

Bluedrop Performance Learning Inc.
(formerly Serebra Learning Corporation)

Condensed Interim Financial Statements
Unaudited

Three months ended December 31, 2012

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Bluedrop Performance Learning Inc. (the Company) have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Contents

Statements of Financial Position	1
Statements of Comprehensive Income (Loss)	2
Statements of Changes in Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5

Bluedrop Performance Learning Inc.

Statements of Financial Position

Unaudited

December 31 September 30
2012 2012

In Canadian dollars

ASSETS

Current assets

Cash and cash equivalents	\$	72,195	15,135
Accounts receivable (Note 5)		4,106,152	4,168,197
Work in progress		1,288,142	490,201
Income taxes recoverable		16,131	16,131
Prepaid expenses		341,523	401,298
Due from related parties (Note 6)		93,877	50,000
		5,918,020	5,140,962
Due from related parties (Note 6)		169,816	169,816
Deferred tax assets		1,438,190	1,384,657
Goodwill and other intangible assets (Note 7)		3,521,004	3,641,517
Property and equipment (Note 8)		1,369,643	1,553,096
	\$	12,416,673	11,890,048

LIABILITIES AND EQUITY

Current liabilities

Bank indebtedness (Note 9)	\$	1,436,000	419,051
Accounts payable and accruals		1,407,372	1,685,330
Deferred revenue		1,597,552	1,679,834
Current portion of obligations under finance leases		110,048	96,995
Current portion of long term debt (Note 10)		308,266	192,534
		4,859,238	4,073,744
Obligations under finance leases		82,763	101,482
Long term debt (Note 10)		1,906,703	1,903,803
Class D common shares		-	-
Due to related parties (Note 6)		-	-
Provisions (Note 11)		483,441	469,903
Deferred tax liabilities		-	-
		7,332,145	6,548,932
Equity			
Share capital (Note 12)		5,053,021	5,053,021
Share option reserve (Note 12)		687,887	536,675
Deficit		(656,380)	(248,580)
		5,084,528	5,341,116
	\$	12,416,673	11,890,048

Approved on Behalf of the Board



Derrick H. Rowe
Director



B.E. Beckett
Director

Bluedrop Performance Learning Inc.

Statements of Comprehensive Income (Loss)

Unaudited

Three months ended December 31**2012****2011**

In Canadian dollars

**(As Restated)
(Note 3)****Revenue**

Services Revenue	\$	2,195,120	2,029,757
Product Sales		197,834	50,691
		2,392,954	2,080,448
Direct costs		1,428,776	1,069,238
Gross profit		964,178	1,011,210

Expenses

Sales and marketing		606,207	329,073
General and administration		818,381	772,329
Government assistance (Note 13)		(442,048)	(721,369)
Share-based compensation (Note 12)		151,212	-
Finance costs (Note 14)		87,417	25,926
Depreciation and amortization		204,342	83,351
		1,425,511	489,310
Earnings (loss) before income taxes		(461,333)	521,900

Income tax expense (recovery)

Current		-	122,000
Deferred		(53,533)	63,673
		(53,533)	185,673

Net earnings (loss) and comprehensive income (loss)

\$ (407,800) 336,227

Net earnings (loss) per share

Basic	(0.0041)	0.0041
Diluted	(0.0041)	0.0041

Weighted average number of shares outstanding

Basic	98,986,609	81,107,755
Diluted	98,986,609	81,107,755

Bluedrop Performance Learning Inc.

Statements of Changes in Equity

Unaudited

Three months ended December 31

In Canadian dollars

	(Blue Drop) Class A Common Shares	(Blue Drop) Class C Common Shares	Ordinary Common Shares		Share Capital	Share Option Reserve	Retained Earnings (Deficit)	Total
October 1, 2011	5,127,451	187,605	-		80,309	439,635	(492,150)	27,794
Share-based compensation	-	-	-		-	-	-	-
Earnings and comprehensive income	-	-	-		-	-	336,227	336,227
December 31, 2011	5,127,451	187,605	-	\$	80,309	439,635	(155,923)	364,021
Exercise of share options	-	377,369	-		609,451	(439,635)	-	169,816
Issuance of common shares on reverse takeover (Note 4)	(5,127,451)	(564,974)	86,866,408		4,363,261	34,241	-	4,397,502
Common shares outstanding prior to reverse takeover	-	-	12,120,201		-	-	-	-
Share-based compensation	-	-	-		-	502,434	-	502,434
Earnings and comprehensive income	-	-	-		-	-	(92,657)	(92,657)
September 30, 2012	-	-	98,986,609	\$	5,053,021	536,675	(248,580)	5,341,116
Share-based compensation	-	-	-		-	151,212	-	151,212
Earnings and comprehensive income	-	-	-		-	-	(407,800)	(407,800)
December 31, 2012	-	-	98,986,609	\$	5,053,021	687,887	(656,380)	5,084,528

Bluedrop Performance Learning Inc.

Statements of Cash Flows

Unaudited

Three months ended December 31

2012

2011

In Canadian dollars

(As Restated)
(Note 3)

Increase (decrease) in cash and cash equivalents

Operating activities

Net earnings (loss) for the period	\$	(407,800)	336,227
Items not affecting cash:			
Share-based compensation		151,212	-
Depreciation and amortization		204,342	83,351
Non-cash government assistance		(45,201)	(43,872)
Revaluation of provisions		16,250	354
Finance costs		87,417	25,926
Deferred taxes		(53,533)	63,673
Interest paid		(20,059)	(7,957)
		(67,372)	457,702
Changes in non-cash working capital (Note 15)		(643,865)	(860,818)
		(711,237)	(403,116)

Investing activities

Advances to related parties		(43,877)	(1,096)
Purchase of property and equipment, net of government assistance		141,383	(39,961)
Purchase of intangible assets, net of government assistance		(18,921)	(160,536)
		78,585	(201,593)
Changes in non-cash working capital (Note 15)		(398,433)	(165,815)
		(319,848)	(367,408)

Financing activities

Increase in operating loans		1,125,000	663,505
Repayment of obligations under finance leases		(28,504)	(14,949)
Advances of long term debt		166,162	500,000
Repayment of long term debt		(31,125)	(5,925)
Repayment of royalties		(19,159)	(3,720)
Release of escrow - Class D common shares		-	125,000
Repurchase of Class D common shares		-	(500,000)
Interest paid		(16,178)	(2,023)
		1,196,196	761,888

Increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning of period		(92,916)	(41,508)
Cash and cash equivalents, end of period	\$	72,195	(50,144)

Cash and cash equivalents consists of:

Cash on hand and in bank	\$	72,195	-
Bank overdraft		-	(50,144)
	\$	72,195	(50,144)

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012

In Canadian dollars

1. Nature of operations

Bluedrop Performance Learning Inc. (formerly Serebra Learning Corporation) (the Company) was continued under the Corporations Act of Newfoundland and Labrador on January 26, 2012.

On January 26, 2012 the Company completed a business combination with Blue Drop Inc. (Blue Drop) which constituted a reverse takeover of the Company by Blue Drop. Because Blue Drop is considered to be the acquirer for purposes of recording the business combination, these financial statements are a continuation of the financial statements of Blue Drop, adjusted to reflect the legal capital of the Company. On January 27, 2012 the Company commenced trading on the TSX Venture Exchange under the symbol BPL.

The Company provides e-learning and course development services and offers online training solutions for businesses and individuals through *CoursePark*[™], a cloud-based learning management solution and *Campus*[™], a traditional learning management system. In addition, the Company provides custom courseware development, training products, low cost simulation and resource augmentation solutions to improve the safety, productivity and efficiency of military and civil aviation personnel through its defense and aerospace operations. The Company is domiciled in Canada and its registered office is located at 18 Prescott Street, St. John's, Newfoundland and Labrador, A1C 3S4.

These financial statements were approved and authorized for issuance by the Board of Directors on March 1, 2013.

2. Basis of presentation

These condensed interim financial statements present the Company's financial position and financial results under International Financial Reporting Standards (IFRS) and in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with IFRS and as issued by the International Accounting Standards Board (IASB). These condensed interim financial statements have been prepared using accounting policies consistent with those used in the preparation of the Company's audited annual financial statements for the year ended September 30, 2012. The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended September 30, 2012.

These financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and liabilities, which are measured at their fair value, and are presented in Canadian dollars.

The accounting policies set out below have been applied consistently in the preparation of the financial statements of all periods presented.

3. Restatement

Upon preparation of the financial statements for the year ended September 30, 2012 certain transactions were recognized that had an impact on the previous interim financial statements as filed. A description of these transactions is provided below:

(a) Provision

Under IFRS a provision is recognized on the basis of a legal or constructive obligation arising from a past event if there is probable outflow of resources and the amount can be estimated reliably. This is a lower recognition threshold than was required under Canadian Generally Accepted Accounting Principles (GAAP). On the adoption of IFRS, the Company was therefore required to recognize a provision for the repayment of royalties related to the Atlantic Innovation Fund (Note 11).

(b) Development costs

During the fourth quarter ended September 30, 2012 Management undertook an in depth review of the accounting for development costs and determined that the majority of the development costs incurred during the year met the accounting criteria for deferral. Such costs have been included in intangible assets, net of related government assistance. Amounts that did not meet the criteria for deferral have been reclassified to other expense categories.

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012In Canadian dollars

3. Restatement (continued)

(c) Below-market interest rate loans

During the fiscal year ended September 30, 2012 the Company received below market interest rate loans from government agencies for operating expenses and capital assets. Under IFRS the Company has recognized the below market interest rate loans at amortized cost using the effective interest rate method. The difference between the fair value at inception and the loan proceeds received is recorded as government assistance in the statement of comprehensive income (loss).

	December 31 2011			Below-Market Interest Rate Loans	December 31 2011
	Previously Reported⁽¹⁾	Provision	Development Costs		Restated
Statement of financial position					
Goodwill and other intangible assets	\$ 492,615	-	133,564	-	626,179
Long term debt	569,114	-	-	(43,872)	525,242
Provision	-	435,478	-	-	435,478
Deferred tax liabilities	202,000	(126,327)	-	-	75,673
Retained earnings	(24,208)	(309,151)	133,564	43,872	(155,923)
Statement of comprehensive income (loss)					
Direct costs	\$ 1,081,432	(3,366)	(8,828)	-	1,069,238
Sales and marketing	322,860	-	6,213	-	329,073
General and administration	763,834	-	8,495	-	772,329
Development costs	309,085	-	(309,085)	-	-
Government assistance	(843,312)	-	165,815	(43,872)	(721,369)
Finance costs	11,086	14,840	-	-	25,926
Depreciation and amortization	79,525	-	3,826	-	83,351
Deferred income tax expense	67,000	(3,327)	-	-	63,673

(1) Previously reported figures have been updated to reflect presentation changes as identified in Note 19.

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012

In Canadian dollars

4. Business combinations

(a) Reverse takeover

On January 26, 2012 the Company completed a business combination with Blue Drop. The transaction was completed by way of a statutory amalgamation whereby Blue Drop amalgamated with a wholly owned subsidiary of the Company, with the amalgamated company (Amalco) being wholly owned by the Company. In connection with the transaction, the Company issued 86,866,408 common shares to the shareholders of Blue Drop, which on closing represented 87.756% of the total issued and outstanding shares of the Company. The transaction therefore constituted a reverse takeover of the Company by Blue Drop.

Blue Drop is considered to be the acquirer for purposes of recording the business combination and these financial statements are therefore a continuation of the financial statements of Blue Drop, adjusted to reflect the legal capital of the Company. The combined results of operations are included from January 26, 2012.

The business combination allows the Company to migrate its technology and customer base to a cloud-based technology platform already in commercial release but with many features still under development. The goodwill recognized in the transaction reflects the fact that the Company's personnel, technical knowledge, experience and expertise will allow for more rapid development and full commercialization of CoursePark™, the cloud-based learning management solution and greater penetration of additional vertical markets for the Company's full suite of training services and solutions.

Immediately following the closing of the reverse takeover transaction, the Company and Amalco completed a vertical amalgamation under the name Bluedrop Performance Learning Inc.

Value of assets acquired and liabilities assumed

Cash	\$	263,277
Accounts receivable		261,785
Other current assets		91,988
Deferred tax asset		1,526,000
Property and equipment		38,317
Intangible assets		1,488,060
Goodwill		1,415,007
Current liabilities		(686,932)
	\$	4,397,502

5. Accounts receivable

	December 31	September 30
	2012	2012
Trade	\$ 1,729,694	2,551,857
Government assistance	2,326,793	1,526,512
Other	49,665	89,828
	\$ 4,106,152	4,168,197

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012

In Canadian dollars

6. Due from (to) related parties

	December 31 2012	September 30 2012
LB2P Holdings Inc.	\$ 50,000	50,000
Shareholder loan	43,877	-
Employees - share purchase loans	169,816	169,816
	\$ 263,693	219,816

LB2P Holdings Inc. (LB2P) is controlled by the Company's beneficial controlling shareholder. The balance due is non-interest bearing and has no set terms of repayment.

Shareholder loan includes a receivable from the Company's beneficial shareholder. The balance due is non-interest bearing and has no set terms of repayment.

As collateral for the non-interest bearing share purchase loans, the borrowers have granted the Company a security interest in the shares purchased. The loans are repayable within 90 days of termination of employment, are repayable at a rate of 50% of cash proceeds in the event of a sale of shares prior to repayment of the loans and are otherwise repayable in full on or before January 31, 2015.

7. Goodwill and other intangible assets

	Computer software	Licences	Courseware and other	Technology	Customer Relationships	Goodwill	Total
Cost							
October 1, 2011	\$ 197,951	265,500	154,161	-	-	-	617,612
Additions	34,708	-	28,955	1,462,791	-	-	1,526,454
Government assistance	-	-	-	(898,738)	-	-	(898,738)
Reverse takeover (Note 4)	-	-	-	903,060	585,000	1,415,007	2,903,067
September 30, 2012	\$ 232,659	265,500	183,116	1,467,113	585,000	1,415,007	4,148,395
Additions	780	-	-	258,042	-	-	258,822
Government assistance	-	-	-	(239,901)	-	-	(239,901)
December 31, 2012	\$ 233,439	265,500	183,116	1,485,254	585,000	1,415,007	4,167,312

Accumulated amortization

October 1, 2011	\$ 79,837	16,911	5,346	-	-	-	102,094
Amortization	69,913	67,643	56,213	155,301	55,714	-	404,784
September 30, 2012	\$ 149,750	84,554	61,559	155,301	55,714	-	506,878
Amortization	10,396	16,910	15,259	75,976	20,893	-	139,434
December 31, 2012	\$ 160,146	101,464	76,818	231,277	76,607	-	646,312

Carrying values

October 1, 2011	\$ 118,114	248,589	148,815	-	-	-	515,518
September 30, 2012	\$ 82,909	180,946	121,557	1,311,812	529,286	1,415,007	3,641,517
December 31, 2012	\$ 73,293	164,036	106,298	1,253,977	508,393	1,415,007	3,521,004

Carrying values of assets subject to finance leases

October 1, 2011	\$ 1,174	-	-	-	-	-	1,174
September 30, 2012	\$ 587	-	-	-	-	-	587
December 31, 2012	\$ 514	-	-	-	-	-	514

Included in Technology are \$258,042 of internally generated additions for the three months ended December 31, 2012.

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012

In Canadian dollars

8. Property and equipment

	Computer equipment	Furniture fixtures and equipment	Vehicles	Leasehold Improvements	Total
Cost					
October 1, 2011	\$ 578,742	200,441	113,640	137,196	1,030,019
Additions	63,691	1,053,329	-	129,459	1,246,479
Additions subject to finance leases	35,263	145,654	-	-	180,917
Government assistance	(24,840)	(231,468)	-	-	(256,308)
Reverse takeover (Note 4)	12,907	17,471	-	7,939	38,317
September 30, 2012	\$ 665,763	1,185,427	113,640	274,594	2,239,424
Additions	5,332	32,805	-	-	38,137
Additions subject to finance leases	22,838	-	-	-	22,838
Government assistance	-	(179,520)	-	-	(179,520)
September 30, 2012	\$ 693,933	1,038,712	113,640	274,594	2,120,879
Accumulated depreciation					
October 1, 2011	\$ 331,094	96,136	48,967	45,495	521,692
Depreciation	91,070	39,498	19,402	14,666	164,636
September 30, 2012	\$ 422,164	135,634	68,369	60,161	686,328
Depreciation	19,112	33,254	3,395	9,147	64,908
September 30, 2012	\$ 441,276	168,888	71,764	69,308	751,236
Carrying values					
October 1, 2011	\$ 247,648	104,305	64,673	91,701	508,327
September 30, 2012	\$ 243,599	1,049,793	45,271	214,433	1,553,096
December 31, 2012	\$ 252,657	869,824	41,876	205,286	1,369,643
Carrying values of assets subject to finance leases					
October 1, 2011	\$ 121,443	16,432	-	-	137,875
September 30, 2012	\$ 105,915	122,780	-	-	228,695
December 31, 2012	\$ 120,018	116,641	-	-	236,659

9. Operating loans

The Company has a short term bank operating line of credit to a maximum of the lesser of \$2,000,000 and defined marginable accounts receivable minus specified liabilities. The revolving operating facility is repayable on demand and bears interest at Royal Bank prime plus 1.95%. The Company has provided a General Security Agreement as security for this indebtedness. The line of credit balance as at December 31, 2012 was \$1,170,000 (September 30, 2012 – \$45,000).

The Company has entered into a short term non-revolving loan in the amount of \$266,000. The facility is repayable on January 31, 2013 or upon receipt of the tax refund for the 2011 SRED return and bears interest at Royal Bank prime plus 2.90%. The Company has provided a General Security Agreement as security for this indebtedness. The outstanding balance as at December 31, 2012 was \$266,000 (September 30, 2012 - \$266,000).

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012

In Canadian dollars

10. Long term debt

	Interest rate	Maturity	December 31 2012	September 30 2012
Volkswagon Finance	4.40%	2010-2015	\$ 36,136	39,657
Toyota Financial Services	1.90%	2009-2013	8,774	11,380
Province of Newfoundland and Labrador	4.75%	2013-2016	469,346	465,942
Atlantic Canada Oportunities Agency	-	2012-2017	376,888	392,208
Government of Nova Scotia	5.00%	2013-2021	846,902	838,845
Atlantic Canada Oportunities Agency	-	2013-2018	251,330	127,164
Invest New Brunswick	-	2013-2014	225,593	221,141
			2,214,969	2,096,337
less: current portion			(308,266)	(192,534)
Total long term debt			\$ 1,906,703	1,903,803

Certain long term debt facilities provided by government entities have been provided at interest rates below market. At inception, these loans have been recorded at their estimated fair values with the discount treated as government assistance. For the three months ended December 31, 2012 \$45,201 (December 31, 2011 - \$43,872) has been included in income related to the discount on these loans.

During the three months ended December 31, 2012, Bluedrop entered into the following long term debt arrangements:

(i) Atlantic Canadian Opportunities Agency (ACOA)

On December 28, 2012, the Company received a second instalment payment in the amount of \$166,162 in connection with a \$469,875 funding contribution from ACOA to assist with the establishment and operation of the BTSC. The unsecured, non-interest bearing loan is repayable in monthly instalments of \$7,832 commencing on October 1, 2013.

11. Provisions

(a) Conditionally-repayable grants

To December 31, 2012 the Company had recognized AIF contributions of \$2,531,111 pursuant to a 2008 agreement, as amended and AIF contributions of \$953,909 pursuant to a 2012 agreement. The Company must repay the contributions by annual instalments calculated as 5% of the gross revenues generated from products and services resulting from the research funded. A continuity of the amount of the provision recognized is as follows:

	December 31 2012	September 30 2012
Opening balance	\$ 469,903	424,004
Accretion	16,447	59,361
Royalties paid or payable	(19,159)	(14,878)
Revaluation of provision	16,250	1,416
	\$ 483,441	469,903

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012In Canadian dollars

12. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common shares issued and outstanding

(i) Blue Drop Inc. prior to reverse takeover:

	Number of Shares	Share capital
Blue Drop Inc. - Class A common shares		
Issued and outstanding at October 1, 2011	5,127,451	\$ 80,301
Issued and outstanding at January 26, 2012	5,127,451	80,301
Blue Drop Inc. - Class C common shares		
Issued and outstanding at October 1, 2011	187,605	8
Shares issued upon exercise of options	377,369	609,451
Issued and outstanding at January 26, 2012	564,974	609,459
Issued and outstanding at January 26, 2012	5,692,425	\$ 689,760

(ii) Serebra Learning Corporation prior to reverse takeover:

In connection with the reverse-takeover, Serebra Learning Corporation effected a consolidation of its common shares resulting in one common share for every four pre-consolidation shares. The share consolidation has been applied retrospectively to the balances of outstanding common shares, share purchase warrants and share options.

	Number of Shares	Share capital
Issued and outstanding at October 1, 2011	9,669,004	11,663,735
Share proceeds received	-	13,500
Private placement, net of share issue costs	1,576,197	360,842
Issued as compensation to directors, officers, employees and consultants	875,000	315,000
Issued and outstanding at January 26, 2012	12,120,201	\$ 12,353,077

(iii) Bluedrop Performance Learning Inc. subsequent to reverse takeover:

	Number of Shares	Share capital
Blue Drop Inc. shares prior to acquisition	5,692,425	\$ 689,760
Elimination of Blue Drop Inc. share capital	(5,692,425)	-
Issuance of common shares on reverse takeover (Note 4)	86,866,408	4,363,261
Outstanding shares of Serebra brought forward	12,120,201	-
Issued and outstanding at January 26, 2012	98,986,609	5,053,021
Issued and outstanding at September 30, 2012 and December 31, 2012	98,986,609	\$ 5,053,021

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012In Canadian dollars

12. Share capital (continued)

(c) Share purchase warrants (adjusted for share consolidation)

(i) Serebra Learning Corporation prior to reverse takeover:	Number of warrants	Exercise price per share
Outstanding at October 1, 2011	2,680,933	\$0.60
Expired	(1,785,933)	\$0.60
Outstanding at January 26, 2012	895,000	\$0.60

(ii) Bluedrop Performance Learning Inc. subsequent to reverse takeover:

	Number of warrants	Exercise price per share
Outstanding share purchase warrants of Serebra brought forward	895,000	\$0.60
Expired	(895,000)	\$0.60
Outstanding at September 30, 2012 and December 31, 2012	-	-

(d) Share options (2010 Stock Option Plan)(adjusted for share consolidation)

(i) Serebra Learning Corporation prior to reverse takeover:	Number of options	Exercise price per share
Outstanding at October 1, 2011	866,250	\$0.40
Granted	277,114	\$0.40
Outstanding at January 26, 2012	1,143,364	\$0.40

(ii) Bluedrop Performance Learning Inc. subsequent to reverse takeover:

	Number of options	Exercise price per share
Share options of Serebra brought forward	1,143,364	\$0.40
Outstanding at September 30, 2012 and December 31, 2012	1,143,364	\$0.40
Exercisable at December 31, 2012	1,143,364	\$0.40

The Company had reserved 1,143,364 shares under its 2010 Stock Option Plan. Pursuant to the terms and conditions of this plan, 862,239 of the outstanding options would have expired on termination of service following the reverse takeover. The expiry date on options that would have expired was extended for a one year period, expiring on January 26, 2013. Upon conclusion of the reverse takeover, these stock options were deemed to be exchanged for options of the accounting acquirer.

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012In Canadian dollars

12. Share capital (continued)

(e) Share options (2011 Stock Option Plan)

	Number of options	Exercise price per share
Outstanding at October 1, 2011	-	-
Granted, March 8, 2012	6,982,110	\$0.26
Granted, June 14, 2012	939,661	\$0.15
Granted, Sept 12, 2012	450,000	\$0.15
Forfeitures	(543,375)	\$0.26
Expired	(60,375)	\$0.26
Outstanding at September 30, 2012 and December 31, 2012	7,768,021	\$0.24
Exercisable at December 31, 2012	776,802	\$0.24

Pursuant to the 2011 Stock Option Plan, the Company has reserved a maximum of 10% of the issued and outstanding common shares of the Company for issuance on the exercise of share options. During the year ended September 31, 2012, the Company granted 8,371,771 options to certain directors, officers and employees of the Company under the plan. These options expire five years after the date of grant and vest over a three year period as follows: 10% at time of grant; 20% on the first anniversary; 20% on the second anniversary and 50% on the third anniversary.

The Company recorded \$151,212 of share-based compensation expense in the three months ended December 31, 2012 relating to the 2011 Stock Option Plan (December 31, 2011 - Nil). The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions used for options granted:

Risk free interest rate	1.31%
Expected dividend yield	0%
Share price volatility	109%
Expected life	3.6 years
Average fair value of options granted	\$0.1687

(f) Blue Drop share options

On March 21, 2011 Blue Drop granted options to purchase 377,369 Class C non-voting common shares at an exercise price of \$0.45 per Class C common share. The options were immediately exercisable by the grantee, with expiry five years after the effective date of the option grant, unless terminated in accordance with the associated Employee Stock Option Agreement. Blue Drop recorded \$439,635 as share-based compensation expense on the grant date, with a corresponding increase in share based option reserve.

On January 11, 2012 the options were exercised for proceeds of \$169,816, resulting in a reduction of \$439,635 in share option reserve and an increase in share capital of \$609,451. There were no Blue Drop share options outstanding at the time of the reverse takeover.

13. Government assistance

Government assistance includes contributions from ACOA's Atlantic Innovation Fund (AIF), the National Research Council Canada Industrial Assistance Research Program (NRC-IRAP), Invest New Brunswick, accrued Scientific Research and Experimental Development credits and Nova Scotia Digital Media Tax Credits. In addition, financial liability discounts as a result of government loans at below-market interest rates are included in government assistance.

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012In Canadian dollars

14. Finance costs

	2012	2011
Interest on long term debt	\$ 19,397	1,785
Interest on finance lease obligations	2,719	1,344
Short term interest and bank charges	14,091	7,957
Accretion of long term debt	28,796	-
Accretion of provisions	16,447	14,840
Other financing costs	5,967	-
Total finance costs	\$ 87,417	25,926

15. Changes in non-cash working capital

	2012	2011
Accounts receivable	\$ 62,045	(498,420)
Work in progress	(797,941)	85,422
Income taxes recoverable	-	122,000
Prepaid expenses	59,775	(139,979)
Accounts payable and accruals	(283,895)	243,785
Deferred revenue	(82,282)	(839,441)
	\$ (1,042,298)	(1,026,633)
Changes in non-cash working capital related to:		
Operating activities	(643,865)	(860,818)
Investing activities	(398,433)	(165,815)
	\$ (1,042,298)	(1,026,633)

16. Related party transactions

	2012	2011
Rent expense	\$ 57,960	57,960
Fees, salaries and benefits for key management personnel	156,350	79,850
Share based compensation	57,415	-

Transactions with related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Effective October 1, 2011, the Company entered into a 10 year lease with LB2P for 100% of the premises available for lease at 18 Prescott Street, St. John's, NL. The lease includes an initial net lease rate for two years with escalation provisions every two years thereafter.

Key management personnel include the President and Chief Executive Officer, the Chief Financial Officer (CFO) and the directors of the Company (commencing January 26, 2012). The preceding CFO was engaged on a fee for service basis from November 1, 2010 to September 30, 2011, at which time he became a full time employee of the Company. The Executive Chairman's fees are paid to a corporation under his control.

In addition, the Company has recorded a receivable of \$50,000 (Note 6) with LB2P and has entered into a joint and several mortgage arrangement with LB2P.

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012

In Canadian dollars

17. Expenses classified by nature

Certain expenses are classified by function in the statement of comprehensive (loss) income. These include Direct costs, Sales and marketing, and General and administration. A schedule of these expenses presented by nature is as follows:

	2012	2011
Salaries and employee benefits	\$ 1,961,524	1,431,184
Materials, services and supplies	239,597	97,171
Travel and entertainment	174,860	153,981
Occupancy	169,598	107,244
Professional fees	50,741	238,887
Other costs	257,044	142,173
Total expenses classified by nature	\$ 2,853,364	2,170,640

18. Segment reporting

Bluedrop's business is organized and managed as two complementary lines of business.

The CoursePark Learning Services business provides learning management solutions and content to private and public sector customers. *CoursePark*™ is an innovative cloud-based learning management solution for individuals, corporations and other organizations. Following the commercial release of *CoursePark*™ in 2011, revenues are generated from custom courseware development, licencing and subscription fees, consulting services and sale of commercial off-the-shelf courses.

The Defence & Aerospace business provides custom courseware development, training products, low cost simulation and resource augmentation solutions to improve the safety, productivity and efficiency of military and civil aviation personnel.

Segment profit or loss includes revenues and costs directly attributable to the operations of the segment. In addition management allocates a portion of shared administrative costs based on the attributable office space of those segments. Segment information for the reporting periods are as follows:

	Three months ended December 31, 2012			
	CoursePark			
	Learning Services	Defence and Aerospace	Corporate and Other	Total
Revenue	\$ 692,245	1,700,709	-	2,392,954
Direct costs	391,435	1,037,341	-	1,428,776
Gross profit	300,810	663,368	-	964,178
Expenses				
Sales and marketing	293,182	312,425	600	606,207
General and administration	187,056	163,131	468,194	818,381
Government assistance	(213,052)	(228,996)	-	(442,048)
Share-based compensation	39,307	43,053	68,852	151,212
Finance costs	-	-	87,417	87,417
Depreciation and amortization	-	-	204,342	204,342
	306,493	289,613	829,405	1,425,511
Earnings (loss) before income taxes	\$ (5,683)	373,755	(829,405)	(461,333)

Bluedrop Performance Learning Inc.

Notes to Condensed Interim Financial Statements

Unaudited

Three Months Ended December 31, 2012In Canadian dollars

18. Segment reporting (continued)

	Three months ended December 31, 2011			
	CoursePark Learning Services	Defence and Aerospace	Corporate and Other	Total
Revenue	\$ 505,648	1,574,800	-	2,080,448
Direct costs	216,787	852,451	-	1,069,238
Gross profit	288,861	722,349	-	1,011,210
Expenses				
Sales and marketing	132,664	196,409	-	329,073
General and administration	83,288	60,164	628,877	772,329
Government assistance	(677,497)	-	(43,872)	(721,369)
Finance costs	-	-	25,926	25,926
Depreciation and amortization	-	-	83,351	83,351
	(461,545)	256,573	694,282	489,310
Earnings (loss) before income taxes	\$ 750,406	465,776	(694,282)	521,900

19. Comparative figures

Comparative figures have been reclassified to conform with the December 31, 2012 statement of comprehensive (loss) income presentation. Presentation changes include reclassification of certain costs previously classified as direct costs to sales and marketing and general and administration and reclassification of certain costs previously included in general and administration to finance costs. In addition, presentation also reflects segregation of revenue classifications and government assistance.

20. Subsequent event

In February 2013, the Province of Newfoundland and Labrador amended the terms of the \$500,000 loan arrangement with the Company. Repayment terms have been extended from 48 months beginning January 2013 to 48 months beginning January 2016. The loan is non-interest bearing until January 2014 after which interest will accrue at a rate of 4.75% per annum.