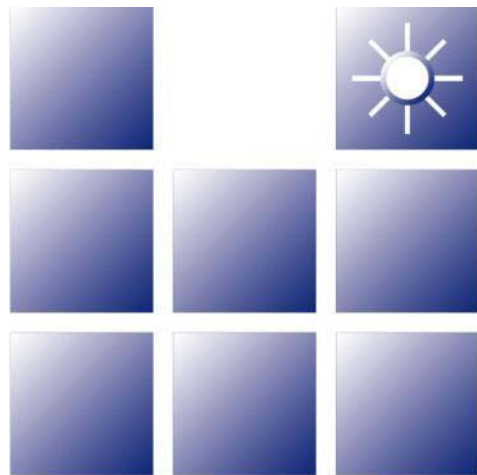


WellPoint Systems Inc.



WellPoint
Systems Inc.

Unaudited Interim Consolidated Financial Statements of

Three and nine months ended September 30, 2010 and 2009

November 19, 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 nine months ended September 30, 2010 and 2009.

WELLPOINT SYSTEMS INC.

Consolidated Balance Sheets (Unaudited)
(in thousands of dollars)

	September 30 2010	December 31 2009
Assets		
Current assets:		
Cash	\$ -	\$ 505
Accounts receivable	3,222	3,189
Prepaid expenses	445	333
	<u>3,666</u>	<u>4,026</u>
Property and equipment	774	920
Deferred development costs	945	1,386
Intangible assets	8,977	10,999
Goodwill	20,479	21,091
Future income taxes (note 3)	1,771	1,132
Total Assets	\$ 36,612	\$ 39,554
Liabilities and Shareholders' Equity(Deficiency)		
Current liabilities:		
Line of Credit	\$ 79	\$ -
Accounts payable and accrued liabilities	4,534	3,274
Current income tax liability	-	83
Deferred revenue	2,560	2,062
Other deferred credits	36	55
Notes payable	225	225
Current portion of long term notes payable	5,201	5,246
Current portion of capital lease obligations	36	60
Convertible debentures	9,827	8,880
Total Current Liabilities	22,498	19,885
Long term notes payable	-	-
Capital lease obligations	62	63
Other deferred credits	-	23
Convertible debentures	18,377	17,658
Total Liabilities	40,937	37,629
Shareholders' equity:		
Share capital (note 4 (a))	14,621	14,621
Contributed surplus (note 4(d))	2,226	2,009
Convertible debentures (note 4(e))	8,666	8,864
Accumulated other comprehensive income (loss) (note 5)	(1,490)	(888)
Deficit	(28,348)	(22,681)
Retained Earnings	(29,838)	(23,569)
Total shareholders' equity (Deficiency)	(4,325)	1,925
Basis of presentation (note 1)		
Total Liabilities & Shareholder's Equity	\$ 36,612	\$ 39,554

See accompanying notes to consolidated financial statements.

Approved by the Board:

"Charles 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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenue (note 6):				
License	\$ 1,873	\$ 4,771	\$ 5,843	\$ 11,330
Maintenance	2,673	2,570	7,667	8,351
Professional services	2,365	2,580	6,501	9,357
	6,911	9,921	20,011	29,038
Direct costs	3,171	2,548	9,549	8,419
Gross profit	3,740	7,373	10,462	20,619
Expenses:				
Sales, general and administrative	1,997	2,794	5,899	7,867
Interest	1,565	1,580	4,718	4,498
Research and development	911	1,324	3,149	4,181
Depreciation and amortization	742	805	2,340	2,549
Facilities	336	354	967	1,118
Financing and amortization of debt and note payable issue costs	35	59	126	203
Foreign exchange loss (gain)	(579)	(1,689)	(567)	(2,517)
	5,007	5,227	16,632	17,899
Net income (loss) before income taxes	(1,267)	2,146	(6,170)	2,720
Income taxes (note 3)				
Current expense	-	92	-	92
Future expense (reduction)	(71)	(606)	(504)	(1,062)
	(71)	(514)	(504)	(970)
Net income (loss)	(1,196)	2,660	(5,666)	3,690
Deficit, beginning of period	(27,153)	(24,839)	(22,681)	(25,869)
Deficit, end of period	\$ (28,348)	\$ (22,179)	\$ (28,348)	\$ (22,179)
Net income (loss) per share				
Basic and diluted (note 4(c))	\$ (0.02)	\$ 0.05	\$ (0.12)	\$ 0.08

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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Net income (loss)	\$ (1,196)	\$ 2,660	\$ (5,666)	\$ 3,690
Unrealized gain (loss) on translating Financial Statements of self-sustaining foreign Operations	579	(2,636)	858	(4162)
Comprehensive income (loss)	\$ (617)	\$ 24	\$ (4,808)	\$ (472)

See accompanying notes to unaudited consolidated financial statements.

WELLPOINT SYSTEMS INC.

Consolidated Statements of Cash Flows (unaudited)
(in thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Cash provided from (used in):				
Operations:				
Net income (loss)	\$ (1,195)	\$ 2,660	\$ (5,666)	\$ 3,690
Items not affecting cash:				
Accretion of interest on convertible debt	863	688	2,344	2,012
Amortization of debt issuance costs	(13)	54	56	223
Fees and expenses on settlement of long term note payable	-	-	-	-
Rent inducement	(14)	(14)	(41)	(41)
Depreciation and amortization	742	806	2,340	2,550
Future income taxes	(199)	(606)	(639)	(1,062)
Interest on issuance of shares	-	123	-	123
Unrealized foreign exchange gain (loss)	(579)	(1,564)	(858)	(2,329)
Stock-based compensation	82	46	217	109
	(313)	2,193	(2,247)	5,275
Net change in non-cash working capital items (note 7)	694	(610)	1,531	(2,900)
	381	1,583	(716)	2,375
Financing:				
Bank indebtedness	(446)	-	79	-
Redemption of convertible debentures	-	(1,490)	-	(1,490)
Repayment of principal on long term note payable	(92)	(24)	(45)	(71)
Repayment of principal on capital lease obligation	33	(7)	26	(33)
Debt issue costs	-	-	-	(31)
Issuance of notes payable	-	170	-	225
	(505)	(1,351)	59	(1,400)
Investing:				
Purchases of property and equipment	(33)	(30)	(108)	(139)
	(33)	(30)	(108)	(139)
Effect of foreign exchange rate changes on cash and cash equivalents	157	(3)	261	(14)
Change in cash and cash equivalents	0	199	(504)	822
Cash and cash equivalents, beginning of period	-	1029	504	406
Cash and cash equivalents, end of period	\$ 0	\$ 1,228	\$ 0	\$ 1,228

See accompanying notes to unaudited consolidated financial statements.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements

For the three and nine months ended September 30, 2010 and 2009

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

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 September 30, 2010, the Company reported \$6.9 million of revenues and incurred a net loss of \$1.2 million compared with revenues of \$9.9 million and a net income of \$2.7 million for the same period in 2009. For the nine months ended September 30, 2010, the Company reported revenues of \$20.0 million and a net loss of \$5.7 million compared to revenues of \$29.0 million and a net income of \$2.7 million.

2. Bank indebtedness:

During the third quarter ended September 30, 2010, the corporation's major lenders agreed to defer the repayment of the following matured to October 1, 2010 while the company works with the lenders to renegotiate the maturing debt and/or seek to inject new capital. Subsequent to September 30, 2010, the repayment was extended to November 30, 2010.

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

Subsequent to quarter end, the following debt matured and the corporation's major lenders agreed to delay its repayment until November 30, 2010

- (a) Convertible debentures with a face value of \$1.6 million issued on August 25, 2005 with an original maturity date of October 1, 2010
- (b) Convertible debentures with a face value of \$2.4 million issued on May 11, 2008 with an original maturity date of October 1, 2010

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 2

For the three and nine months ended September 30, 2009 and 2008

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

- (c) Convertible debentures with a face value of \$.3 million issued on September 29, 2008 with an original maturity date of October 1, 2010
- (d) Convertible debentures with a face value of US\$3.8 million issued on December 30, 2008 with an original maturity date of October 1, 2010

As at September 30, 2010, the Company did not make certain scheduled interest payments totaling approximately \$1.4 million 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.

As at September 30, 2010, the Company had access to a bank operating credit facility of US \$1.5 million. As at September 30, 2010 the Company had utilized CAD \$0.9 million and had CAD \$0.6 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.

During the quarter just ended, the Company entered into an amending agreement with its bank (the "Bank") in respect of its working capital credit facility (the "Credit Facility"), which was due to expire on August 2, 2010. Under the terms of the amendment,

- Although the Company was in default under the Credit Facility due to: (i) a violation of its EBITDA covenant; and (ii) a failure to make scheduled payments of interest for the month ended June 30, 2010 to the three senior holders (the "Debenture Holders") of its outstanding convertible debentures, such defaults were waived by the Bank.
- The Credit Facility was reduced to US\$1.5 million from US\$2.5 million and matured on September 30, 2010. The facility was extended to October 30, 2010. Subsequent to the quarter end, the facility was further extended to November 30, 2010 on the same terms and conditions except that the facility was reduced to US\$1.0 million and the interest rate increase from prime +3% to prime +4%.
- The Company has access to a maximum draw under the Credit Facility of 80% of the value of eligible accounts receivable not insured by Export Development Canada ("EDC") plus, commencing August 30, 2010, 90% of the value of eligible EDC insured accounts receivable.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 3

For the three and nine months ended September 30, 2009 and 2008

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

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	\$ (6,170)	\$ 2,720
Statutory income tax rate	29%	29%
Computed expense (recovery)	(1,790)	789
Non deductible expenses	779	197
Tax rate differences	-	(280)
Other	750	(76)
Change in valuation allowance	516	(1,600)
	\$ 9	\$ (970)

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 September 30, 2010, the Company had total future tax assets of \$1,762,484 (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.

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:

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 4

For the three and nine months ended September 30, 2009 and 2008

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

	Number of Common Shares	Amount
Balance, December 31, 2009	51,062,359	\$ 14,621
Forfeited on private placement loan	(1,376,546)	(138)
Issued on convertible debentures redemption	-	138
Balance, September 30, 2010	49,685,813	\$ 14,621

b) Stock options:

The Company has a stock option plan for employees, directors and consultants. At September 30, 2010, a total of 10,212,472 (10,212,472 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:

	2010 Number of options outstanding	2010 Weighted average exercise price
Balance, December 31, 2010	7,417,067	\$0.18
Granted	1,012,472	0.17
Granted	670,000	0.12
Forfeited	494,000	0.23
Forfeited	62,500	0.22
Forfeited	250,000	0.29
Forfeited	1,012,472	0.10
Forfeited	50,000	0.44
Balance, September 30, 2010	7,230,567	\$ 0.17

Exercise price	Number of options outstanding	Weighted Average remaining contractual life (years)	Number of options exercisable
\$ 0.10	2,564,928	3.8	-
0.12	670,000	4.9	-
0.14	800,000	4.2	-
0.17	1,012,472	4.7	-
0.22	279,167	4.4	279,167
0.23	1,274,000	4.4	-
0.32	100,000	2.9	33,333
0.36	150,000	2.8	50,000
0.44	380,000	2.1	253,333
	7,230,567	4.1	615,833

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 5

For the three and nine months ended September 30, 2009 and 2008

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

Stock-based compensation expense for the nine months ended September 30, 2010 was \$217,423 (2009 - \$108,536). 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 the three months ended September 30, 2010 was 50.1 million (2009 - 50.9 million) and the nine months ended September 30 2010 was 48.7 million (2009 - 48.3 million). The diluted number of shares for the three months ended September 30, 2010 was 50.2 million (2009 - 50.9 million) and the nine months ended September 30 2010 was 48.7 million (2009 - 48.3 million) reflecting the dilutive effect of the exercise of options outstanding, warrants and convertible debt.

(d) 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	217
Balance, September 30, 2010	\$ 2,226

(e) Convertible debentures:

	2010
Balance, December 31, 2009	\$ 8,864
Convertible debenture accretion	(198)
Balance, September 30, 2010	\$ 8,666

5 Accumulated other comprehensive loss:

	2010
Balance, December 31, 2009	\$ (888)
Unrealized loss on translating financial statements of self-sustaining foreign operations	(602)
Balance, September 30, 2010	\$ (1,490)

6. Segmented information:

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

Revenue by geographical region:

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 6

For the three and nine months ended September 30, 2009 and 2008

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
United States	\$ 5,594	\$ 4,170	\$ 15,477	\$ 15,398
Canada	1,132	1,486	3,440	4,994
Other International	185	4,265	1,094	8,646
	\$ 6,911	\$ 9,921	\$ 20,011	\$ 29,038

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

7. Supplemental cash flow information:

	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
Taxes paid	\$ -	\$ -	\$ 176	\$ 301
Interest paid	\$ -	\$ 558	\$ 754	\$ 2,317
Changes in non-cash working capital components:				
Accounts receivable	\$ 237	\$ (151)	\$ (33)	\$ 530
Prepaid expenses	63	292	(112)	149
Accounts Payable & accrued liabilities	575	(415)	1,178	(1,064)
Deferred revenue	(181)	(336)	498	(2,515)
	\$ 694	\$ (610)	\$ 1,531	\$ (2,900)