

Consolidated Financial Statements of

WELLPOINT SYSTEMS INC.

Years ended December 31, 2009 and 2008

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The financial statements are the responsibility of the management of WellPoint Systems Inc. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

KPMG LLP, the independent auditors appointed by the shareholders, have audited WellPoint System Inc.'s consolidated financial statements in accordance with Canadian generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.



Richard Slack
President and Chief Executive Officer



Hervé Séguin
Chief Financial Officer

February 25, 2010

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of WellPoint Systems Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
February 25, 2010

WELLPOINT SYSTEMS INC.

Consolidated Balance Sheets
December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 505	\$ 406
Accounts receivable	3,189	3,532
Prepaid expenses	333	746
	<u>4,027</u>	<u>4,684</u>
Property and equipment (note 4)	920	1,106
Deferred development costs (note 5)	1,386	2,119
Intangible assets (note 6)	10,999	15,384
Goodwill (note 7)	21,091	24,442
Future income taxes (note 12)	1,133	132
	<u>\$39,556</u>	<u>\$47,867</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 8)	\$ -	\$ -
Accounts payable and accrued liabilities	3,275	5,719
Current income tax liability	83	106
Deferred revenue	2,062	4,876
Other deferred credits	55	55
Notes payable (note 9)	5,472	99
Current portion of capital lease obligations (note 10)	61	46
Convertible debentures (note 11)	8,880	1,358
	<u>19,888</u>	<u>12,259</u>
Long term notes payable (note 9)	-	6,005
Capital lease obligations (note 10)	63	58
Other deferred credits	23	77
Convertible debentures (note 11)	17,658	26,476
	<u>37,632</u>	<u>44,875</u>
Shareholders' equity:		
Share capital (note 13)	14,621	14,497
Contributed surplus (note 13)	2,009	1,624
Convertible debentures (notes 11, 13)	8,863	8,996
Accumulated other comprehensive income (loss) (note 14)	(887)	3,744
Deficit	(22,682)	(25,869)
	<u>(23,569)</u>	<u>(22,125)</u>
Total shareholders' equity	1,924	2,992
Basis of presentation (note 2)		
Commitments (note 22)		
	<u>\$ 39,556</u>	<u>\$ 47,867</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 Deficit
 Years ended December 31, 2009 and 2008
 (in thousands of dollars, except per share amounts)

	2009	2008
Revenue (note 15):		
License	\$ 14,426	\$ 9,057
Maintenance	10,862	9,825
Professional services	11,467	16,427
	<u>36,755</u>	<u>35,309</u>
Direct costs	10,821	15,626
Gross margin	<u>25,934</u>	<u>19,683</u>
Expenses:		
Sales, general and administrative	10,035	14,137
Interest	5,983	3,857
Research and development	5,361	5,285
Depreciation and amortization	3,380	3,786
Foreign exchange (gain) loss (note 17)	(2,866)	3,502
Facilities	1,443	1,734
Financing and amortization of debt and note payable issue costs	245	216
Loss on extinguishment of debt component of convertible debt (note 11)	-	6,372
Write down of deferred development costs (note 5)	-	4,817
Goodwill impairment (note 7)	-	3,208
Fees and expenses on settlement of long term note payable	-	615
Write down of intangible assets (note 6)	-	578
	<u>23,581</u>	<u>48,107</u>
Income (Loss) before income taxes	<u>2,353</u>	<u>(28,424)</u>
Income taxes (note 12)		
Current	187	(211)
Future expense (reduction)	(1,021)	(554)
	<u>(834)</u>	<u>(765)</u>
Net Income (loss)	3,187	(27,659)
Deficit, beginning of year	(25,869)	(3,866)
Gain on extinguishment of equity component of convertible debt	-	5,656
Deficit, end of year	<u>\$ (22,682)</u>	<u>\$ (25,869)</u>
Income (loss) per share, basic and diluted	<u>\$ 0.07</u>	<u>\$ (0.60)</u>

See accompanying notes to consolidated financial statements.

WELLPOINT SYSTEMS INC.

Consolidated Statements of Comprehensive Loss
(in thousands of dollars)

	2009	2008
Net income (loss)	\$ 3,187	\$ (27,659)
Other comprehensive income		
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations (note 14)	(4,631)	4,134
Comprehensive loss	\$ (1,444)	\$ (23,525)

See accompanying notes to consolidated financial statements.

WELLPOINT SYSTEMS INC.

Consolidated Statements of Cash Flows
 Years ended December 31, 2009 and 2008
 (in thousands of dollars)

	2009	2008
Cash provided from (used in):		
Operations:		
Net income (loss)	\$ 3,187	\$ (27,659)
Items not affecting cash:		
Depreciation and amortization	3,380	3,786
Accretion of interest on convertible debt (note 11)	2,770	937
Unrealized foreign exchange (gain) loss	(2,595)	3,304
Future income tax reduction	(1,021)	(554)
Amortization of debt issuance costs	324	143
Stock-based compensation	252	158
Interest paid through issuance of shares	124	-
Rent inducement	(55)	(55)
Extinguishment of convertible debenture	-	6,372
Write down of deferred development costs (note 5)	-	4,817
Goodwill impairment (note 7)	-	3,208
Write down of intangible assets (note 6)	-	578
Loss on sale of asset	-	13
	6,366	(4,952)
Net change in non-cash working capital items (note 16)	(4,525)	7,053
	1,841	2,101
Financing:		
Redemption of convertible debentures	(1,320)	(410)
Issuance of notes payable	55	-
Repayment of principal on long term notes payable	(92)	-
Repayment of principal on capital lease obligation	(64)	(28)
Issuance of convertible debentures, net of cash costs	-	19,973
Settlement of long term notes payable	-	(17,045)
Repayment of bank indebtedness	-	(1,204)
Fees and expenses on settlement of long term note payable	-	615
Interest on settlement of long term note payable	-	414
	(1,421)	2,315
Investing:		
Purchases of property and equipment	(249)	(277)
Deferred development costs	-	(2,796)
Additional consideration of prior acquisitions	-	(1,028)
Proceeds on sale of equipment	-	35
	(249)	(4,066)
Effect of foreign exchange rate changes on cash and cash equivalents	(72)	56
Change in cash and cash equivalents	99	406
Cash and cash equivalents, beginning of year	406	-
Cash and cash equivalents, end of year	\$ 505	\$ 406

See accompanying notes to consolidated financial statements.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2009 and 2008

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

WellPoint Systems Inc. ("WellPoint" or the "Company") is incorporated under the Business Corporations Act of Alberta. The Company is engaged in the development, installation and customization of software for managing upstream and midstream operations and financial and enterprise asset management systems for customers in the oil and gas and mining industry. The Company also provides customers with related maintenance and consulting and professional services.

The consolidated financial statements are presented in Canadian dollars unless otherwise stated and are prepared in accordance with generally accepted accounting principles in Canada. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Specific estimates made by management include revenue recognition, assessment of deferred development costs, goodwill and intangible asset impairment reviews and equity portion of convertible debentures. Actual results could differ from these estimates.

1. Significant accounting policies:

(a) Consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany balances have been eliminated. The results of operations of these acquired companies have been included in these consolidated financial statements from the date of acquisition.

(b) Revenue recognition:

The Company generates revenue from three sources: software license sales, software maintenance and consulting and professional services.

The software is licensed to customers in perpetuity. Software license revenue is recognized once the license agreement is signed, the price is fixed or determinable, the software is delivered to the customer and collectability is reasonably assured.

The Company provides customer support and periodic software upgrades under maintenance agreements. Customers are generally charged annually in advance for these services. Maintenance fees are initially recorded as deferred revenue and subsequently recognized in operations on a monthly basis and when collectability is reasonably assured.

Consulting services are provided by the Company for product implementation and custom software programming. Revenue is recognized as services are rendered and when collectability is reasonably assured.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 2

Years ended December 31, 2009 and 2008

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

(c) Property and equipment:

Property and equipment are recorded at cost. Depreciation is provided for on a basis and at rates calculated to amortize the cost of the assets over their estimated useful lives as follows:

Assets	Method	Rate
Computer hardware	Declining-balance	30%
Computer software	Straight-line	3 years
Furniture and fixtures	Declining-balance	20%
Leasehold improvements	Straight-line	5 years
Website development	Straight-line	3 years

(d) Deferred development costs:

Deferred development costs relate to the development of new or enhanced software products. Costs related to the development of software are expensed as incurred unless such costs meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. The criteria include identifiable costs attributable to a clearly defined product, the establishment of technical feasibility, identification of a market for the software, the Company's intent to market the software and the existence of adequate resources to complete the project. Amortization is provided for on a straight-line basis over the estimated useful life of three years, commencing in the year when commercial sales of the products commence. Capitalized software development is evaluated in each reporting period to determine whether it continues to meet the criteria for continued deferral and amortization.

(e) Intangible assets:

Intangible assets are amortized over the estimated useful life of the asset. Amortization of customer relationships is provided for on a straight line basis over 5-12 years. Amortization of intellectual property is provided for on a straight line basis over 7-10 years. On a periodic basis, management assesses the carrying value of intangible assets for indications of impairment. Indications of impairment include items such as an ongoing lack of profitability and significant changes in technology. When an indication of impairment is present, the Company tests for impairment by comparing the carrying value of the asset to its net recoverable amount. If the carrying amount is greater than the net recoverable amount, the asset is written down to its estimated fair value.

(f) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed based on their fair values. Goodwill is not amortized but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The valuation of goodwill is based on future estimates of profitability and other relevant assumptions. A goodwill impairment loss is recognized in net income if the fair value of goodwill is less than its carrying amount. By their nature, these estimates are subject to

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 3

Years ended December 31, 2009 and 2008

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

measurement uncertainty and the effect on the financial statements in the future periods could be significant.

(g) 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 and 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 in which 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. Future tax assets are recognized if it is considered more likely than not that the tax asset will be realized.

(h) Foreign currency translation:

The Company's foreign operations are self-sustaining and are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at period-end exchange rates and items included in the consolidated statements of operations and deficit, comprehensive loss and cash flows are translated at the exchange rates in effect at the time of the transaction. Translation adjustments are reflected in comprehensive income.

Exchange gains and losses on the principal amount of foreign currency debt are recorded in the statement of operations.

(i) Stock-based compensation:

The Company uses the fair value method for stock-based compensation. Under this method, compensation expense attributable to stock options granted is measured at fair value at the grant date and expensed over the vesting period, with a corresponding increase in contributed surplus.

(j) Per share amounts:

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the treasury stock method, which assumes that the proceeds received on the exercise of dilutive options and conversion of dilutive debentures would be used to purchase common shares at the average market price during the year.

(k) Financial instruments:

Financial instruments must be classified into one of five categories: (i) held-for-trading, (ii) held-to-maturity, (iii) loans and receivables, (iv) available-for-sale, and (v) other financial liabilities. The new standards require that all financial instruments within the scope of the standards, including all derivative instruments, be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities – except those in the held-for-trading and available-for-sale categories – must be determined at amortized cost

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 4 Years ended December 31, 2009 and 2008

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

using the effective interest rate method. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in the statement of operations until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company designated cash as "held for trading", accounts receivable as "loans and receivables", which are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, long term notes payable and convertible debentures are classified as "other financial liabilities" which after their initial fair value measurement are measured at amortized cost.

2. Basis of presentation:

During 2008 the Company experienced a \$27.7 million net loss and was in violation of its debt covenants for most of the year. Consequently, the Company made significant changes to its management team including a new CEO. The new management team has been focused on creating efficiencies and controlling costs. As a result, in 2009, the Company generated positive net income of \$3.2 million. However, the Company has a working capital deficit of \$15.9 million. Approximately \$14.4 million of this working capital deficit is related to debt that is coming due in 2010. The Company will likely not generate enough cash from operations in order to fund these debt obligations. As such, the Company will require the continued cooperation of its lenders to renegotiate or refinance its debt obligations.

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.

3. Changes in accounting policy not yet adopted:

Effective January 1, 2011, the Company will adopt the following accounting policies:

Section 1601, Consolidated financial statements, Section 1602, Non-controlling interests, Section 1582, Business combinations, and Section 3064, Goodwill and Intangible Assets. Section 1601 and Section 1602 will replace Section 1600, Consolidated financial statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1582 will replace Section 1581, Business combinations. Section 1582 establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of these standards should not have a material impact on the Company's consolidated financial statements.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 5 Years ended December 31, 2009 and 2008

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

Section 3064 replaced Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of Section 3064 has not had a material impact on the financial statements.

4. Property and equipment:

December 31, 2009	Cost	Accumulated depreciation	Net book value
Computer hardware	\$ 1,563	\$ 905	\$ 658
Computer software	473	392	81
Furniture and fixtures	349	177	172
Leasehold improvements	47	38	9
	\$ 2,432	\$ 1,512	\$ 920

December 31, 2008	Cost	Accumulated depreciation	Net book value
Computer hardware	1,435	704	729
Computer software	457	338	119
Furniture and fixtures	385	143	242
Leasehold improvements	49	33	16
Website development	9	9	-
	\$ 2,335	\$ 1,229	\$ 1,106

5. Deferred development costs:

	2009	2008
Cost	\$10,170	\$10,552
Accumulated amortization	(8,784)	(8,433)
Net Book Value	\$1,386	\$2,119

During 2009 the Company incurred a charge of nil (2008 - \$4,817,000) for the write down of deferred development costs related to projects that it determined no longer met the criteria for deferral.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 6

Years ended December 31, 2009 and 2008

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

6. Intangible assets:

Customer Relationships	2009	2008
Cost	\$8,790	\$10,187
Accumulated amortization	(2,222)	(1,607)
Net Book Value	\$6,568	\$8,580
Intellectual Property	2009	2008
Cost	\$8,112	\$9,401
Accumulated amortization	(3,681)	(2,597)
Net Book Value	\$4,431	\$6,804
Intangible Assets -Totals	2009	2008
Cost	\$16,902	\$19,588
Accumulated amortization	(5,903)	(4,204)
Net Book Value	\$10,999	\$15,384

The Company performed its test for impairment of intangibles as at December 31, 2009. As a result of this test, management determined that there had been no impairment in the carrying value of the intangibles, and accordingly no write-down was required (2008 - \$578,000).

7. Goodwill:

	2009	2008
Balance, Beginning of Year	\$24,442	\$19,916
IDEAS contingent consideration	-	781
iSoft contingent consideration	-	247
BOLO contingent consideration	-	4,230
Goodwill impairment	-	(3,208)
Foreign exchange translation	(3,351)	2,476
Balance, End of Year	\$21,091	\$24,442

The Company performed its annual test for impairment of goodwill as at December 31, 2009. As a result of this test, management determined that there has not been impairment in the carrying value of goodwill. In 2008, a write-down of \$3,208,000 was recorded.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 7 Years ended December 31, 2009 and 2008

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

8. Bank indebtedness:

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 and had CAD \$2.0 million available. The credit facility is payable on demand and bears interest at bank 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. The line of credit expires on August 2, 2010.

9. Long term notes payable:

Summary of Long Term Notes Payable

	2009	2008
Note payable (note a)	\$ 5,247	\$ 6,104
Note payable (note b)	55	-
Notes payable (note c)	170	-
	5,472	6,104
Current portion	(5,472)	(99)
Long term portion	\$ -	\$ 6,005

- a) Pursuant to the August 10, 2007 acquisition of BOLO, and in satisfaction of a portion of the purchase consideration, the Company issued a note payable (the "BOLO Note") to the shareholders of BOLO for a principal amount of US \$5 million. The BOLO Note matures on August 10, 2010 and bears interest at 7.75% per annum which is payable on maturity. The obligations under the BOLO Note are secured by all BOLO assets.

During 2008, the Company and the former shareholders of Bolo agreed to amend the BOLO Note. Under the terms of the amendment, the Company has agreed to pay all interest on a quarterly basis in arrears on March 31st, June 30th, September 30th and December 31st 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\$202,000 in 10 equal quarterly payments of \$20,000 commencing March 31, 2008 and to increase the interest rate on the Bolo Note to 7.75% from 7%.

- b) On June 26, 2009, the Company entered into a promissory note agreement with Quorum Oil and Gas Technology Fund for a \$55,000 note. The note bears interest at 8% per annum and is payable on June 26, 2010.
- c) The Company had \$390,000 debentures due on July 1, 2009 (see note 11 (a)). The debenture holders were given the option to convert their debentures to a note payable bearing interest at 10% with a maturity date of July 1, 2010. Debenture holders decided to convert \$170,000 of the debentures into notes payable at the above mentioned terms.

The effective annual interest rate, including the debt issue costs for this debt is 8.6%.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 8

Years ended December 31, 2009 and 2008

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

10. Capital lease obligations

The Company has certain equipment under capital leases expiring between 2010 and 2013 and at interest rates between 9.3% and 13.6%. Capital lease obligations are as follows:

	2009	2008
Balance, beginning of year	\$ 104	\$ -
Principal capital lease obligations incurred during the year	97	112
Payments made during the year	(64)	(28)
Unrealized foreign exchange (gain) loss	(13)	20
	124	104
Current portion	(61)	(46)
Long term portion	\$ 63	\$ 58

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 10

Years ended December 31, 2009 and 2008

11. Convertible debentures (continued):

	2009	2008
December 2004 and January 2005-note (a)	\$ -	\$ 381
August 25, 2005-note (b)	2,738	2,368
March 12, 2007-note (c)	3,646	3,297
March 10, 2008-note (d)	-	977
March 10, 2008-note (e)	2,429	2,110
March 10, 2008-note (f)	13,033	14,187
December 30, 2008-note (g)	1,257	1,223
December 30, 2008-note (h)	2,071	2,011
December 30, 2008-note (i)	1,364	1,280
	26,538	27,834
Current portion	(8,880)	(1,358)
Long term portion	\$17,658	\$ 26,476

(a) In December 2004, the Company issued \$360,000 subordinated convertible debentures maturing December 30, 2006 and on January 31, 2005 an additional \$1,140,000 debentures maturing on January 31, 2007 for a total of \$1,500,000. The debentures at the date of issue were convertible at the holders' option into fully paid and non-assessable common shares at any time prior to the maturity dates at a conversion price of \$0.40 per common share and with interest payable quarterly at 12% per annum on the date of issue. The debentures are a direct obligation of the Company and are not secured. In 2006, holders of \$30,000 of the December 30, 2006 debentures and \$120,000 of the January 31, 2007 debentures converted their debentures into 375,000 common shares of the Company.

Prior to their maturity, holders of \$270,000 of the December 30, 2006 and \$650,000 of the January 31, 2007 debentures accepted the Company's offer to extend the debenture for one year to December 30, 2007 and January 31, 2008, respectively at a rate of 10% with all other terms remaining essentially unchanged.

The effective annual interest rate, including the debt issue costs and fair value of the conversion option for these debentures is 20%.

Prior to their maturity, holders of \$150,000 of the December 30, 2007 and \$240,000 of the January 31, 2008 debentures accepted the Company's offer to extend the debenture to July 1, 2009 at a interest rate of 15% per annum and a reduction in the conversion price to \$0.34 per common share with all other terms remaining essentially unchanged.

All debentures not extended on their respective maturity dates were repaid on such date.

(b) On August 25, 2005, the Company issued convertible, secured debentures in the amount of \$3,000,000. The debentures bore interest at 7.5% per annum and were originally set to mature on December 15, 2009 with the first year's interest payable in advance and the balance of the interest payable quarterly in arrears on November 25, February 25, May 25 and August 25 of

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 11

Years ended December 31, 2009 and 2008

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

each year. The debentures were convertible at the holders' option into fully paid and non-assessable common shares at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date fixed for redemption at a conversion price of \$0.45, per common share. The conversion price is subject to standard anti-dilutive provisions. The Company, at its sole election, during the period August 25, 2007 to December 15, 2009, had the right to require the holders to effect conversion of the debentures into common shares if the internal rate of return to the holder is 25% per annum, the daily trading volume of the company's common shares attain a minimum level and the market capitalization of the Company was greater than \$75 million. Commencing on February 25, 2008, the Company is entitled to prepay the entire principal provided that an additional amount be paid to the holder as additional interest which will provide the holder with the internal rate of return as at the prepayment date. If not converted or prepaid, the Company will pay the holders the full amount, plus accrued interest at 7.5% per annum, on the maturity date.

The effective annual interest rate, including the debt issue costs and fair value of the conversion option for these debentures is 21.9%. The Company and its subsidiaries granted security interests over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debentures.

On December 30, 2008 the maturity date for \$1,400,000 of the convertible secured debenture was extended to June 30, 2010 and the maturity date for \$1,600,000 of the convertible secured debenture was extended to October 1, 2010. At the same time, the conversion price was adjusted to \$0.30 per share. The interest rate was amended to an adjustable rate per annum as follows, 7.75% per annum from December 30, 2008 to June 30, 2009, 8% per annum from July 1, 2009 to September 30, 2009 and 8.5% per annum from October 1, 2009 to maturity. As a result of the 2008 renegotiation the original debenture was considered extinguished for accounting purposes and the debt component of the principal amount was recalculated as described in note 11(j). In 2009 certain pre-defined EBITDA thresholds were met and as a result, the conversion price was increased to \$0.35 per share.

(c) On March 12, 2007, the Company issued convertible, secured debentures in the amount of \$4,500,000. The debentures bear interest at 7.75% per annum and mature on April 12, 2012 with the first year's interest payable in advance and the balance of the interest payable quarterly in arrears on June 12, September 12, December 12 and March 12 of each year. The debentures were convertible at the holders' option into fully paid and non-assessable common shares at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date fixed for redemption at a conversion price of \$0.65, per common share. The conversion price is subject to standard anti-dilutive provisions. The Company, at its sole election, during the period March 12, 2008 to April 12, 2012, shall have the right to require the holders to effect conversion of the debentures into common shares if the internal rate of return to the holder is 20% per annum for a minimum: 24 month period during the period March 12, 2008 to March 12, 2009; 36 months for the next year; 48 months for the next year; and 60 months for the next year, and, the daily trading volume of the Company's common shares attain a minimum level. Further, during the period March 12, 2008 to March 12, 2010, the Company, at

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 12

Years ended December 31, 2009 and 2008

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

its sole election, shall have the right to require the holders to effect conversion of the debentures if the fully diluted market capitalization of the common shares on the Toronto Stock Exchange is a minimum of \$150 million and the daily trading volume of the Company's common shares attain a minimum level. Commencing on March 12, 2009, the Company will be entitled to prepay the entire principal provided that an additional amount is paid to the holder as additional interest which will provide the holder with the internal rate of return as at the prepayment date. If not converted or prepaid, the Company will pay the holders the full amount, plus accrued interest at 7.75% per annum, on the maturity date.

In connection with the BOLO acquisition and related financing, the Company agreed to amend the March 12, 2007 \$4.5 million convertible secured debenture to lower the conversion price by which such debentures will be convertible into common shares from \$0.65 to \$0.55 per common share and to change the maturity date of \$300,000 of the convertible secured debentures from April 12, 2012 to December 15, 2009. The reduction in the conversion price increased the fair value of the conversion option and resulted in a reduction in the carrying value of the debenture and corresponding increase in equity portion of convertible debentures in the amount of \$401,761.

The effective annual interest rate, including the debt issue costs and fair value of the conversion option for these debentures is 17.5%. The company and its subsidiaries granted security interests over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debentures.

On December 30, 2008 the conversion price was adjusted to \$0.30 per share. The interest rate was amended to an adjustable rate per annum as follows, 7.75% per annum from December 30, 2008 to June 30, 2009, 8% per annum from July 1, 2009 to September 30, 2009 and 8.5% per annum from October 1, 2009 to maturity and the maturity date of \$300,000 of the convertible secured debenture was extended to June 30, 2010. As a result of the 2008 renegotiation the original debenture was considered extinguished for accounting purposes and the debt component of the principal amount was recalculated as described in note 11(j). In 2009 certain pre-defined EBITDA thresholds were met and as a result, the conversion price was increased to \$0.35 per share.

(d) On March 10, 2008, the Company issued convertible debentures for total gross proceeds of \$1.1 million. The convertible debentures bear interest at a rate of 7.75% per annum and mature on July 31, 2009. Interest for the first year was paid on March 10, 2008 and the balance of the interest is payable quarterly in arrears on the last day of each quarter. The net proceeds of the offering were \$0.8 million, net of prepaid interest, corporate finance and agent's fees and legal fees, and were used for general corporate purposes.

The debentures were convertible into common shares of the Company at a conversion price of \$0.60 per common share. If the debentures are not converted prior to the July 31, 2009 maturity date, the Company will issue to the holders of the debentures an additional 308,000 common shares of the Company which if issued would result in an effective interest rate of 15.75% per annum. The convertible debentures are a direct obligation of the Company and are unsecured.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 13

Years ended December 31, 2009 and 2008

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

Pursuant to the completion of this offering, the Company granted the agent options to purchase 100,000 common shares of the Company at a price of \$0.60 per common share which expired on July 31, 2009.

The debentures were repaid in 2009.

(e) On March 10, 2008, the Company issued a convertible secured debenture for total gross proceeds of \$2.7 million. The convertible debenture bears interest at a rate of 7.75% per annum and matures on August 31, 2009. Interest for the first year was paid on March 10, 2008 and the balance of the interest is payable quarterly in arrears on the last day of each calendar quarter. The net proceeds of the offering were \$2.3 million net of prepaid interest, fees of \$81,000 and legal fees. The net proceeds were used to repay all of the 2007 note payable issued on acquisition of BOLO on March 11, 2008.

The debentures were convertible into common shares of the Company at a conversion price of \$0.60 per common share. If the debenture is not converted prior to the October 1, 2010 maturity date, the Company will issue to the holder of the debenture an additional 797,425 common shares of the Company which if issued would result in an effective interest rate of 21.9% per annum.

The convertible debenture is a direct obligation of the Company. The Company and its subsidiaries granted security interest over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debenture. The convertible secured debenture is subordinated to the bank indebtedness, the US\$15.2 million convertible secured debenture (note 11 (f)), the US\$5.0 million BOLO Note (note 11 (a)), and the August 25, 2005 \$3.0 million and the March 12, 2007 \$4.5 million convertible secured debentures.

On December 30, 2008 the maturity date was extended to October 1, 2010 and the conversion price was adjusted to \$0.30 per share. The interest rate was amended to an adjustable rate per annum as follows, 7.75% per annum from December 30, 2008 to June 30, 2009, 8% per annum from July 1, 2009 to September 30, 2009 and 8.5% per annum from October 1, 2009 to maturity. As a result of the 2008 renegotiation the original debenture was considered extinguished for accounting purposes and the debt component of the principal amount was recalculated as described in note 11(j). In 2009 certain pre-defined EBITDA thresholds were met and as a result, the conversion price was increased to \$0.35 per share.

(f) On March 10, 2008 the Company issued a convertible secured debenture for total gross proceeds of US\$15.2 million. The convertible debenture bears interest at a rate of 7.75% per annum and matures on April 10, 2013. Interest for the first year was paid on March 10, 2008 and the balance of the interest is payable quarterly in arrears on the last day of each calendar quarter. The net proceeds of the offering of \$13.3 million, net of prepaid interest, fees of \$456,000 and legal fees, were used to repay a portion of the Crown Note on March 11, 2008.

The debentures were convertible into common shares of the Company at a conversion price of \$0.90 per common share. The Company requires the consent of the holder to issue any additional debt or equity securities. The Company shall have the right to repay the debenture at

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 14

Years ended December 31, 2009 and 2008

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

any time during the period from March 10, 2010 to April 10, 2013 at an amount equal to the principal amount of the debenture plus an internal rate of return of 20% to the holder. The Company may effect conversion of the debentures into common shares if the internal rate of return of 20% to holder is achieved and minimum daily trading volumes of the Company's common shares are attained over a specified period.

The convertible debentures are a direct obligation of the Company. The Company and its subsidiaries granted security interest over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debenture. The convertible secured debenture is subordinated to the bank indebtedness.

On December 30, 2008 the conversion price was adjusted to \$0.30 per share. The interest rate was amended to an adjustable rate per annum as follows, 7.75% per annum from December 30, 2008 to June 30, 2009, 8% per annum from July 1, 2009 to September 30, 2009 and 8.5% per annum from October 1, 2009 to maturity. As a result of the renegotiation the original debenture was considered extinguished for accounting purposes and the debt component of the principal amount was recalculated as described in note 11(j). In 2009 certain pre-defined EBITDA thresholds were met and as a result, the conversion price was increased to \$0.35 per share.

(g) On December 30, 2008 the Company issued a convertible secured debenture for total gross proceeds of US\$2 million. The convertible debenture bears an adjustable rate of interest, initially at 7.75% per annum and amended to 8.5% maturing on January 30, 2014. Interest for the first year was paid on December 30, 2008 and the balance of the interest is payable quarterly in arrears on the last day of each calendar quarter.

The debentures are convertible into common shares of the Company at a conversion price of \$0.30 per common share. In 2009 certain EBITDA thresholds were met as a result, the conversion price was increased to \$0.35 per share. The Company requires the consent of the holder to issue any additional debt or equity securities. The Company shall have the right to repay the debenture at any time during the period from December 30, 2008 and the maturity date at an amount equal to the principal amount of the debenture plus an internal rate of return of 20% to the holder. The Company may effect conversion of the debentures into common shares if the internal rate of return of 20% to holder is achieved and minimum daily trading volumes of the Company's common shares are attained over a specified period.

The convertible debentures are a direct obligation of the Company. The Company and its subsidiaries granted security interest over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debenture. The convertible secured debenture is subordinated to the bank indebtedness.

(h) On December 30, 2008 the Company issued a convertible secured debenture for total gross proceeds of US\$2.25 million. The convertible debenture bears an adjustable rate of interest, initially at 7.75% per annum payable monthly amended to 8.5% and maturing on October 1, 2010.

The debentures were convertible into common shares of the Company at a conversion price of \$0.30 per common share. In 2009 certain EBITDA thresholds were met as a result, the conversion price was increased to \$0.35 per share. The Company requires the consent of the

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 15

Years ended December 31, 2009 and 2008

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

holder to issue any additional debt or equity securities. The Company shall have the right to repay the debenture at any time during the period from December 30, 2008 and the maturity date at an amount equal to the principal amount of the debenture plus an internal rate of return of 20% to the holder.

The convertible debentures are a direct obligation of the Company. The Company and its subsidiaries granted security interest over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debenture. The convertible secured debenture is subordinated to the bank indebtedness.

(i) On December 30, 2008 the Company issued a convertible secured debenture for total gross proceeds of US\$1.5 million. The convertible debenture bears interest at a rate of 8.5% per annum and matures on October 1, 2010. The principal does not bear interest from December 30, 2008 to December 19, 2009. From December 20, 2009 until the maturity date interest is paid monthly.

The debentures were convertible into common shares of the Company at a conversion price of \$0.30 per common share. In 2009 certain EBITDA thresholds were met as a result, the conversion price was increased to \$0.35 per share. The Company requires the consent of the holder to issue any additional debt or equity securities. The Company shall have the right to repay the debenture at any time during the period from December 30, 2008 and the maturity date at an amount equal to the principal amount of the debenture plus an internal rate of return of 20% to the holder.

The convertible debentures are a direct obligation of the Company. The Company and its subsidiaries granted security interest over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debenture. The convertible secured debenture is subordinated to the bank indebtedness.

(j) The convertible debentures are presented in the financial statements in their component parts, measured at their respective fair values at the time of issue or renegotiation. For the December 2004 and January 2005 (note (a)) and the March 10, 2008 (note (d)) convertible debentures, 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. Interest expense is determined on the debt component. The difference between the debt component and the face value of the debenture is classified in shareholders' equity as the equity portion of the convertible debentures. Issue costs are shown as a reduction to the liability portion of the debenture, net of income taxes. For the remainder of the convertible debentures the equity portion was calculated using the Black-Scholes pricing model. The difference between the equity portion and the face value of the debenture is classified as debt. The debentures are accreted to their face value over their term with a charge to operations included in the interest expense.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 16

Years ended December 31, 2009 and 2008

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

12. 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:

	2009	2008
Income (loss) before income taxes	\$ 2,353	\$ (28,424)
Statutory income tax rate	29.0%	29.5%
Computed expense (recovery)	682	(8,385)
Non deductible expenses	(507)	2,863
Tax rate differences	(254)	944
Impact of review and update of prior years' tax filings	(139)	-
Permanent portion of foreign exchange gain	352	-
Change in valuation allowance	(955)	3,466
Other	(13)	347
	\$ (834)	\$ (765)

The components of the net future income tax liability (asset) are as follows:

December 31, 2009	Canada	USA	Other	Total
Future income tax asset:				
Non-capital losses	\$ 923	\$ 49	\$ 405	\$ 1,377
Deferred development costs	568	-	-	568
Unrealized foreign exchange loss	51	-	-	51
Other	585	2,419	-	3,004
	2,127	2,468	405	5,000
Less valuation allowance	(2,127)	-	(405)	(2,532)
	-	2,468	-	2,468
Future income tax liability:				
Deferred development costs	-	541	-	541
Intangible assets	-	733	-	733
Other	-	61	-	61
	-	1,335	-	1,335
Net future income tax asset	\$ -	\$ (1,133)	\$ -	\$ (1,133)

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 17
Years ended December 31, 2009 and 2008

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

The components of the net future income tax liability (asset) are as follows:

December 31, 2008	Canada	USA	Other	Total
Future income tax asset:				
Non-capital losses	\$ 2,189	\$ 426	\$ 196	\$ 2,811
Deferred development costs	788	-	-	788
Unrealized foreign exchange loss	302	-	-	302
Other	658	1,681	-	2,339
	3,937	2,107	196	6,240
Less valuation allowance	(3,937)	-	(196)	(4,133)
	-	2,107	-	2,107
Future income tax liability:				
Deferred development costs	-	826	-	826
Intangible assets	-	1,081	-	1,081
Other	-	68	-	68
	-	1,975	-	1,975
Net future income tax asset	\$ -	\$ (132)	\$ -	\$ (132)

The Company has non-capital losses of \$3,693,716 (2008 - \$8,755,000) available to reduce future years taxable income for Canadian purposes. These losses will expire between 2022 and 2028. The company has net operating losses in the United States of \$126,105 (2008 - \$1,139,000) available to reduce future years taxable income. These losses will expire in 2028. The Company also has net operating losses in South Africa of \$1,445,969 (2008 - \$675,000). These losses have no expiry date.

13. 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, 2007	46,091	\$ 14,497
Share cancellation	(200)	-
Balance, December 31, 2008	45,891	\$ 14,497
Issued on private placement, for loans receivable from management	4,864	486
Less share-purchase loans receivable from management	-	(486)
Issued as interest on convertible debentures	308	124
Balance, December 31, 2009	51,063	\$ 14,621

In 2002, the Company granted a share-purchase loan to an officer and director in the amount of \$54,000. The share-purchase loan bore interest at a variable market rate and was repayable no

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 18

Years ended December 31, 2009 and 2008

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

later than December 1, 2011. The loan was secured by 200,000 common shares of the Company for which it was used to purchase. In 2008 the officer and director ceased employment with the Company and the loan was cancelled and the shares were returned to the Company.

On May 1, 2009, the Company granted share-purchase loans to three officers in the amount of \$486,000. The share-purchase loans bear interest at a rate equal to the Canada Revenue Agency prescribed rate used to calculate taxable benefits for employees with principal and related interest due on or before December 30, 2013. The loans are secured by the common shares issued.

(b) Warrants/compensation options:

	Number of warrants/options	Amount
Balance, December 31, 2007	8,677	\$ 1,058
Warrants issued on private placement expired	(5,000)	(250)
Compensation options on private placement expired	(977)	(122)
Warrants issued on long term note payable expired	(1,800)	(310)
Warrants issued on long term note payable forfeited	(900)	(376)
Balance, December 31, 2008	-	-
Balance, December 31, 2009	-	\$ -

(c) Stock options:

The Company has a stock option plan for employees, directors and consultants. At December 31, 2009, a total of 10,212,000 (3,700,000 at December 31, 2008) shares were reserved for issuance under this plan. Options granted vest up to three years.

The following tables summarize information regarding stock options:

	2009 Number of options outstanding	2009 Weighted average exercise price
Balance, Beginning of year	1,689	\$0.40
Granted	6,892	0.14
Forfeited	(538)	0.16
Expired	(626)	0.44
Balance, End of year	7,417	\$ 0.18

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 19

Years ended December 31, 2009 and 2008

(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	3,577	4.3	-
0.14	800	4.7	-
0.22	342	4.9	342
0.23	1,768	4.8	-
0.29	250	3.6	83
0.32	100	3.4	33
0.36	150	3.3	50
0.44	430	2.6	287
	7,417	4.4	795

Stock-based compensation expense for the year ended December 31, 2009 was \$252,000 (2008 - \$158,000). This expense was calculated using the Black-Scholes option pricing model with the following assumptions: weighted average risk-free interest rate of 1.55% (2008 - 3.84%), expected life of five years and volatility of 91% - 252% (2008 - 91% - 213%) forfeiture rate of 0% - 10% (2008 - 0%)

(d) Per share amounts:

The weighted average number of common shares outstanding for 2009 was 46,020,000 million (2008 - 46,091,000 million). The diluted number of shares for 2009 was 47,607,000 million (2008 - 46,091,000 million) reflecting the dilutive effect of the exercise of options outstanding, warrants and convertible debt.

(e) 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:

	2009
Balance, Beginning of year	\$ 1,624
Stock option expense	252
Maturity and repayment of convertible debenture	133
Balance, End of year	\$ 2,009

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 20

Years ended December 31, 2009 and 2008

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

(f) Convertible debentures:

	2009
Balance, Beginning of year	\$ 8,996
Maturity of convertible debenture	(133)
Balance, End of year	\$ 8,863

14. Accumulated other comprehensive loss:

	Amount
Balance, Beginning of year	\$ 3,744
Unrealized gain on translating financial statements of self-sustaining foreign operations	(4,631)
Balance, December 31, 2009	\$ (887)

15. Segmented information:

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

Revenue by geographical region:

	2009	2008
United States	\$ 20,471	\$ 22,284
Canada	6,832	8,404
Other International	9,452	4,621
	\$ 36,755	\$ 35,309

Property and equipment, intangible assets and goodwill by geographical region:

	2009	2008
United States	\$ 32,713	\$ 40,556
Canada	266	351
Other International	31	25
	\$ 33,010	\$ 40,932

Revenues are attributed to countries based on location of customer. No customers accounted for more than 10% of the Company's accounts receivable balance or revenue in 2009 or 2008.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 21

Years ended December 31, 2009 and 2008

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

16. Supplemental cash flow information:

	2009	2008
Taxes paid	\$ 210	\$ 162
Interest paid	\$ 2,741	\$ 3,278
Changes in non-cash working capital components:		
Accounts receivable	343	4,229
Prepaid expenses	413	(472)
Accounts payable, accrued liabilities and income tax liability	(2,467)	564
Deferred revenue	(2,814)	2,732
	\$ (4,525)	\$ 7,053

17. Foreign exchange (gain) loss:

	2009	2008
Unrealized foreign exchange (gain) loss on translation of foreign currency denominated debt and other	\$ (2,595)	\$ 3,304
Realized foreign exchange (gain) loss	(271)	198
	\$ (2,866)	\$ 3,502

18. Financial Risk Management

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.

The Company'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 the business objectives and risk tolerance.

(a) 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, setting exposure limits and monitoring exposures against these limits.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 22

Years ended December 31, 2009 and 2008

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

The maximum counterparty credit exposure at the balance sheet date consists of the carrying amount (net of allowances) of financial assets which are trade accounts receivables predominately from oil and gas and mining companies in North and South America. 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 receivable as at December 31, 2009 is as follows:

	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:

	Impairment
Balance, Beginning of year	\$850
Provision	32
Accounts written off	(556)
Balance, End of year	\$326

The Company has determined that an allowance of \$326,000 is required in respect of the gross amount of trade accounts receivable. This has been based upon an individual account assessment based upon past credit history and our knowledge of the counterparties. The concentration of credit risk 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.

(b) 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 utilized any of the available credit (December 31, 2008-nil) on this facility. Typically, the Company ensures that it has availability

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 23

Years ended December 31, 2009 and 2008

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

on its operating lines to fund operations for a period of 30 days, including forecasted collections and its requirements for servicing its financial obligations.

The following are the contractual maturities of financial liabilities, including interest payments and excluding additional contingent consideration which may be incurred in connection with the 2007 acquisition of iSoft.

	Carrying Amount	Contractual Cash Flow	Three months or less	Remainder of 2010	2011	2011 to 2015
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 obligations	63	82	4	8	41	29
Convertible debentures	17,658	30,485	480	1,439	1,919	26,647
Purchase commitments	-	2,236	369	1,108	757	2
	\$35,409	\$52,126	\$2,318	\$20,413	\$2,717	\$26,678

(c) 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. The Company monitors its foreign currency exposure and attempts to minimize the impact by aligning appropriate levels of US denominated debt with cash flows from US based operations.

The following table summarizes the foreign currency financial instruments as at December 31, 2009:

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 24

Years ended December 31, 2009 and 2008

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

	US dollars	South African 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)	-
Long term capital lease obligations	(60)	-
Convertible debentures	(17,074)	-
	(\$21,425)	114

A 10% strengthening of the Canadian dollar against the United States dollar and South African rand as at December 31, 2009 would have increased 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 periodically borrows funds at both fixed and floating interest rates. As at December 31, 2009, all of the Company's interest bearing financial liabilities bear interest at fixed rates.

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. The Company's bank indebtedness bears interest at prime plus 3%. 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.

(d) 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.

19. 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:

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 25
Years ended December 31, 2009 and 2008

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

- (a) to safeguard the Company's ability to continue as a going concern and provide returns for shareholders;
- (b) to 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 analysis to ensure that liquidity is adequate and monthly reviews of financial performance.

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

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

The Company has the following requirements on its capital primarily as a result of 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, debt to equity and trailing 12 month EBITDA ("TTM EBITDA") as defined in the debt agreements. See Note 11 for additional information.

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

20. Related parties:

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.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 26

Years ended December 31, 2009 and 2008

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

21. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

22. Commitments:

The iSoft acquisition agreement provides for contingent consideration should the acquired business perform to annual levels prescribed in the acquisition agreement in the first five years of operation, post acquisition. No such payments were made in 2009.

The Company is committed to payments under operating leases for furniture, equipment and office premises, net of sub-leases, approximately as follows:

2010	\$	1,477
2011		757
2012		2
2013 and beyond		-
