

## **BluePoint Data, Inc.**

(formerly BluePoint Data Storage, Inc.)

Interim Consolidated Financial Statements

(Unaudited)

**For the three and nine months ended**

**September 30, 2011 and 2010**

(expressed in US dollars)

The interim consolidated financial statements have neither been audited nor reviewed by the Company's auditor, PricewaterhouseCoopers LLP, and should be read in conjunction with the Company's Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010.

# BluePoint Data, Inc.

## Interim Consolidated Balance Sheet (Unaudited)

(expressed in US dollars)

	September 30, 2011 \$	December 31, 2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	660,897	485,702
Accounts receivable (note 4)	893,250	635,432
Current portion of deferred costs	22,040	22,040
	<u>1,576,187</u>	<u>1,143,174</u>
<b>Equipment</b> (note 6)	1,297,050	1,619,452
<b>Intangible assets</b> (note 7)	2,719,583	3,120,833
<b>Deferred costs</b>	<u>5,101</u>	<u>21,386</u>
	<u>5,597,921</u>	<u>5,904,845</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	522,038	534,798
Current portion of deferred revenue	272,071	288,807
	<u>794,109</u>	<u>823,605</u>
<b>Deferred revenue</b>	<u>556,884</u>	<u>701,611</u>
	<u>1,350,993</u>	<u>1,525,216</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b>		
Common shares (note 8)	4,971,893	4,971,893
<b>Deficit</b>	<u>(724,965)</u>	<u>(592,264)</u>
	<u>4,246,928</u>	<u>4,379,629</u>
	<u>5,597,921</u>	<u>5,904,845</u>
<b>Commitments</b> (note 12)		

Approved by the Board of Directors

Paul Sachse, CEO Director

Vance Kistler, CFO Director

# BluePoint Data, Inc.

Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit  
(Unaudited)

For the three and nine months ended September 30, 2011 and 2010

(expressed in US dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Revenue</b>	1,686,412	1,608,119	5,000,170	4,815,048
<b>Expenses</b>				
Operating costs	955,829	988,920	2,901,283	2,980,395
Selling, general and administrative	444,889	443,568	1,335,338	1,375,001
Amortization of equipment	165,000	170,000	495,000	470,000
Amortization of intangible assets	133,750	133,750	401,250	401,250
	1,699,468	1,736,238	5,132,871	5,226,646
<b>Loss and comprehensive loss for the period</b>	(13,056)	(128,119)	(132,701)	(411,598)
<b>Deficit - Beginning of period</b>	(711,909)	(341,995)	(592,264)	(58,516)
<b>Deficit - End of period</b>	(724,965)	(470,114)	(724,965)	(470,114)
<b>Basic and diluted loss per share (note 9)</b>	(0.00)	(0.00)	(0.00)	(0.01)
<b>Weighted average number of shares used in computing basic and diluted loss per share (note 9)</b>	44,423,405	44,423,405	44,423,405	44,423,405

# BluePoint Data, Inc.

Interim Consolidated Statements of Changes in Equity  
(Unaudited)

For the nine months ended September 30, 2011 and 2010

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(expressed in US dollars)

	<b>Deficit</b> \$	<b>Common</b> <b>shares</b> \$	<b>Total</b> \$
<b>Balance - January 1, 2010</b>	(58,516)	4,971,893	4,913,377
Loss for the period	(411,598)	-	(411,598)
<b>Balance - September 30, 2010</b>	(470,114)	4,971,893	4,501,779
<b>Balance - January 1, 2011</b>	(592,264)	4,971,893	4,379,629
Loss for the period	(132,701)	-	(132,701)
<b>Balance - September 30, 2011</b>	(724,965)	4,971,893	4,246,928

# BluePoint Data, Inc.

## Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three and nine months ended September 30, 2011 and 2010

(expressed in US dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Loss for the period	(13,056)	(128,119)	(132,701)	(411,598)
Items not affecting cash				
Amortization of equipment	165,000	170,000	495,000	470,000
Amortization of intangible assets	133,750	133,750	401,250	401,250
Change in deferred revenue	(74,867)	(118,959)	(161,463)	(55,501)
Change in non-cash working capital	(78,326)	28,327	(254,293)	111,472
	132,501	84,999	347,793	515,623
<b>Investing activities</b>				
Acquisition of equipment	-	(132,710)	(172,598)	(516,775)
<b>Increase (decrease) in cash and cash equivalents during the period</b>	132,501	(47,711)	175,195	(1,152)
<b>Cash and cash equivalents - Beginning of period</b>	528,396	524,091	485,702	477,532
<b>Cash and cash equivalents - End of period</b>	660,897	476,380	660,897	476,380

# **BluePoint Data, Inc.**

Notes to Interim Consolidated Financial Statements  
(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

## **1 Organization and nature of operations**

BluePoint Data, Inc. (BluePoint or the Company) is incorporated under the Business Corporations Act (Yukon). On July 27, 2009, the Company's name was changed from BluePoint Data Storage, Inc. to BluePoint Data, Inc. The Company's corporate office is located in Toronto, Ontario and its operational office is located in Boca Raton, Florida.

The Company provides hosted and remotely managed information technology services delivered through Internet service providers, application service providers, system integrators and other reseller channels intended to meet the data storage needs of medium to large enterprises whose business is information-centric. The Company has one operating segment and its customers are primarily in the United States.

## **2 Basis of preparation and adoption of IFRS**

The Company prepares its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP), as set out in the Handbook of The Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company reports on this basis in these interim consolidated financial statements. In these interim consolidated financial statements, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS. These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Champion Managed Services, Inc.

The consolidated financial statements do not have any reconciling items resulting from the conversion from Canadian GAAP to IFRS, as there was no material impact.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34 and IFRS 1. The Company has consistently applied the same accounting policies in its opening IFRS interim consolidated balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as at November 29, 2011, the date the board of directors approved these interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

# BluePoint Data, Inc.

Notes to Interim Consolidated Financial Statements  
(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

## 3 Summary of significant accounting policies

The Company prepares its unaudited interim consolidated financial statements in accordance with IFRS. The disclosures contained in these unaudited interim consolidated financial statements do not contain all requirements of IFRS for annual consolidated financial statements and should be read in conjunction with the Company's Canadian GAAP annual audited consolidated financial statements for the year ended December 31, 2010 and the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2011.

These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the unaudited interim consolidated financial statements for the three months ended March 31, 2011.

## 4 Financial instruments

### Determination of fair value

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values given their short-term nature.

### Credit risk

The Company is exposed to credit risk, primarily in relation to accounts receivable. Exposure to credit risk varies due to the composition of individual customer balances. Customers are all located in the United States. The Company performs regular monitoring of overdue customer balances and provides allowances for potentially uncollectible accounts receivable. Accounts receivable are non-interest bearing and are generally due on 30- to 60-day terms.

The composition of the Company's outstanding accounts receivable is as follows:

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
	\$	\$
Less than 30 days	593,702	561,860
31 to 60 days	256,685	34,766
Greater than 60 days	42,863	38,806
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	893,250	635,432
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Included in the balance above is an allowance for potentially uncollectible accounts receivable of \$nil (December 31, 2010 - \$nil). All amounts are in US dollars.

# **BluePoint Data, Inc.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

The Company may also have credit risk relating to cash and cash equivalents, which it manages by dealing with large chartered banks located in the United States. As at September 30, 2011 and December 31, 2010, the Company did not have any cash and cash equivalents invested in short-term or demand deposits.

### **Liquidity risk**

As at September 30, 2011, the Company had \$660,897 (December 31, 2010 - \$485,702) in cash deposits. The Company monitors cash flows and manages liquidity risk through the receipt of upfront payments from its customers to finance capital expenditures used to service customers, as well as the collection of monthly service charges used to fund ongoing operations. The Company monitors its financial position on a monthly basis.

### **Operating line of credit**

The Company has an operating line of credit of \$100,000 with a US bank. Borrowings under the operating line of credit bear interest at the prime rate, as published in the money rate table of the Wall Street Journal, plus 2.00% (5.00% as at September 30, 2011). As security, an officer of the Company has provided guarantees collateralized by his personal assets. The terms of the banking agreement require the Company to comply with certain financial and non-financial covenants. No amounts were borrowed under the operating line of credit as at September 30, 2011 or December 31, 2010.

## **5 Management of capital**

The Company's objective in managing capital is to ensure liquidity to pursue its organic growth strategy. Management monitors cash flows through the receipt of upfront payments from its customers, primarily used to purchase the necessary equipment to service those customers. Remaining monthly service charges are used to fund the Company's ongoing operations.

The Company's capital is composed of share capital and accumulated deficit. The total capital as at September 30, 2011 is \$4,246,928 (December 31, 2010 - \$4,379,629). The Company's primary uses of capital are to finance operating cash flows and capital expenditures. The Company currently funds these requirements from internally generated cash flows. The Company's objectives when managing capital are to ensure the Company will continue to have enough liquidity so that it can deliver the product or provide the services to its customers and returns to shareholders.

The Company governs its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize its ability to finance the Company's ongoing growth, the Company does not currently pay a dividend to holders of its common shares.

# BluePoint Data, Inc.

Notes to Interim Consolidated Financial Statements  
(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

## 6 Equipment

The composition of the net carrying value of the Company's equipment is presented in the following table:

	<b>Computer hardware \$</b>
As at December 31, 2010	
Cost	8,291,786
Accumulated amortization	<u>(6,672,334)</u>
Net carrying value	1,619,452
As at September 30, 2011	
Additions	172,598
Amortization	<u>(495,000)</u>
Net carrying value	<u>1,297,050</u>
As at September 30, 2011	
Cost	8,464,384
Accumulated amortization	<u>(7,167,334)</u>
Net carrying value	<u>1,297,050</u>

# BluePoint Data, Inc.

Notes to Interim Consolidated Financial Statements  
(Unaudited)

For the three and nine months ended September 30, 2011 and 2010

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(expressed in US dollars)

## 7 Intangible assets

	Customer relationships \$	Contracts \$	Total \$
As at December 31, 2010			
Cost	2,675,000	2,675,000	5,350,000
Accumulated amortization	(1,114,583)	(1,114,584)	(2,229,167)
Net carrying value	1,560,417	1,560,416	3,120,833
As at September 30, 2011			
Amortization	(200,625)	(200,625)	(401,250)
Net carrying value	1,359,792	1,359,791	2,719,583
As at September 30, 2011			
Cost	2,675,000	2,675,000	5,350,000
Accumulated amortization	(1,315,208)	(1,315,209)	(2,630,417)
Net carrying value	1,359,792	1,359,791	2,719,583

## 8 Share capital

On June 30, 2009, the shareholders of the Company approved a \$70,670,641 reduction in the stated capital of the Company, a \$9,671,629 reduction in contributed surplus and a corresponding \$80,342,270 reduction in the accumulated deficit (the plan). The total shareholders' equity remains unchanged as a result of the reduction. These balances have accumulated since the original incorporation of the Company in 1993, and related mainly to the discontinued mining operations, which were sold in 1999. The effect of the plan on the common shares outstanding and shareholders' equity was as follows:

	\$
Issued and outstanding common shares before plan	75,642,534
Reduction in stated capital	(70,670,641)
Stated capital after reduction - September 30, 2011 and December 31, 2010	4,971,893

# BluePoint Data, Inc.

Notes to Interim Consolidated Financial Statements  
(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

## Authorized and issued

Unlimited common shares authorized, without par value

	<u>Issued September 30, 2011</u>		<u>Issued December 31, 2010</u>	
	<b>Number of shares</b>	<b>\$</b>	<b>Number of shares</b>	<b>\$</b>
Balance - Beginning and end of period	44,423,405	4,971,893	44,423,405	4,971,893

## Stock option plan

The Company has a stock option plan under which the Company may grant stock options to its officers, directors, employees and consultants. Under this plan, the exercise price of each stock option for officers, directors, employees and consultants equals the market price of the Company's common shares on the date of the grant and provides for a maximum term of five years. Stock options can be granted throughout the year and are subject to various vesting provisions, ranging from immediate vesting to vesting over a period of five years. The exercise prices are stated in Canadian dollars, as the public market for the Company's common shares is the Toronto Venture Exchange.

The total number of stock options available for issuance as at September 30, 2011 is 4,442,340 (December 31, 2010 - 4,442,340). There were no employee stock options exercised or granted in the first nine months of 2011 and 2010. Therefore, the expense relating to stock-based compensation in 2011 was \$nil (December 31, 2010 - \$nil).

## 9 Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding for the period of 44,423,405 (2010 - 44,423,405). No effect has been given to the potential exercise of stock options or warrants in the calculation of diluted loss per share, as the effect would be anti-dilutive.

## 10 Related party transactions

On April 16, 2010, two former directors (who also own 22% of Champion Solutions Group (Champion)) resigned from the board. The following related party transactions related to the aforementioned related parties during 2010.

# BluePoint Data, Inc.

Notes to Interim Consolidated Financial Statements  
(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	\$	\$	\$	\$
BluePoint's revenue from Champion	n/a	203,994	n/a	466,607
BluePoint's purchases from Champion	n/a	61,494	n/a	451,702

These transactions were recorded at their exchange amounts. There are no other related party transactions.

## 11 Significant customer and business partners

During the third quarter of 2011, one business partner (IBM Corporation) comprised 71% (2010 - 75%) of total revenue and 69% (2010 - 73%) of outstanding accounts receivable.

## 12 Commitments

The Company has one future minimum lease payment under an operating lease relating to premises and office equipment as follows:

	\$
2011	5,938
2012	24,845
2013	25,940
2014	27,034
2015	28,129
2016 and thereafter	29,223
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	141,109
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## 13 Recent accounting pronouncements

### Financial instruments

IFRS 9, Financial Instruments (IFRS 9), was issued by the International Accounting Standards Board (IASB) on October 28, 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss (FVTPL) and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost, unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to

# BluePoint Data, Inc.

Notes to Interim Consolidated Financial Statements  
(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its interim consolidated financial statements.

In May 2011, the IASB issued the following standards, which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10); IFRS 11, Joint Arrangements (IFRS 11); IFRS 12, Disclosure of Interests in Other Entities (IFRS 12); IAS 27, Consolidated and Separate Financial Statements (IAS 27); IFRS 13, Fair Value Measurement (IFRS 13); and amended IAS 28, Investments in Associates (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its interim consolidated financial statements or whether to early adopt any of the new standards.

The following is a brief summary of the new standards:

- **IFRS 10**

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee (SIC) 12, Consolidation - Special Purpose Entities, and parts of IAS 27.

- **IFRS 11**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers.

- **IFRS 12**

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

- **IFRS 13**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or

# BluePoint Data, Inc.

Notes to Interim Consolidated Financial Statements  
(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

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(expressed in US dollars)

paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and, in many cases, does not reflect a clear measurement basis or consistent disclosures.

## Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

## 14 Compensation of key management

Key management includes the Company's directors and members of the board of directors. Compensation awarded to key management included:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Salaries and short-term employee benefits	88,428	86,369	268,947	272,015

## 15 Expenses by nature

Additional information on the nature of amounts included in operating costs and selling, general and administrative expenses is as follows:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Wages and salaries	357,642	436,673	1,205,018	1,354,019