u>	<u>24.5%</u>	

In the fourth quarter of 2009, the Company incurred research and development expenses of \$1.2 million (15% of revenue) compared with \$1.5 million (20% of revenue) for the comparable period in 2008. The decrease in current research and development is related to a decision to stop capitalizing research and development expenses as they no longer meet the criteria for capitalization. When compared with development expenditures capitalized in the 2008, the Company's investment in research and development appears to have decreased by \$0.7 million. However, this decrease is primarily attributable to various cost reduction efforts implemented during the latter half of 2008. Further, due to the negative general economic climate, the Company took additional steps in 2009 to reduce research and development expenses by rolling back salaries at its North American operations by 10%. In 2008, a portion of the Company's SG&A costs were allocated to research and development and capitalized. Had

these costs not been capitalized in 2008, the comparative change in research and development costs would have been significantly smaller. For greater clarity, the Company is continuing to invest in research and development projects with the same vigor as in 2008, however the reduction in the current year expenditure is related entirely to cost optimizations and a reallocation of costs between research and development expenditures and SG&A (please see SG&A section above).

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 continues to increase its investment in the development of new and innovative products utilizing the Microsoft Dynamics AX architecture, as well as continued support and enhancement of the IDEAS and BOLO product lines. This investment in R&D is a fundamental requirement as WellPoint Systems continues to build products that meet the evolving needs of its customers.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses increased to \$0.8 million compared with \$0.4 million for the fourth quarter of 2008. The increase primarily relates to the Company's decision to write-off a significant portion of its deferred development costs in the fourth quarter of 2008 and certain other adjustments that were made to the 2008 amortization expenses. The depreciation and amortization expense in the fourth quarter of 2009 is representative of the Company's expenses in this area going forward.

INTEREST

Interest expenses include the cash and accretion on the Company's interest-bearing obligations. In addition, interest costs include the interest on convertible debentures. 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 residual value after calculating the equity component of the entire loan. 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. The debentures are accreted to their face value over their term with a charge to operations included in interest expense.

Interest expenses increased to \$1.5 million as compared with \$1.0 million for the fourth quarter of 2008. The increase primarily stems from the new financings in 2008. As of December 31, 2009, the Company had notes payable, capital leases and convertible debt with a carrying value of approximately \$32.1 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 due to 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 foreign exchange gain for the three months ended December 31, 2009 was \$0.3 million compared to a \$2.5 million loss in 2008.

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 2009 the tax expense was \$0.1 million compared with a tax recovery of (\$0.8) million in the same period of the prior year. The tax expense is primarily as a result of the Company's operations in the US.

NET INCOME AND NET INCOME PER SHARE

Due to the factors discussed above, the net loss for the fourth quarter of 2009 was (\$0.5) million compared to a net loss of (\$14.0) million for the fourth quarter of 2008. Basic and diluted net loss per share was (\$0.01) compared with a net loss per share of (\$0.31) for the fourth quarter of 2008.

ADJUSTED EBITDA AND ADJUSTED EBITDA PER SHARE

Adjusted EBITDA was \$1.8 million compared to an Adjusted EBITDA loss of (\$0.8) million for the fourth quarter of 2008. The \$2.6 million increase in Adjusted EBITDA was the result of the reduced operating costs and the increased gross profit as discussed above. Basic and fully diluted Adjusted EBITDA per share was \$0.03 compared with an Adjusted EBITDA loss per share of (\$0.01) for the fourth quarter of 2008.

Section 7: Selected Financial Information for the Year Ended December 31, 2009

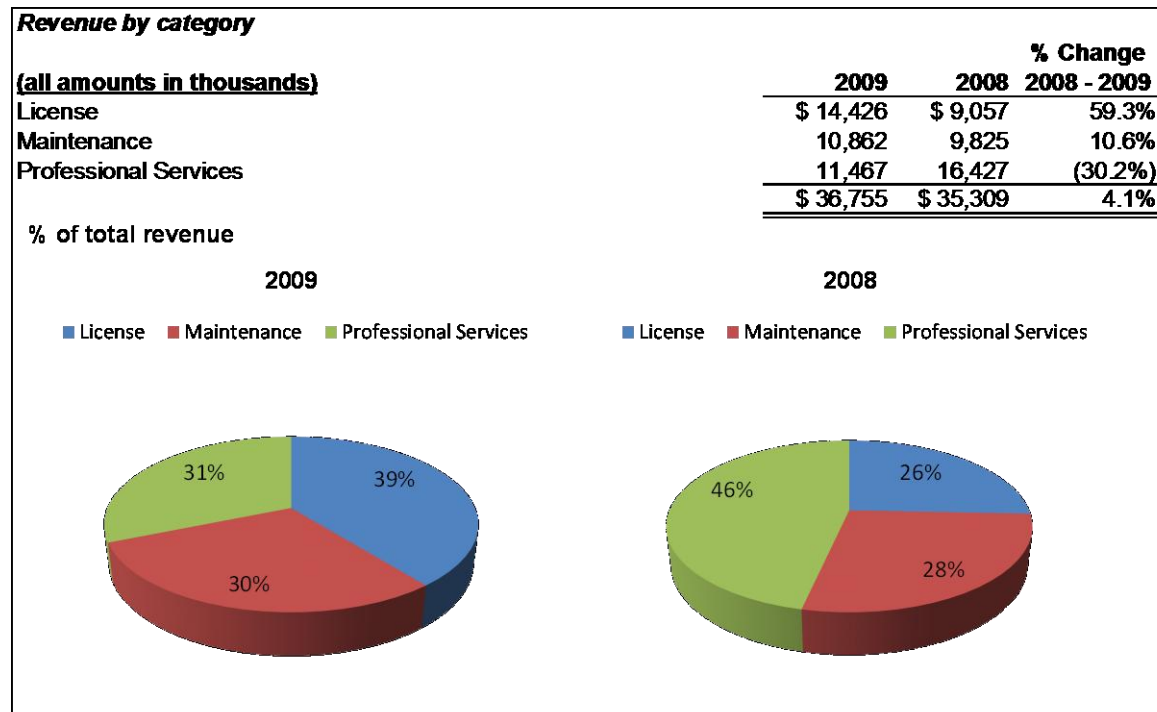
(in thousands, except per share amounts)			% Change
	2009	2008	2008 - 2009
Revenue	36,755	35,309	4.1%
Gross Profit	25,934	19,683	31.8%
Selling, general and Administration	10,035	14,137	(29.0%)
Facilities	1,443	1,734	(16.8%)
Research and Development	5,361	5,285	1.4%
Depreciation and Amortization	3,380	3,786	(10.7%)
Financing and Amortization of Debt and note payable issue Costs	245	216	13.4%
Interest	5,983	3,857	55.1%
Foreign Exchange loss (gain)	(2,866)	3,502	(181.8%)
Fees and expenses on settlement of long term note payable	-	615	(100.0%)
Write down of deferred development costs	-	4,817	(100.0%)
Loss on extinguishment of convertible debt	-	6,372	(100.0%)
Goodwill impairment	-	3,208	(100.0%)
Write down of intangible assets	-	578	(100.0%)
Income (loss) before tax	2,353	(28,424)	108.3%
Income tax expense (recovery)	(834)	(765)	9.0%
Net income (loss)	3,187	(27,659)	111.5%
Income (loss) per share	0.07	(0.60)	111.5%
Adjusted EBITDA	9,347	(4,111)	327.4%
Total assets	39,556	47,867	(17.4%)
Total liabilities	37,632	44,875	(16.1%)
Total equity	1,924	2,992	(35.7%)

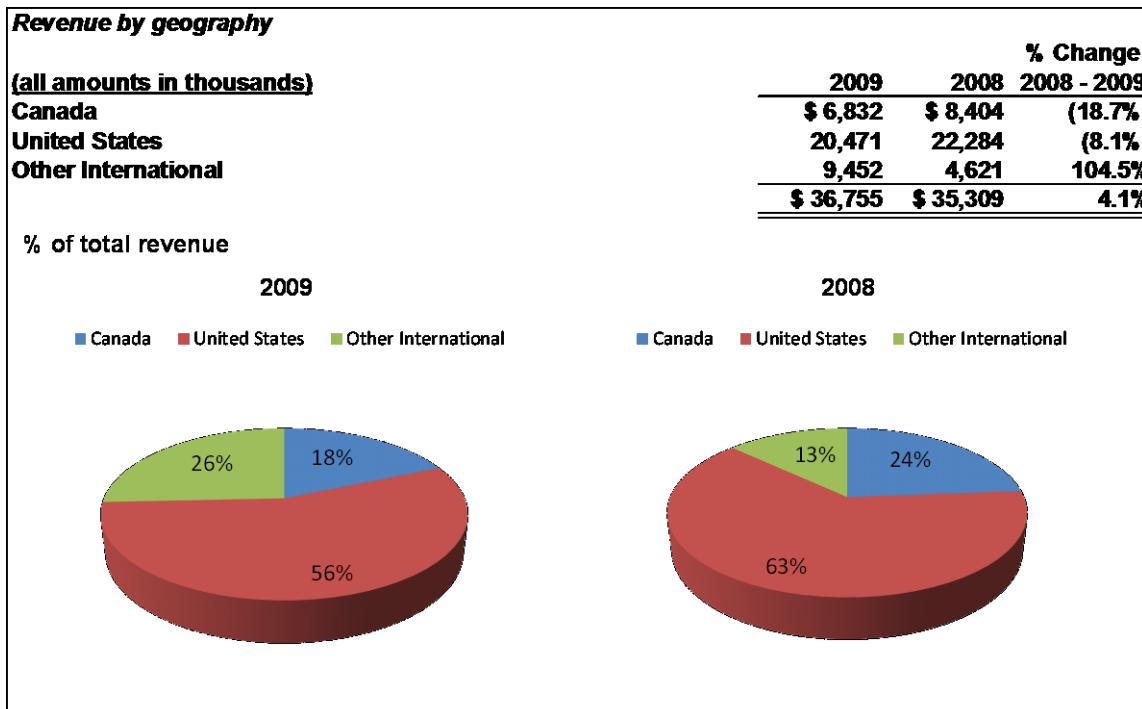
Revenue increased by \$1.4 million primarily due to increases in maintenance and license revenue, offset by a decline in lower margin professional services revenue. Gross profit increased by \$6.3 million due to the Company's revenue mix. WellPoint decreased its SG&A expenses by \$4.1 million compared with the same period in 2008 due to various cost optimization efforts implemented in late 2008. Net income increased significantly by \$30.9 million primarily due to increases in the Company's gross profit, reduction in operating expenses, a \$2.9 million foreign exchange gain in 2009 and write-off of deferred development costs, intangibles and goodwill, losses on retirement of debt in 2008 which did not recur in 2009. Adjusted EBITDA for the year ended December 31, 2009 was \$9.3 million compared to an Adjusted EBITDA loss of (\$4.1) million in 2008. The significant increase in Adjusted EBITDA is related to the same items as the significant increase in net income with the exception of the \$2.9 million foreign exchange gain and 2008 write-off of deferred development costs, intangibles and goodwill.

Section 8: Results of Operations for the Year Ended December 31, 2009

REVENUE

The following table provides a breakdown of WellPoint's revenues by category and major geography for the years ended December 31, 2009 and 2008:





Revenues increased by 4% to \$36.8 million in 2009 compared with \$35.3 million in the same period in 2008. Revenue from outside of Canada increased by \$3.0 million compared with the same period in the prior year. This was primarily due to the growth in other international revenue from the QMENA license sale and the EDC insurance indemnity payment which, were partially offset by decreases in South American revenue due to the completion of a South American contract in Q3 of 2008.

License revenue increased to \$14.4 million from \$9.1 million in 2008. The increase is primarily the result of license revenues from the US\$2.0 million QMENA sale in the first half of 2009 and the US\$3.3 million EDC insurance indemnity payment. Maintenance revenue increased to \$10.9 million in 2009 from \$9.8 million in 2008, an increase of 11%, with a substantial portion of the increase attributed to a South American customer whose implementation was completed in the fourth quarter of 2008. Revenue from professional services decreased to \$11.5 million from \$16.4 million in 2008, a decrease of 30%. The substantial decrease in professional services revenue is attributed primarily to the completion of a 2007 South American contract in Q3 of 2008. Further impacting the professional services revenue is the continued instability in the general economic climate with customers choosing to preserve cash and defer implementations and software enhancements until conditions improve, along with the Company's decision to outsource certain AX implementations to VARS.

GROSS PROFIT

Gross profit was \$25.9 million (71% of total revenue) compared with \$19.7 million (56% of total revenue) for 2008. The \$6.3 million (32%) increase in gross profit is attributable to the increase in higher margin license and maintenance revenue and a decrease in lower margin professional services revenue.

EXPENSES

The following table sets forth total expenses by function and as a percentage of total revenue for the years ended 2009 and 2008:

(in thousands)	% Change		
	2009	2008	2008 - 2009
Selling, general and administration	\$ 10,035	\$ 14,137	(29.0%)
Facilities	1,443	1,734	(16.8%)
Research and development	5,361	5,285	1.4%
	<u>\$ 16,839</u>	<u>\$ 21,156</u>	<u>(20.4%)</u>
% of total revenue	2009	2008	
Selling, general and administration	27.3%	40.0%	
Facilities	3.9%	4.9%	
Research and development	14.6%	15.0%	
	<u>45.8%</u>	<u>59.9%</u>	

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses decreased by \$4.1 million (29%) to \$10.0 million (27% of revenue) compared with \$14.1 million (40% of revenue) in 2008. The decrease primarily relates to the various cost optimizations implemented in the autumn of 2008 along with higher expenses relating to bad debts and restructuring charges in 2008. Further impacting the comparison between the Company's 2008 and 2009 SG&A costs is the decision by the Company to stop capitalizing research and development costs in 2009 as the projects no longer met the criteria for capitalization. In 2008, a portion of the Company's SG&A costs were allocated to research and development and capitalized. Had these costs not been capitalized in 2008, the comparative change in SG&A would have been even greater.

FACILITIES

Facilities expenses decreased to \$1.4 million compared with \$1.7 million in 2008. The decrease primarily relates to consolidation of the Company's offices in Calgary.

RESEARCH AND DEVELOPMENT

The following table sets forth research expenses and deferred development costs capitalized for the years ended December 31, 2009 and 2008:

(in thousands)			% Change
	2009	2008	2008 - 2009
Research and development expense	\$ 5,361	\$ 5,285	1.4%
Deferred development costs	-	2,796	(100.0%)
	<u>\$ 5,361</u>	<u>\$ 8,081</u>	<u>(33.7%)</u>
% of total revenue	2009	2008	
Research and development expense	14.6%	15.0%	
Deferred development costs	0.0%	7.9%	
	<u>14.6%</u>	<u>22.9%</u>	

In 2009, the Company incurred research and development expenses of \$5.4 million (15% of revenue) compared with \$5.3 million (15% of revenue) for the comparable period in 2008. The increase in current research and development is related to a decision to stop capitalizing research and development expenses as they no longer meet the criteria for capitalization. When compared with development expenditures capitalized in 2008, the Company's investment in research and development decreased by \$2.8 million. However, this decrease is primarily attributable to various cost reduction efforts implemented during the latter half of 2008. Further, due to the negative general economic climate, the Company took additional steps in 2009 to reduce research and development expenses by rolling back salaries at its North American operations by 10%. In 2008, a portion of the Company's SG&A costs were allocated to research and development and capitalized. Had these costs not been capitalized in 2008, the comparative change in research and development costs would have been significantly smaller. For greater clarity, the Company is continuing to invest in research and development projects with the same vigor as in 2008, however the reduction in the current year expenditure is related entirely to cost optimizations and a reallocation of costs between research and development expenditures and SG&A (please see SG&A section above).

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 Dynamics AX architecture as well as continued development of the IDEAS and BOLO product lines. This investment is a fundamental requirement as WellPoint Systems continues to build products that meet the evolving needs of its customers.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses decreased to \$3.4 million in 2009 compared with \$3.8 million in 2008. The decrease primarily relates to the Company's decision to write-off a significant portion of its deferred development costs in the fourth quarter of 2008. Since these costs have been written off, there is no longer a requirement to amortize the expenses.

INTEREST

Interest expenses increased to \$6.0 million as compared with \$3.9 million for 2008. The increase primarily stems from the new financings in 2008 and the refinancing of the Company's debentures at the end of 2008. As at December 31, 2009, the Company had notes payable and convertible debt with a carrying value of approximately \$32.1 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. The Company has not entered into any forward hedging contracts and therefore may experience gains and losses relating to foreign exchange. The foreign exchange gain for 2009 was \$2.9 million (2008 – \$3.5 million loss).

INCOME TAXES

For the year ended December 31, 2009 the tax recovery was (\$0.8) million which is consistent with the same period in 2008. The tax recovery is primarily as a result of the Company's operations in the US.

NET INCOME AND NET INCOME PER SHARE

The net income for the year ended December 31, 2009 was \$3.2 million compared to a net loss of (\$27.7) million for the same period in 2008. Basic and diluted net income per share was \$0.07 compared to a loss per share of (\$0.60) in 2008. The net income and increased earnings per share are attributed to the factors discussed above.

ADJUSTED EBITDA AND ADJUSTED EBITDA PER SHARE

Adjusted EBITDA increased by \$13.5 million to \$9.3 million compared with an Adjusted EBITDA loss of (\$4.1) million in 2008. Basic and fully diluted EBITDA per share was \$0.20 compared to an Adjusted EBITDA loss per share of (\$0.08). The significant increase in 2009 Adjusted EBITDA and Adjusted EBITDA per share is a result of the increased gross profit and reduced operating expenses as discussed above.

Section 9: Outlook

In 2009, the Company focused on increasing its net income and Adjusted EBITDA. In 2010, the Company will continue its focus on net income and Adjusted EBITDA while at the same time investing in growing recognition of the Company's solutions and brand through increased investments in sales and marketing. The Company will continue to expand or undertake the following initiatives:

- Establishing deeper partnerships across the globe, including expanded and new agent relationships in international markets. In 2010, the Company particularly intends to focus its activities on increasing market share and driving revenue from opportunities primarily in the North American, Middle Eastern and other international markets;
- Increasing sales and marketing of WellPoint's Microsoft Dynamics AX solution - WellPoint Energy Suite – to North American market and global markets;
- Increased investment in sales, focusing on a solution sales approach versus a product based approach in order to provide improved value to our customers;
- Continuing development and marketing of BOLO and IDEAS in their target markets to increase market share;
- Continuing development and marketing of the WellPoint Energy Suite solutions to expand functionality and better conform with best practices in the computer software industry; and
- Increasing sales and marketing of the WellPoint AX EAM solution to broad-based manufacturers through partner channels.

The Company anticipates that 2010 will be a record year for revenue. However, due to the focus on solution sales (which have a longer sales cycle and resulting larger revenue impact) and expansion of the Company's sales and marketing footprint, the Company does not anticipate seeing its revenue grow until the latter half of 2010.

Section 10: 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. In 2009, the Company has begun the process of repaying its debts. The Company's cash balance at December 31, 2009 was \$0.5 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 the years ended 2009 and 2008:

(in thousands)	2009	2008
Opening cash	406	-
Operating activities	1,841	2,101
Financing activities	(1,421)	2,315
Investing activities	(249)	(4,066)
Other	(72)	56
Closing cash	505	406

OPERATING ACTIVITIES

Cash generated from operating activities in 2009 was \$1.2 million compared with cash generated in operations in the comparative period of 2008 of \$2.1 million. Operating cash flows in 2009 were positively impacted by the \$3.6 million insurance indemnity payment and the positive operating results in 2009.

FINANCING ACTIVITIES

Cash used in financing activities in 2009 was (\$1.4) million compared to \$2.3 million of cash generated in 2008. During the year ended December 31, 2009, the Company repaid a small amount of principal related to its capital leases and term loans and \$1.3 million of convertible debentures. During 2008 the Company refinanced approximately \$18.0 million of its debt which resulted in the \$2.3 million of net cash generated from financing activities.

The Company has access to a bank operating credit facility of US\$2.5 million with a maximum draw of 80% of allowable Canadian and United States accounts receivable. As at December 31, 2009 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 2, 2010. Prior to the expiry date, the Company anticipates a new line of credit will be established.

During 2008, the Company was in violation of its debt covenants with both of its primary lenders. 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 2010.

INVESTING ACTIVITIES

The principal use of cash in 2009 related to the investment of \$0.2 million in equipment compared with an investment in equipment, deferred development costs and additional consideration on acquisition of \$4.1 million in the same period of 2008. The \$3.9 million reduction in investing activities relates to the Company's decision to stop capitalizing deferred development costs and expense these costs as incurred and due to no additional consideration being paid in 2009 related to prior acquisitions.

WORKING CAPITAL

The following table presents summarized working capital information as at December 31, 2009 and December 31, 2008:

(in thousands)	2009	2008
Current assets	4,027	4,684
Current liabilities	19,888	12,257
Working capital	(15,861)	(7,573)
Working capital ratio	0.20	0.38

The Company has a working capital deficit of \$15.9 million. Approximately \$14.4 million of this working capital deficit is due to various notes and debentures coming due in 2010. The Company is currently exploring various alternatives with respect to meeting these upcoming debt obligations. Should the Company be unable to secure funds to pay these obligations, it will need the continued cooperation of its lenders to continue operations.

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 \$0.9 million which are past due as at December 31, 2009 for which the Company has provided an allowance of \$0.3 million. The Company does not hold any collateral over these balances.

The aging of the accounts receivables as at December 31, 2009 is as follows:

(in thousands)	Gross	Impairment	Net
Not past due	2,175	1	2,174
Past due 1 -30 days	521	1	520
Past due 31 - 60 days	236	32	204
Past due 61 - 150 days	178	3	175
Greater than 150 days	405	289	116
	3,515	326	3,189

The movement in the allowance for doubtful accounts for the year ended December 31, 2009 is as follows:

(in thousands)	Continuity
Balance, Beginning of year	850
Provision	32
Accounts written off	(556)
Balance, End of year	326

The Company has determined that an allowance of \$0.3 million is required in respect of the gross amount of trade accounts receivable. This has been based upon an individual account by account assessment utilizing past credit history and the Company's knowledge of the counterparties. The concentration of credit risk as at December 31, 2009 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\$2.5 million with a maximum draw of 80% of allowable Canadian and United States accounts receivable. At December 31, 2009, the Company had not drawn (December 31, 2008 - \$nil) 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 iSoft acquisition. The Company has approximately \$14.4 million of debt coming due in 2010. The Company is currently exploring various alternatives on how to meet these upcoming debt obligations. Should the Company be unable to secure funds to pay these obligations, it will need the continued cooperation of its lenders to continue operations.

(in thousands)	Carrying Amount	Contractual Cash Flow	3 Months or less	2010	2011 to 2014
Accounts payable and accrued liabilities	3,275	3,275	1,245	2,030	-
Current portion of long term notes payable	5,247	5,527	-	5,527	-
Current portion of capital lease obligations	61	61	15	46	-
Current portion of convertible debentures	8,880	10,224	205	10,019	-
Notes payable	225	236	-	236	-
Capital lease obligation	63	82	4	8	70
Convertible debentures	17,658	30,485	480	1,439	28,566
Purchase commitments	-	2,236	369	1,108	759
	35,409	52,126	2,318	20,413	29,395

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 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, 2009:

(in thousands)	South African	
	USD	Rand
Cash	\$ 139	379
Accounts receivable	2,876	860
Accounts payable and accrued liabilities	(2,248)	(1,125)
Current portion of long term debt	(5,000)	-
Current portion of capital lease obligations	(58)	-
Capital lease obligations	(60)	-
Convertible debentures	(17,074)	-
	<u>\$ (21,425)</u>	<u>114</u>

A 10% weakening of the Canadian dollar against the United States dollar and South African rand as at December 31, 2009 would have decreased net income by approximately \$1.5 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 it borrows 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:

(in thousands)	Carrying Amount	Carrying Amount %
Fixed rate financial liabilities	\$ 32,134	100%
Variable rate financial liabilities	-	0%
	<u>\$ 32,134</u>	<u>100%</u>

The risk is mitigated as 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.

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, 2009. 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 fair value of long term notes payable and convertible debentures could be less than carrying value. The fair values cannot be reasonably determined.

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:

(in thousands)	Carrying Amount
Convertible debentures	\$ 26,538
Shareholders' equity	1,924
	<u>\$ 28,462</u>

The Company has 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 December 31, 2008.

OUTSTANDING SHARE DATA

The following data is as of February 25, 2009, unless otherwise noted.

The Company is authorized to issue an unlimited number of voting common and preferred shares. There are 51.1 million common shares outstanding.

The Company has various convertible debentures outstanding, which upon conversion would result in the issuance of approximately 92.6 million common shares based on a conversion price of \$0.35 per share.

In connection with the completion 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 2010, the Company will be required to issue up to 0.8 million 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 the date of this MD&A, a total of 10,212,472 shares were reserved for issuance under this plan. Options granted vest over three years and as at December 31, 2009, 7.4 million options were outstanding with a weighted average exercise price of \$0.18 per share.

On a fully diluted basis, if all convertible debentures were converted and options exercised for common shares as at February 25, 2009, the total number of common shares issued and outstanding would be approximately 151.9 million.

Section 11: Change in Accounting Policies

Effective January 1, 2009, the Company adopted the following new CICA Handbook section:

Section 3064 – Goodwill and Intangible Assets. The adoption of this standard did not have any material impact on its consolidated financial statements.

FUTURE ACCOUNTING POLICIES

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 Company has worked with its auditors to assess the impact of IFRS on its financial statements. The assessment has concluded that the impact of IFRS is not anticipated to be significant. In 2010, the Company will continue working with its auditors to assess the impact on such areas of accounting as revenue recognition, stock based compensation, goodwill, convertible debt instruments and accrued liabilities, and to formulate comparative financial statements for 2011 reporting purposes.

Section 12: Selected Quarterly Financial Information and Overview

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

(in thousands)	2009				2008			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Revenue	7,717	9,921	8,734	10,384	7,693	7,826	10,269	9,520
Depreciation and amortization	831	805	859	885	370	1,122	1,144	1,150
Financing and amortization of debt and note payable issue costs	42	59	63	81	(175)	137	161	93
Interest	1,485	1,580	1,469	1,449	1,036	959	931	932
Foreign exchange loss (gain)	(349)	(1,689)	(1,635)	807	2,463	739	(246)	545
Fees and expenses on settlement of long term note payable	-	-	-	-	-	-	-	615
Write down of deferred development costs	-	-	-	-	590	4,227	-	-
Loss on extinguishment of convertible debt	-	-	-	-	6,372	-	-	-
Goodwill impairment	-	-	-	-	3,208	-	-	-
Write down of intangible assets	-	-	-	-	578	-	-	-
Income (loss) before tax	(367)	2,146	1,228	(654)	(14,814)	(9,268)	(1,664)	(2,677)
Income tax expense (recovery)	136	(514)	(331)	(125)	(807)	(313)	727	(372)
Net Income (loss)	(503)	2,660	1,559	(529)	(14,007)	(8,955)	(2,391)	(2,305)
Earnings (loss) per share								
- Basic and diluted	(0.01)	0.05	0.03	(0.01)	(0.31)	(0.19)	(0.05)	(0.05)

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 2009, the \$1.2 million software license sale to QMENA; and second quarter of 2009, the \$1.2 million software license sale to QMENA, and fourth quarter of 2009, the \$3.6 million EDC insurance indemnity payment.

Section 13: Related Party Transactions

One director of the Company is on the Board and is the Managing Director of the Quorum Group of Companies ("Quorum") who manages investment funds which have provided financing to the Company. Quorum currently holds \$28.3 million of the Company's convertible debentures and paid \$2.2 million of interest during 2009. The Company 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 obtained exclusive rights to sell certain

of the Company's products in those regions. In 2009 QMENA purchased USD\$2.0 million of the Company's products.

Several members of the Company's executive are shareholders of Sirocco Holdings, Inc. (formerly BOLO Systems Inc.) ("Sirocco"). On December 31, 2009 the Company owed Sirocco \$150,991 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 2009 the Company paid USD\$648,000 of interest to Sirocco.

Section 14: 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.

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 month periods and years ended December 31, 2009 and 2008.

(in thousands)	Three Months Ended Dec. 31		Year Ended Dec. 31	
	2009	2008	2009	2008
Net income (loss)	\$ (503)	(14,007)	\$ 3,187	(27,659)
Interest	1,485	1,036	5,983	3,857
Income taxes	136	(807)	(834)	(765)
Depreciation and amortization	831	370	3,380	3,786
Financing and amortization of debt and note payable issue costs	42	(175)	245	216
Standardized EBITDA	1,991	(13,583)	11,961	(20,565)
Fees and expenses on settlement of long term note payable	-	-	-	615
Foreign exchange loss (gain)	(349)	2,464	(2,866)	3,502
Stock based compensation expense	143	(22)	252	158
Goodwill impairment	-	3,208	-	3,208
Write-down of deferred development costs	-	590	-	4,817
Write-down of intangible assets	-	578	-	578
Loss on extinguishment of convertible debt	-	6,372	-	6,372
Less deferred development costs	-	(380)	-	(2,796)
Adjusted EBITDA	\$ 1,785	(773)	\$ 9,347	(4,111)

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.