

**BluePoint Data Storage, Inc.**

Consolidated Interim Financial Statements  
For the Nine-Month Period Ended September 30, 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 September 30, 2009	As at December 31, 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 582,386	\$ 552,686
Accounts receivable and other current assets	741,915	697,460
Current portion of deferred costs	22,040	22,040
	<u>1,346,341</u>	<u>1,272,186</u>
<b>Capital Assets &amp; Equipment</b>	1,828,212	1,863,429
<b>Intangible Assets</b>	3,789,583	4,190,833
<b>Deferred Costs</b>	48,527	64,811
	<u>\$ 7,012,663</u>	<u>\$ 7,391,259</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 597,657	\$ 1,078,608
Current portion of deferred revenue	356,301	374,303
	<u>\$ 953,958</u>	<u>\$ 1,452,911</u>
<b>Long-term Deferred Revenue</b>	997,613	966,455
<b>Shareholders' Equity</b>		
Share capital	\$ 4,971,893	\$ 75,642,534
Contributed surplus	-	9,671,629
Retained Earnings/(Deficit)	89,199	(80,342,270)
	<u>5,061,092</u>	<u>4,971,893</u>
	<u>\$ 7,012,663</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		Nine Months Ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Revenue	\$ 1,698,942	\$ 2,027,534	\$ 5,479,594	\$ 5,913,102
Cost of Sales	<u>935,325</u>	<u>1,126,267</u>	<u>2,936,645</u>	<u>3,229,283</u>
Gross Profit	763,617	901,267	2,542,949	2,683,819
Selling, General, R&D, & Administrative Costs	<u>516,769</u>	<u>696,258</u>	<u>1,602,499</u>	<u>2,003,630</u>
Gain/(Loss) before Depreciation & Interest	246,848	205,009	940,449	680,189
Depreciation of Equipment	150,000	150,000	450,000	450,000
Amortization of Intangible Assets	133,750	133,750	401,250	401,250
Interest expense (net of Interest Income)	<u>-</u>	<u>4,954</u>	<u>-</u>	<u>15,386</u>
Gain/(Loss) for the period	(36,902)	(83,695)	89,199	(186,447)
Retained Earnings/(Deficit), period beginning	<u>126,101</u>	<u>(80,197,044)</u>	<u>-</u>	<u>(80,094,292)</u>
Retained Earnings/(Deficit), period end	<u>\$ 89,199</u>	<u>\$ (80,280,739)</u>	<u>\$ 89,199</u>	<u>\$ (80,280,739)</u>
Gain/(Loss) per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>44,423,406</u>	<u>44,423,406</u>	<u>44,423,406</u>	<u>44,423,406</u>

**BluePoint Data Storage, Inc.****Consolidated Statements of Cash flows**

(Unaudited)

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Cash provided by (used in) operating activities				
Operations				
Gain/(Loss) for period	\$ (36,902)	\$ (83,695)	\$ 89,199	\$ (186,447)
Items not affecting cash				
Amortization of intangible assets	133,750	133,750	401,250	401,250
Increase (Decrease) in deferred revenue	(29,035)	(44,450)	13,155	(114,269)
Depreciation of property, plant and equipt.	150,000	150,000	450,000	450,000
	<u>217,813</u>	<u>155,605</u>	<u>953,604</u>	<u>550,534</u>
Changes in non-cash working capital	<u>125,816</u>	<u>(76,300)</u>	<u>(509,121)</u>	<u>52,073</u>
	<u>343,629</u>	<u>79,305</u>	<u>444,483</u>	<u>602,607</u>
Cash provided by financing activities				
Repayment of capital lease obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,769)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,769)</u>
Cash (used in) provided by investing activities				
Acquisition of capital assets	<u>(325,638)</u>	<u>(69,089)</u>	<u>(414,783)</u>	<u>(557,268)</u>
Increase/(Decrease) in cash	17,991	10,216	29,700	26,570
Cash, beginning of period	<u>564,395</u>	<u>469,656</u>	<u>552,686</u>	<u>453,302</u>
Cash, end of period	<u>\$ 582,386</u>	<u>\$ 479,872</u>	<u>\$ 582,386</u>	<u>\$ 479,872</u>
Supplemental disclosure				
Interest paid in the period	<u>-</u>	<u>4,954</u>	<u>-</u>	<u>15,386</u>

**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 September 30, 2009 unaudited financial statements have not been reviewed by PricewaterhouseCoopers, LLP.

**3. Reduction in Stated Capital**

On June 30, 2009 under the *Business Corporations Act (Yukon)*, 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 \$80,342,269 reduction in the accumulated deficit. These balances have accumulated since the original incorporation of the Company in 1993, and related mainly to the discontinued mining operations, which was sold in 1999. The resulting share capital of the Corporation as of September 30, 2009 was \$4,971,893 with additional retained earnings of \$89,199.

## 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 nine-month period ended September 30, 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 at November 30, 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.

### Results of Operations

(000's of U.S. dollars)

	Nine months ended	
	September 30	
	2009	2008
Revenue	5,480	5,913
Operating Costs	2,937	3,229
Selling, General & Administration	1,602	2,004
Amortization	851	851
Interest	-	15

#### *Revenues*

The outsourced, information technologies solutions industry is in a growth phase and is starting to generate significant revenues. BluePoint net revenue for the nine months ended September 30, 2009 and 2008 was approximately \$5.5M and \$5.9M respectively. The \$0.4M decrease in revenues in 2009 as compared to the corresponding period in 2008 is attributable mainly to the expiration of the Motorola contract, which was approximately \$1M in annual revenue. The five-year services contract was originally signed with Symbol Technologies, Inc. in April 2004, but subsequently not renewed after they were acquired by Motorola. Other less material contract losses have been offset by new customer contracts and organic growth within the current customer base.

### *Operating Costs*

Operating costs comprise expenses related to providing hosted solutions such as data center space, power, cooling, security, Internet bandwidth, and technical personnel costs. Approximately half of the \$2.9M for 2009 relates to personnel with the balance incurred from third-party vendors. These costs decreased by \$0.3M from \$3.2M for the same nine-month period in 2008, resulting from a reduction in workforce. The Company does not anticipate significant changes in personnel or data center costs beyond the normal course of business during the balance 2009.

### *Selling, General and Administrative*

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

Personnel, office costs, professional fees and other various costs were \$0.6M, \$0.4M, \$0.3M and \$0.1M, respectively for the nine months ended September 30, 2009 as compared to \$0.7M, \$0.5M, \$0.4M and \$0.1M, respectively for the nine months ended September 30, 2008.

Research and development for the nine months ended September 30, 2009 was \$0.2M as compared to \$0.3M for the same period ended September 30, 2008. These costs relate to developing and maintaining proprietary technology, which were commenced during 2007.

### *Amortization*

Amortization of equipment of \$0.5M during the nine months ended September, 2009 was consistent with the same period in 2008 as there were no material changes relative to historical asset purchases and retirements.

Definite-life intangible asset amortization for the nine months ended September 30, 2009 was \$0.4M which is consistent with the \$0.4M recorded during the nine months ended September 30, 2008. The definite-life intangible assets resulted from the acquisition of Champion Managed Services, Inc. in November 2006. The BLP common stock consideration of \$5.4M (22.2M shares) related to the purchase of CMS' existing customer relationships and contracts is being amortized (straight-line) over ten years.

### *Interest*

Interest expense during the nine months ended September 30, 2009 and 2008 was at insignificant levels.

### *Gain/(Loss) for the Period*

We recorded a gain of \$0.1M for the nine months ended September 30, 2009 (\$0.00/share) compared to a loss of -\$0.2M (-\$0.00/share) as at September 30, 2008. The \$0.3M reversal from a net loss in 2008 to a small gain in 2009 is mainly the result of the reduction in workforce as explained above.

## 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 \$0.6M as at September 30, 2009, consistent with our balance at December 31, 2008. The consistency is due to no new significant upfront payments from customers for the nine months ended September 30, 2009 and our relatively "break-even" operating results from a cashflow standpoint.

At September 30, 2009 we had a working capital surplus of approximately \$0.4M as compared to a deficit of -\$0.2M at December 31, 2008. Overall, we expect the surplus to remain relatively consistent as the Company moves forward in the future.

## Financing Activities

The Company is free of debt, and no new amounts were borrowed in 2009. Capital lease obligations were reduced to \$0 during the nine months ending September 30, 2008 and no new leases were ever signed.

## Capital Expenditures

Net Equipment was \$1.8M as of September 30, 2009 compared to \$1.9M as of December 31, 2008. These amounts include approximately \$0.3M in leased equipment previously accounted for as a capital lease. Equipment purchases were \$0.4M for the nine months ended September 30, 2009 and were purchased to service specific customers. No commitments to purchase equipment have been made; however, new equipment purchases will be made as we acquire new customers and add additional services for existing customers. As noted above, these purchases are expected to be funded through cashflow from operations.

## Quarterly Results

	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2008
Revenue	\$1,802,837	\$1,952,752	\$1,932,815	\$2,027,815	\$2,085,312	\$1,982,372	\$1,798,279	\$1,698,942
Income/ (Loss)	(\$177,240)	\$14,203	(\$116,955)	(\$83,695)	(\$61,531)	\$91,675	\$34,426	(\$36,902)
Per Share	(\$0.00)	\$ 0.00	(\$0.00)	(\$0.00)	(\$0.00)	\$ 0.00	\$0.00	(\$0.00)

Revenue has decreased in recent quarters as a result of the economic downturn in the U.S. The Company has restructured its expenses to help offset the reduction in revenue, and netted a small gain in Q1 and Q2 2009. We believe the Company will continue to operate at a small loss or roughly a “breakeven” throughout the balance of 2009.

### **Changes in Accounting Policies**

Our accounting policies used to prepare our interim consolidated financial statements for the nine months ended September 30, 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 is 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 November 30, 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. There are no shares remaining in escrow as of November 30, 2008, the date of this report.

### **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 BluePoint Directors control 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 from, and revenue earned from CSG during the nine months ended September 30, 2009 amounted to \$135K and \$409K respectively. As at September 30, 2009, the Company owed CSG \$56K and had \$49K in receivables from CSG. 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 November 30, 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**

For the balance of 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.