

BluePoint Data Storage, Inc.

Consolidated Interim Financial Statements
For the Three Month Period Ended March 31, 2009
(Unaudited)

(Amounts are expressed in U.S. dollars unless stated otherwise)

BluePoint Data Storage, Inc.

Consolidated Balance Sheets

(Unaudited)

(Amounts are expressed in U.S. dollars unless stated otherwise)

	As at March 31 2009	As at December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 461,501	\$ 552,686
Accounts receivable and other current assets	887,196	697,460
Current portion of deferred costs	22,040	22,040
	<u>1,370,737</u>	<u>1,272,186</u>
Equipment	1,738,534	1,863,429
Intangible Assets	4,057,083	4,190,833
Deferred Costs	59,383	64,811
	<u>\$ 7,225,737</u>	<u>\$ 7,391,259</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 810,772	\$ 1,078,608
Current portion of deferred revenue	474,303	374,303
	<u>1,285,075</u>	<u>1,452,911</u>
Long-term deferred revenue	877,093	966,455
Shareholders' Equity		
Share capital	75,642,534	75,642,534
Contributed surplus	9,671,629	9,671,629
Deficit	(80,250,594)	(80,342,270)
	<u>5,063,569</u>	<u>4,971,893</u>
	<u>\$ 7,225,737</u>	<u>\$ 7,391,259</u>

BluePoint Data Storage, Inc.

Consolidated Statements of Operations and Deficit

(Unaudited)

(Amounts are expressed in U.S. dollars unless stated otherwise)

	Three Months Ended	
	March 31, 2009	March 31, 2008
Revenue	\$ 1,982,372	\$ 1,952,752
Cost of Sales	<u>1,061,022</u>	<u>1,016,774</u>
Gross Profit	921,350	935,978
Selling, General, & Administrative Costs	<u>545,925</u>	<u>633,257</u>
Gain before Depreciation & Interest	375,425	302,721
Depreciation of Equipment	150,000	150,000
Amortization of Intangible Assets	133,750	133,750
Interest expense	<u>-</u>	<u>4,768</u>
Gain for the period	91,675	14,203
Deficit, beginning of period	<u>(80,094,292)</u>	<u>(80,094,292)</u>
Deficit, end of period	<u>\$ (80,002,617)</u>	<u>\$ (80,080,089)</u>
Gain per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding	<u>44,250,906</u>	<u>44,250,906</u>

BluePoint Data Storage, Inc.

Consolidated Statements of Cash flows

(Unaudited)

(Amounts are expressed in U.S. dollars unless stated otherwise)

	Three Months Ended	
	March 31, 2009	March 31, 2008
Cash provided by (used in) operating activities		
Operations		
Gain for period	\$ 91,675	\$ 14,203
Items not affecting cash		
Amortization of intangible assets	133,750	133,750
Increase/(Decrease) in deferred revenue	10,638	(17,411)
Depreciation of property, plant and equipt.	150,000	150,000
	<u>386,063</u>	<u>280,542</u>
Changes in non-cash working capital	(452,143)	(49,900)
	<u>(66,080)</u>	<u>230,642</u>
Cash provided by financing activities		
Repayment of capital lease obligation	-	(18,769)
Cash (used in) provided by investing activities		
Acquisition of capital assets	(25,105)	(222,668)
Increase/(Decrease) in cash	(91,185)	(10,795)
Cash, beginning of period	552,686	453,302
Cash, end of period	<u>\$ 461,501</u>	<u>\$ 442,507</u>
Supplemental disclosure		
Interest paid in the period	-	4,768

1. Organization and nature of operations

The consolidated financial statements of BluePoint Data Storage, Inc. have been prepared based on Canadian generally accepted accounting principles. The Company is incorporated under the *Business Corporations Act (Yukon)*.

The Company provides managed information technology solutions delivered through Internet Service Providers, Application Service Providers, system integrators and other reseller channels intended to meet the information technology needs of medium to large enterprises whose business is information-centric.

2. Accounting policies

The interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada using the same accounting policies, and their methods of application, as those disclosed in note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2008.

These interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements included in the Company's Annual Report for 2008. These March 31, 2009 unaudited financial statements have not been reviewed by PricewaterhouseCoopers, LLP.

Management's Discussion and Analysis

The following discussion of the operating results and financial position of the Company should be read in conjunction with the consolidated financial statements and related notes for the three-month period ended March 31, 2009; reference should also be made to the Company's audited consolidated financial statements and related notes for the fiscal year ended December 31, 2008 contained in the Company's Annual Report. Amounts are in United States dollars unless otherwise stated. Capitalized terms used but not defined in this section have their meanings described elsewhere in this report. These unaudited financial statements have not been reviewed by the Company's auditors, PricewaterhouseCoopers, LLP.

Overview

BluePoint Data Storage, Inc. is a Canadian public corporation currently trading on the TSX Venture Exchange under the stock symbol "BLP". The Company provides hosted and on-site information technology solutions delivered directly, through Internet Service Providers (ISPs), application service providers (ASPs), system integrators, and other reseller channels intended mainly to meet the server management, data storage, availability, security, and off-site protection needs of medium to large-sized enterprises.

The following discussion of our operating results and financial position is as of May 29, 2009, the date of this report. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Amounts are in United States dollars unless otherwise stated.

On June 30, 2006, the Company announced the acquisition of Champion Managed Services, Inc. ("CMS"), which received shareholder and regulatory approval on November 3, 2006. The effect of this transaction is discussed below and is reflected in the financial results for 2008.

Results of Operations

(000's of U.S. dollars)

	Three months ended	
	March 31	
	2009	2008
Revenue	1,982	1,953
Operating Costs	1,061	1,017
Selling, General & Administration	546	633
Amortization	284	284
Interest	0	5

Revenues

The outsourced, information technologies solutions industry is in a growth phase and is starting to generate significant revenues. BluePoint net revenue for the quarters ended March 31, 2009 and 2008 was approximately \$2M. The comparable net revenues for both periods represent a combination of new customers and growth from existing customers, net of any attrition.

Operating Costs

Operating costs comprise costs related to providing hosted solutions such as data centre costs including space, power, cooling, security, Internet bandwidth and technical personnel costs both on-site and remote. Approximately half of the \$1M in costs (for both periods) relates to personnel versus datacenter facilities and there were no material changes from 2008 to 2009. The Company does not anticipate significant increases in personnel or data center costs during 2009.

Selling, General and Administrative

Selling, General, and Administrative costs include personnel, office costs, professional fees, research and development and normal sales and marketing costs.

Personnel, office costs, professional fees, sales and marketing, and other general costs of \$0.2M, \$0.1M, \$0.1M, \$0.1M and \$0.1M, respectively for the three months ended March 31, 2009 and 2008 have not changed, materially.

Research and development costs relate to developing new proprietary technology and furthering existing technology in support of existing customer contracts. These amounts were approximately \$0.1M for the three months ended March 31, 2009 and 2008.

Amortization

Amortization of equipment of \$0.3M during the three months ended March 31, 2009 was consistent with the \$0.3M of amortization during the three months ended March 31, 2008 as our level of capital assets has remained relatively constant.

Definite-life intangible asset amortization for the three months ended March 31, 2009 was \$0.1M which is consistent with the \$0.1M recorded during the three months ended March 31, 2008. The definite-life intangible assets resulted from the acquisition of CMS in November 2006. The BLP common stock consideration of \$5.4M related to the purchase of CMS' existing customer relationships and contracts is being amortized straight line over ten years.

Interest

Interest expense during the three months ended March 31, 2009 (nil) and for 2008 was at insignificant levels.

Gain/Earnings Per Share

We recorded a small amount of net income for the three months ended March 31, 2009 (\$0.1M, or \$0.00/share) and 2008 (\$0.0M, or \$0.00/share). The increase in net income relates to small savings in both Operating and SG&A costs.

Liquidity and Capital Resources

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 up front payments from its customers primarily used to purchase the necessary equipment to service those customers. Remaining monthly service charges are used to fund our ongoing operations including employee salaries, office and data center costs, professional fees and other expenses listed above. Our actual funding requirements will vary depending on a variety of factors including growth within our existing customer base, success in attracting new customers, and our ability to control our working capital and operating costs.

Cash and cash equivalents were approximately \$0.5M as at March 31, 2009, consistent with our balance at December 31, 2008 (\$0.6M). The consistency is due to no new significant upfront payments from customers for the three months ended March 31, 2009 and our relatively break-even operating results.

At March 31, 2009 we had a working capital surplus of approximately \$0.1M as compared to a deficit of -\$0.2M at December 31, 2008. This relatively small working capital surplus reflects the reduction in accounts payable and accrued liabilities of \$0.2M, while accounts receivable improved by approximately \$0.2M. Overall, we expect the small surplus to remain relatively consistent as the Company continues into the future.

Financing Activities

In 2007, the Company extinguished approximately \$0.1M in bank loans. No new amounts were borrowed in 2008 or 2009. Capital lease obligations were reduced to \$0 during the quarter ending March 31, 2008, and no new loans or leases were signed subsequently.

Capital Expenditures

Net Equipment was \$1.7M as of March 31, 2009 compared to \$1.9M as of December 31, 2008. Equipment purchases were insignificant for the quarter ended March 31, 2009. No commitments to purchase equipment have been made; however, new equipment purchases will be made as we acquire new customers. As noted above, these purchases are expected to be funded through our cash flow from operations.

Quarterly Results

	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Revenue	\$1,368,261	\$1,529,928	\$1,802,837	\$1,952,752	\$1,932,815	\$2,027,815	\$2,085,312	\$1,982,372
Income/ (Loss)	(\$279,931)	(\$239,063)	(\$177,240)	\$14,203	(\$116,955)	(\$83,695)	(\$61,531)	\$91,675
Per Share	(\$0.01)	(\$0.00)	(\$0.00)	\$ 0.00	\$0.00	(\$0.00)	(\$0.00)	\$ 0.00

Overall, quarterly revenue has increased significantly since the year ended December 31, 2006. This was due to the acquisition of CMS which occurred in Q4 2006 and contributed to a revenue increase of approximately \$75K per quarter for the eight quarters. New contracts commencing in 2007 and 2008 also contributed to approximately half of this average growth.

The Q1 2009 results reflect savings obtained with a small reduction in workforce as well as other operating cost-cutting measures to net a small gain for the quarter.

Changes in Accounting Policies

Our accounting policies used to prepare our interim consolidated financial statements for the three months ended March 31, 2009 are unchanged from those disclosed in our 2008 annual consolidated financial statements.

Recent Accounting Pronouncements

In February 2008, the CICA issued Section 3062, Goodwill and Intangible Assets, which replaces the existing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard introduces changes to recognition, measurement and disclosure of goodwill and intangible assets and converges with International Financial Reporting Standard 38, Intangible Assets. The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. This standard was effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

Financial instruments

Credit risk

The Company is exposed to credit risk, primarily in relation to accounts receivable and other assets. Exposure to credit risk varies due to the composition of individual customer balances. The Company manages its credit risk by dealing primarily with creditworthy customers, regular monitoring of overdue customer balances and providing allowances for potentially uncollectible accounts receivable and other assets.

Outstanding Shares

As at May 29, 2009, the number of common shares outstanding was 44,350,906. In April 2008, 5,189,367 of those outstanding shares were released from escrow in accordance with the purchase of CMS in November 2006. Consistent with the year-ended December 31, 2008, 172,500 shares repurchased for \$94,170 were included in treasury stock at March 31, 2009.

Contractual Obligations and Commercial Commitments

There has been no change to our contractual obligations, which are outlined in the 2008 MD&A.

Transactions with Related Party

Two shareholders and directors own 90% of Champion Solutions Group (“Champion” or “CSG”). The Company rents office space and purchases equipment from CGS as well as provides data protection and backup services to CGS. Total purchases and revenue earned from CGS during the three months ended March 31, 2009 amounted to \$67K and \$44K respectively. As at March 31, 2009, the Company owed CGS \$64K and had \$14K in receivables from CGS. All transactions were conducted in the normal course of operations and were recorded at their exchange amounts. There are no contractual obligations or future commitments between the parties.

Forward Looking Information

This MD&A contains forward-looking statements relating to management’s intentions and plans concerning future financing and investing activities, and the sufficiency of current working capital to continue operations. These statements reflect Management’s view with respect to future events. Assumptions made herein, with respect to these future events, are subject to certain uncertainties and many factors could cause actual results to differ from those implied by these forward-looking statements.

Internal Controls on Financial Reporting

Management is aware that due to its relatively small scale of operations there is a lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation are not significant enough to justify the expense associated with adding employees to clearly segregate duties.

There have been no significant changes to the Company’s internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Risks and Uncertainties

Due to the fact that the Company has limited operating history, there is the inherent risk associated with any new company related to whether or not the Company will be successful. BluePoint Data, Inc. (U.S. operating company) was incorporated on August 21, 2000 and commenced operations in 2001: as a result, the Company is a relatively new enterprise and is starting to realize material operating revenues. As at May 29, 2009, its sole activity relates to the continuance and growth of its managed information technology service business.

The developmental nature of the managed services industry is such that inherent risks exist in the Company’s operations. Successful future operations are subject to several risks, including the ability of the Company to successfully market, and generate additional revenue from, its services and continued development of its software and related enhancements to allow entry into new markets. Now that services have been developed and successfully introduced to the market, additional time may be necessary before additional revenues are recognized, and revenues may

be affected by the speed with which the Company adds new customers. During this time, and depending on the speed with which new customers are added, the Company may require additional financing, which may not be available, depending on the state and volatility of the financial markets at the time that the Company requires additional financing. The unavailability of financing could affect the Company's ability to grow revenues.

Outlook

In 2009, the Company expects to continue to explore opportunities and grow existing business by leveraging its existing infrastructure and channel partner relationships, servicing new direct customers obtained through additional sales and marketing efforts, and expanding the strategic alliances that will ensure that the Company remains at the forefront of the managed service industry.