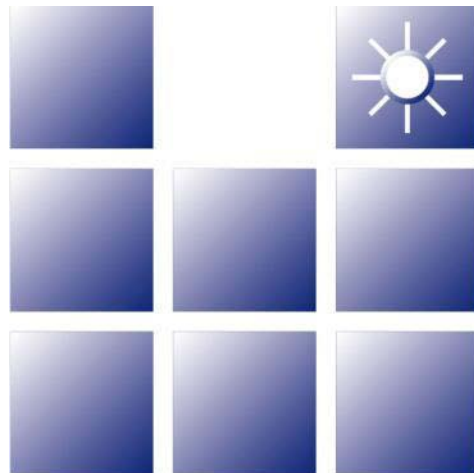


WellPoint Systems Inc.



WellPoint
Systems Inc.

Unaudited Interim Consolidated Financial Statements of
Three and six months ended June 30, 2010 and 2009

August 30, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited consolidated financial statements for the three and six months ended June 30, 2010 and 2009.

WELLPOINT SYSTEMS INC.

Consolidated Balance Sheets (Unaudited)

(in thousands of dollars)

	June 30 2010	December 31 2009
Assets		
Current assets:		
Cash	\$ -	\$ 505
Accounts receivable	3,458	3,189
Prepaid expenses	508	333
	<u>3,966</u>	<u>4,026</u>
Property and equipment	848	920
Deferred development costs	1,123	1,386
Intangible assets	9,910	10,999
Goodwill	21,284	21,091
Future income taxes (note 3)	1,753	1,132
	<u>\$38,884</u>	<u>\$39,554</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Line Of Credit	\$ 524	\$ -
Accounts payable and accrued liabilities	3,959	3,274
Current income tax liability	-	83
Deferred revenue	2,741	2,062
Other deferred credits	51	55
Note Payable (note 2)	5,518	5,472
Current portion of capital lease obligations	54	61
Convertible debentures (note 2)	9,542	8,880
	<u>22,389</u>	<u>19,885</u>
Capital lease obligations	76	63
Other deferred credits	-	23
Convertible debentures	18,589	17,658
	<u>41,054</u>	<u>37,629</u>
Shareholders' equity:		
Share capital (note 4 (a))	14,621	14,621
Contributed surplus (note 4 (d))	2,144	2,009
Convertible debentures (note 4(e))	8,706	8,864
Accumulated other comprehensive income (note 5)	(488)	(888)
Deficit	(27,153)	(22,681)
	<u>(27,640)</u>	<u>(23,569)</u>
Total shareholders' equity	(2,170)	1,925
Basis of presentation (note 1)		
	<u>\$ 38,884</u>	<u>\$ 39,554</u>

See accompanying notes to consolidated financial statements.

Approved by the Board:

"Charles V. Selby" Director

"Richard Slack" Director

WELLPOINT SYSTEMS INC.

Consolidated Statements of Operations and Retained Earnings (deficit) (unaudited)

(in thousands of dollars, except per share amounts)

	Three months ended		Six months ended	
	June 30		June 30	
	2010	2009	2010	2009
Revenue (note 6):				
License	\$ 2,192	\$ 3,157	\$ 3,970	\$ 6,559
Maintenance	2,459	2,661	4,994	5,781
Professional services	2,201	2,916	4,136	6,777
	6,852	8,734	13,100	19,117
Direct costs	2,935	2,547	6,378	5,871
Gross margin	3,917	6,187	6,722	13,246
Expenses:				
Sales, general and administrative	1,983	2,434	3,899	5,073
Interest	1,593	1,469	3,153	2,918
Research and development	1,106	1,381	2,239	2,857
Depreciation and amortization	778	859	1,598	1,744
Facilities	310	388	634	764
Financing and amortization of debt and note payable issue costs	46	63	98	144
Foreign exchange loss (gain)	693	(1,635)	12	(828)
	6,509	4,959	11,633	12,672
Net income (loss) before income taxes	(2,592)	1,228	(4,911)	574
Income taxes (note 3)				
Current expense	-	-	-	-
Future expense (reduction)	(257)	(331)	(439)	(456)
	(257)	(331)	(439)	(456)
Net income (loss)	(2,335)	1,559	(4,472)	1,030
Deficit, beginning of period	(24,818)	(26,398)	(22,681)	(25,869)
Deficit, end of period	\$ (27,153)	\$ (24,839)	\$ (27,153)	\$ (24,839)
Net income (loss) per share				
Basic and diluted (note 4(c))	\$ (0.05)	\$ 0.03	\$ (0.09)	\$ 0.02

See accompanying notes to unaudited consolidated financial statements.

WELLPOINT SYSTEMS INC.

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Net income (loss)	\$ (2,335)	\$ 1,559	\$ (4,472)	\$ 1,030
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	1,165	(2,850)	(400)	(2,850)
Comprehensive loss	\$ (3,500)	\$ (1,291)	\$ (4,872)	\$ (1,291)

See accompanying notes to unaudited consolidated financial statements.

WELLPOINT SYSTEMS INC.

Consolidated Statements of Cash Flows (unaudited)

(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Cash provided from (used in):				
Operations:				
Net income (loss)	\$ (2,335)	\$ 1,559	\$ (4,472)	\$ 1,030
Items not affecting cash:				
Accretion of interest on convertible debt	773	635	1,482	1,323
Amortization of debt issuance costs	3	87	69	168
Fees and expenses on settlement of long term note payable	-	-	-	-
Rent inducement	(14)	(13)	(27)	(27)
Depreciation and amortization	778	859	1,598	1,744
Future income taxes	(164)	(331)	(439)	(456)
Interest on settlement of long term note payable	-	-	-	-
Unrealized foreign exchange gain (loss)	419	(1,470)	(279)	(762)
Stock-based compensation	87	42	135	63
	(453)	1,368	(1,934)	3,083
Net change in non-cash working capital items (note 7)	221	(1,779)	836	(2,291)
	(232)	(411)	(1,097)	792
Financing:				
Bank indebtedness	95	-	524	-
Repayment of principal on long term note payable	66	(22)	(46)	(47)
Repayment of principal on capital lease obligation	9	(18)	(7)	(26)
Debt issue costs	-	21	-	(31)
Issuance of note payable	-	55	-	55
	170	36	563	(49)
Investing:				
Purchases of property and equipment	(47)	(37)	(75)	(109)
	(47)	(37)	(75)	(109)
Effect of foreign exchange rate changes on cash and cash equivalents	109	(21)	104	(11)
Change in cash and cash equivalents	-	(433)	(505)	623
Cash and cash equivalents, beginning of period	-	1,462	505	406
Cash and cash equivalents, end of period	\$ -	\$ 1,029	\$ -	\$ 1,029

See accompanying notes to unaudited consolidated financial statements.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements

For the three and six months ended June 30, 2010 and 2009
(Tabular amounts stated in thousands of dollars, except share and per share amounts)

See accompanying notes to consolidated financial statements.

1. Basis of presentation:

These unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and are based on accounting policies and practices consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2009.. The disclosures herein are incremental to those included with the annual audited consolidated financial statements. These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2009.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. This assumes that the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue future operations.

For the three months ended June 30, 2010, the Company reported \$6.9 million of revenues and incurred a net loss of \$2.3 million compared with revenues of \$8.7 million and a net income of \$1.5 million for the same period in 2009. For the six months ended June 30, 2010, the Company reported revenues of \$13.1 million and a net loss of \$4.5 million compared to revenues of \$19.1 million and a net income of \$1.0 million.

2. Bank indebtedness:

During the second quarter ended June 30, 2010, the corporation's major lenders agreed to delay the repayment of the following debt maturing on June 30, 2010 and August 10, 2010 to October 1, 2010 while the company works with the lenders to renegotiate the maturing debt and/or seek to inject new capital.

- a) Convertible debentures with a face value of \$1.4 million issued on August 25, 2005 with an original maturity date of June 30, 2010 mature October 1, 2010.
- b) Convertible debentures with a face value of \$.3 million issued on March 12, 2007 with an original maturity date of June 30, 2010 mature October 1, 2010.
- c) Note payable with a face value of \$5.0 million with an original maturity date of August 10, 2010 mature October 1, 2010.

As at June 30, 2010, the Company did not make certain scheduled interest payments totaling approximately \$700,000 to its senior debt holders. The Company's senior debt holders agreed to work collaboratively with the Company to seek a solution to meet past due and future debt servicing obligations.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 2

For the three and six months ended June 30, 2010 and 2009

(Tabular amounts stated in thousands of dollars, except share and per share amounts)

As at June 30, 2010, the Company had access to a bank operating credit facility of US \$2.5 million. As at June 30, 2010 the Company had utilized CAD \$0.5 million and had CAD \$0.4 million of available credit. The credit facility is payable on demand and bears interest at the Bank's prime rate plus 3% 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.

3. Income taxes:

Future income tax expense differs from the result that would be obtained by applying the combined statutory corporate income tax rate to income before income taxes. The reasons for the difference are as follows:

	2010	2009
Loss before income taxes	\$ (4,911)	\$ 574
Statutory income tax rate	29%	29%
Computed recovery	(1,424)	166
Non deductible expenses	139	13
Tax rate differences	(179)	(126)
Other	28	23
Change in valuation allowance	815	(532)
	\$ (621)	\$ (456)

The Company operates in various tax jurisdictions and, accordingly, the Company's income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company's ability to use income tax losses and future income tax deductions is dependent upon the profitable operations of the Company in the tax jurisdictions in which such losses or deductions arise. As at June 30, 2010, the Company had total future tax assets of \$1,753,152 (December 31, 2009 - \$1,132,447).

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

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 3

For the three and six months ended June 30, 2010 and 2009

(Tabular amounts stated in thousands of dollars, except share and per share amounts)

4. Share capital:

a) Common shares:

The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares, issuable in series. The issued share capital of the Company is as follows:

	Number of Common Shares	Amount
Balance, December 31, 2009	51,062,359	\$ 14,621
Forfeited on private placement loan	(1,376,546)	(138)
Reversal of share purchase loan	0	138
Balance, June 30, 2010	49,686,813	\$ 14,621

(b) Stock options:

The Company has a stock option plan for employees, directors and consultants. At June 30, 2010, a total of 10,212,000 (10,212,000 at December 31, 2009) shares were reserved for issuance under this plan. Options granted vest up to three years. The following tables summarize information regarding stock options.

The following tables summarize information regarding stock options:

	2010 Number of options outstanding	2010 Weighted average exercise price
Balance, December 31, 2009	7,417,067	\$ 0.18
Expired	(1,262,472)	0.14
Granted	1,012,472	0.17
Granted	670,000	0.12
Balance, June 30, 2010	7,837,067	\$ 0.18

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 4

For the three and six months ended June 30, 2010 and 2009
(Tabular amounts stated in thousands of dollars, except share and per share amounts)

Exercise price	Number of options outstanding	Weighted Average remaining contractual life (years)	Number of options exercisable
\$ 0.10	2,564,928	4.09	-
0.12	670,000	4.93	-
0.14	800,000	4.49	-
0.17	1,012,472	4.91	-
0.22	341,667	4.66	341,667
0.23	1,768,000	4.59	-
0.32	100,000	3.16	33,333
0.36	150,000	3.01	50,000
0.44	430,000	2.37	286,667
	7,837,067	4.09	711,667

Stock-based compensation expense for the six months ended June 30, 2010 was \$135,174 (2009 - \$144,252). This expense was calculated using the Black-Scholes option pricing model with the following assumptions: weighted average risk-free interest rate of 2.16% (2009 - 3.71%), expected life of five years and volatility of 91% - 252% (2009 - 91% - 118%).

(c) Per share amounts:

The weighted average number of common shares outstanding for 2010 was 50.1 million (2009 - 45.9 million). The diluted number of shares for 2010 was 50.9 million (2009 - 45.9 million) reflecting the dilutive effect of the exercise of options outstanding, warrants and convertible debt.

(d) Contributed surplus:

Contributed surplus represents the cost of the stock-based compensation payments relating to the compensation expense for stock options granted to employees, directors and consultants and the equity component of matured debentures.

The following tables summarize information regarding contributed surplus:

	2010
Balance, December 31, 2009	\$ 2,009
Stock option expense	135
Balance, June 30, 2010	\$ 2,144

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 5

For the three and six months ended June 30, 2010 and 2009

(Tabular amounts stated in thousands of dollars, except share and per share amounts)

(e) Convertible debentures:

		2010
Balance, December 31, 2009	\$	8,864
Convertible debenture accretion		(158)
Balance, June 30, 2010	\$	8,706

5. Accumulated other comprehensive income:

		2010
Balance, December 31, 2009	\$	(888)
Unrealized loss on translating financial statements of self-sustaining foreign operations		400
Balance, June 30, 2010	\$	(488)

6. Segmented information:

The Company conducts all of its business in one operating segment; software solutions and services.

Revenue by geographical region:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
United States	\$ 5,364	\$ 5,100	\$ 9,883	\$ 11,229
Canada	1,249	1,658	2,308	3,507
Other International	239	1,976	909	5,186
	\$ 6,852	\$ 8,734	\$ 13,100	\$ 19,117

No customer accounted for more than 10% of the Company's accounts receivable balance as at June 30, 2010 or December 31, 2009.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 6

For the three and six months ended June 30, 2010 and 2009

(Tabular amounts stated in thousands of dollars, except share and per share amounts)

7. Supplemental cash flow information:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Taxes paid	\$ 53	\$ 3	\$ 176	\$ 105
Interest paid	\$ 0	\$ 591	\$ 754	\$ 1,029
<hr/>				
Changes in non-cash working capital components:				
Accounts receivable	\$ (529)	\$ 1,036	\$ (270)	\$ 681
Prepaid expenses	97	76	(175)	(143)
Accounts payable and accrued liabilities	598	(915)	602	(649)
Deferred revenue	55	(1,976)	679	(2,180)
	\$ 221	\$ (1,779)	\$ 836	\$ (2,291)
