

Bluedrop Performance Learning Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

Nine months ended June 30, 2015

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed consolidated 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 consolidated 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

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

Bludrop Performance Learning Inc.

Consolidated Statements of Financial Position

Unaudited

June 30 September 30**2015****2014**

In Canadian dollars

ASSETS

Current assets

Cash and cash equivalents	\$	105,060	4,055
Accounts receivable (Note 4)		5,579,263	6,994,565
Unbilled revenue		1,242,840	971,338
Prepaid expenses		388,361	488,220
Due from related parties (Note 5)		-	51,818
		7,315,524	8,509,996

Due from related parties (Note 5)		169,816	119,589
Deferred tax assets		4,661,576	4,855,470
Goodwill and other intangible assets (Note 6)		5,713,124	5,284,924
Property and equipment (Note 7)		748,701	915,867
	\$	18,608,741	19,685,846

LIABILITIES AND EQUITY

Current liabilities

Bank indebtedness (Note 8)	\$	570,000	1,071,655
Accounts payable and accruals		2,758,613	2,791,522
Deferred revenue		3,117,425	2,855,758
Due to related parties (Note 5)		45,082	-
Derivative liabilities		13,519	-
Current portion of obligations under finance leases		36,221	49,727
Current portion of long term debt (Note 9)		760,877	2,406,673
		7,301,737	9,175,335

Obligations under finance leases		15,880	42,219
Long term debt (Note 9)		7,277,572	6,091,860
Provisions (Note 10)		1,279,591	1,188,864
Deferred revenue		2,254,600	2,501,761
Deferred tax liabilities		589,136	641,118
Long term payables		-	28,167
		18,718,516	19,669,324

Equity

Share capital (Note 11)		5,053,021	5,053,021
Reserves		1,514,846	1,322,350
Deficit		(6,677,642)	(6,358,849)
		(109,775)	16,522
	\$	18,608,741	19,685,846

Approved on Behalf of the Board

Derrick H. Rowe
DirectorEmad Rizkalla
Director

Bluedrop Performance Learning Inc.

Consolidated Statements of Comprehensive Income (Loss)

Unaudited

Nine months ended June 30

In Canadian dollars

	Three Months Ended June 30		Nine Months Ended June 30	
	2015	2014	2015	2014
Revenue				
Services revenue	\$ 4,206,563	3,742,432	\$ 11,810,858	9,270,779
Product sales	1,145,926	774,678	3,233,583	1,761,567
	5,352,489	4,517,110	15,044,441	11,032,346
Direct costs	3,092,711	2,831,043	8,995,829	6,906,510
Gross profit	2,259,778	1,686,067	6,048,612	4,125,836
Expenses				
Sales and marketing	522,011	490,941	1,416,620	1,998,880
General and administration	1,343,415	1,247,047	3,450,453	3,457,505
Acquisition and restructuring costs	-	11,926	-	1,889,096
Government assistance (Note 12)	145,686	(336,356)	(304,393)	(986,907)
Share-based compensation (Note 11)	26,156	80,263	166,194	207,397
Finance costs (Note 13)	427,395	383,804	1,266,887	879,440
Depreciation and amortization	226,882	226,585	668,137	619,996
Other (gains) and losses	-	(212,142)	(428,177)	(206,229)
	2,691,545	1,892,068	6,235,721	7,859,178
Profit (Loss) before income taxes	(431,767)	(206,001)	(187,109)	(3,733,342)
Income tax expense (recovery)				
Current	-	-	-	(9,579)
Deferred	264	(23,455)	131,684	(898,333)
	264	(23,455)	131,684	(907,912)
Net profit (loss) and comprehensive loss	\$ (432,031)	(182,546)	\$ (318,793)	(2,825,430)
Net profit (loss) per share				
Basic	(0.0044)	(0.0018)	(0.0032)	(0.0285)
Diluted	(0.0044)	(0.0018)	(0.0032)	(0.0285)
Weighted average number of shares outstanding				
Basic	98,986,609	98,986,609	98,986,609	98,986,609
Diluted	98,986,609	98,986,609	98,986,609	98,986,609

Bluedrop Performance Learning Inc.

Consolidated Statements of Changes in Equity

Unaudited

Nine months ended June 30In Canadian dollars

	Ordinary Common Shares	Share Capital	Share Option Reserve	Convertible Notes	Retained Earnings (Deficit)	Total
October 1, 2013	98,986,609	\$ 5,053,021	899,856	-	(2,438,867)	3,514,010
Share-based compensation	-	-	207,397	-	-	207,397
Issue of convertible note, net of tax	-	-	-	201,466	-	201,466
Loss and comprehensive loss	-	-	-	-	(2,825,430)	(2,825,430)
June 30, 2014	98,986,609	\$ 5,053,021	1,107,253	201,466	(5,264,297)	1,097,443
Share-based compensation	-	-	13,631	-	-	13,631
Loss and comprehensive loss	-	-	-	-	(1,094,552)	(1,094,552)
September 30, 2014	98,986,609	\$ 5,053,021	1,120,884	201,466	(6,358,849)	16,522
Share-based compensation	-	-	166,194	-	-	166,194
Issue of convertible note, net of tax	-	-	-	26,302	-	26,302
Loss and comprehensive loss	-	-	-	-	(318,793)	(318,793)
June 30, 2015	98,986,609	\$ 5,053,021	1,287,078	227,768	(6,677,642)	(109,775)

Bluedrop Performance Learning Inc.

Consolidated Statements of Cash Flows

Unaudited

Nine months ended June 30

2015

2014

In Canadian dollars

Increase (decrease) in cash and cash equivalents

Operating activities

Net profit (loss) for the period	\$	(318,793)	(2,825,430)
Items not affecting cash:			
Share-based compensation		166,194	207,397
Depreciation and amortization		668,137	619,996
Non-cash government assistance		(73,857)	(222,444)
Additions and revaluation of provision		5,973	20,422
Gain on settlement of long term debt		(470,422)	-
Finance costs		1,266,887	879,440
Deferred taxes		131,684	(898,333)
Unrealized loss on derivative instruments		13,519	-
Loss (gain) on disposal or property and equipment		42,245	(263,369)
Interest paid		(48,216)	(30,615)
		1,383,351	(2,512,936)
Changes in non-cash working capital (Note 14)		689,148	672,436
		2,072,499	(1,840,500)

Investing activities

Change in related party balances		46,673	(47,486)
Net cash flow on business combinations (Note 3)		-	(910,449)
Proceeds on disposal of property and equipment		11,500	305,528
Purchase of property and equipment, net of government assistance		(72,978)	(142,681)
Purchase of intangible assets, net of government assistance		(904,874)	(167,515)
		(919,679)	(962,603)
Changes in non-cash working capital (Note 14)		536,108	91,034
		(383,571)	(871,569)

Financing activities

Repayment of obligations under finance leases		(39,845)	(67,781)
Advances of long term debt		1,225,000	4,951,294
Repayment of long term debt		(1,696,382)	(1,461,019)
Repayment of royalties		(71,891)	(45,751)
Change in long term payables		(28,167)	(55,616)
Interest paid		(474,983)	(276,469)
		(1,086,268)	3,044,658

Increase in cash and cash equivalents

(Bank indebtedness) cash and cash equivalents, beginning of period		602,660	332,589
		(1,067,600)	229,813
Cash and cash equivalents (bank indebtedness), end of period	\$	(464,940)	562,402

Cash and cash equivalents (bank indebtedness) consists of:

Cash on hand and in bank	\$	105,060	562,402
Bank indebtedness		(570,000)	-
	\$	(464,940)	562,402

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015

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 a cloud-based learning management solution and traditional learning management systems. 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 defence 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 August 28, 2015.

2. Basis of presentation

These condensed consolidated 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 Consolidated Interim Financial Reporting using accounting policies consistent with IFRS and as issued by the International Accounting Standards Board (IASB). These condensed consolidated 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, 2014. The condensed consolidated interim financial statements do not include all of the information required for 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, 2014.

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 have been applied consistently in the preparation of the financial statements of all periods presented.

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015

In Canadian dollars

3. Business combinations

On December 31, 2013 the Company, under a Plan of Arrangement, acquired all the issued and outstanding common shares of Atlantis Systems Corp. (Atlantis), a publically traded company listed on the TSX Venture - NEX Exchange. Atlantis is a custom courseware developer and provider of training and simulation products to the defence and aerospace industry. The business combination allows the Company to facilitate continued growth in training and simulation operations in domestic markets and provides a foundation for future growth into international markets.

The cash consideration transferred in the Plan of Arrangement was \$1,000,000. The long term debt agreements of Atlantis were renegotiated concurrent with the acquisition. The Company assumed \$2,500,000 of long term debt, \$1,000,000 of which was repaid immediately following the acquisition. On December 30, 2014, the Company repaid the remaining secured convertible term note under an early discounted settlement agreement (Note 9).

The value of goodwill was calculated as the excess of the fair value of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed. This goodwill is not deductible for income tax purposes.

Value of assets acquired and liabilities assumed

Cash	\$	89,551
Accounts receivable		2,226,709
Work in progress		477,371
Prepaid expenses		18,164
Deferred tax assets		2,368,415
Intangible assets		2,320,000
Goodwill		438,124
Property and equipment		139,019
Accounts payable and accruals		(1,982,147)
Deferred revenue		(1,862,270)
Long term debt		(2,434,836)
Deferred tax liabilities		(693,100)
Long term payables		(105,000)
	\$	1,000,000

Bludrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015In Canadian dollars

4. Accounts receivable

	June 30	September 30
	2015	2014
Trade	\$ 4,303,402	5,368,431
Government assistance	1,154,128	1,607,061
Other	121,733	19,073
	<u>\$ 5,579,263</u>	<u>6,994,565</u>

5. Related party transactions

(a) Due from (to) related parties

	June 30	September 30
	2015	2014
Shareholder loan	\$ (45,082)	1,591
Share purchase loans	169,816	169,816
	<u>\$ 124,734</u>	<u>171,407</u>

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

Share purchase loans are due from a director of the Company. As collateral for the non-interest bearing share purchase loans, the borrower has granted the Company a security interest in a portion of the shares purchased. The loans are repayable in full on or before dates ranging from June 27, 2017 and January 31, 2018.

In addition to the above noted balances, the Company received financing of \$600,000 in the form of an 18 month unsecured term loan from an entity controlled by the Company's beneficial controlling shareholder and director. The term loan bears interest, payable monthly, at 16% per annum and is subordinated to existing senior credit and other term loan facilities (See Note 9).

(b) Related party transactions

	Three months ended		Nine months ended	
	June 30		June 30	
	2015	2014	2015	2014
Rent expense	\$ 65,520	65,520	196,560	196,560
Fees, salaries and benefits for key management personnel	179,150	156,200	574,850	558,600
Share based compensation for key management personnel	9,568	47,512	96,160	126,755
Finance costs	23,934	-	61,559	-

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 6 year lease, with a 4 year renewal option, 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 and the directors of the Company. The Executive Chairman's fees are paid to a corporation under his control.

Finance costs include fees paid under an unsecured term loan from an entity controlled by the Company's beneficial controlling

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015In Canadian dollars

6. Goodwill and other intangible assets

		Courseware		Customer		
	Licences	and other	Technology	Relationships	Goodwill	Total
Cost						
October 1, 2013	\$ 265,500	180,770	1,957,948	585,000	1,415,007	4,404,225
Additions	-	-	863,998	-	-	863,998
Disposals	-	(118,955)	-	-	-	(118,955)
Government assistance	-	-	(711,429)	-	-	(711,429)
Business combination (Note 3)	-	-	-	2,320,000	438,124	2,758,124
September 30, 2014	\$ 265,500	61,815	2,110,517	2,905,000	1,853,131	7,195,963
Additions	-	-	825,072	-	-	825,072
Government assistance	-	-	84,866	-	-	84,866
June 30, 2015	\$ 265,500	61,815	3,020,455	2,905,000	1,853,131	8,105,901
Accumulated amortization and impairment losses						
October 1, 2013	\$ 238,875	136,292	905,640	139,286	-	1,420,093
Amortization	26,625	29,739	281,227	257,571	-	595,162
Disposals	-	(104,216)	-	-	-	(104,216)
September 30, 2014	\$ 265,500	61,815	1,186,867	396,857	-	1,911,039
Amortization	-	-	245,059	236,679	-	481,738
June 30, 2015	\$ 265,500	61,815	1,431,926	633,536	-	2,392,777
Carrying values						
October 1, 2013	\$ 26,625	44,478	1,052,308	445,714	1,415,007	2,984,132
September 30, 2014	\$ -	-	923,650	2,508,143	1,853,131	5,284,924
June 30, 2015	\$ -	-	1,588,529	2,271,464	1,853,131	5,713,124

Included in Technology are \$825,072 of internally generated additions for the nine months ended June 30, 2015.

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015In Canadian dollars

7. Property and equipment

	Computer equipment and software	Furniture fixtures and equipment	Vehicles	Leasehold Improvements	Total
Cost					
October 1, 2013	\$ 980,186	913,162	113,640	297,758	2,304,746
Additions	171,027	7,819	-	(93,557)	85,289
Additions subject to finance lease	67,473	-	-	-	67,473
Disposals	(776,694)	(112,667)	(66,673)	-	(956,034)
Government assistance	(28,605)	-	-	-	(28,605)
Business combination (Note 3)	77,581	61,438	-	-	139,019
September 30, 2014	\$ 490,968	869,752	46,967	204,201	1,611,888
Additions	33,596	39,382	-	-	72,978
Disposals	-	(94,054)	-	(10,245)	(104,299)
June 30, 2015	\$ 524,564	815,080	46,967	193,956	1,580,567
Accumulated depreciation					
October 1, 2013	\$ 701,347	256,646	81,950	97,279	1,137,222
Depreciation	208,317	109,806	14,689	41,455	374,267
Disposals	(676,212)	(88,090)	(51,166)	-	(815,468)
September 30, 2014	\$ 233,452	278,362	45,473	138,734	696,021
Depreciation	94,423	78,726	1,184	12,066	186,399
Disposals	-	(40,309)	-	(10,245)	(50,554)
June 30, 2015	\$ 327,875	316,779	46,657	140,555	831,866
Carrying values					
October 1, 2013	\$ 278,839	656,516	31,690	200,479	1,167,524
September 30, 2014	\$ 257,516	591,390	1,494	65,467	915,867
June 30, 2015	\$ 196,689	498,301	310	53,401	748,701

8. Operating loans

The Company has a short term bank operating line of credit to a maximum of the lesser of \$3,500,000 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 June 30, 2015 was \$570,000 (September 30, 2014 – \$1,005,000).

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015

In Canadian dollars

9. Long term debt

	Maturity	June 30 2015	September 30 2014
Unsecured convertible term notes - 14%	2013-2016	3,434,237	2,777,125
Secured convertible term note - 8%	2013-2015	-	1,556,178
Unsecured term loan - 16%	2015-2016	600,000	-
Unsecured royalty obligation	n/a	1,174,471	1,046,685
Government assistance debt:			
Province of Newfoundland and Labrador - 4.75%	2016-2019	466,189	441,198
Atlantic Canada Opportunities Agency - non-interest bearing	2012-2017	200,747	258,265
Government of Nova Scotia - 5%	2013-2021	1,183,222	1,293,777
Atlantic Canada Opportunities Agency - non-interest bearing	2013-2018	259,824	308,763
Invest New Brunswick - non-interest bearing	2013-2014	-	71,014
Atlantic Canada Opportunities Agency - non-interest bearing	2015-2019	306,923	313,834
Atlantic Canada Opportunities Agency - non-interest bearing	2016-2017	412,836	431,694
		8,038,449	8,498,533
less: current portion		(760,877)	(2,406,673)
Total long term debt		\$ 7,277,572	6,091,860

(a) Early Settlement - Secured convertible term note - 8%

On December 30, 2014 the Company entered into an early discounted settlement agreement to repay the 8% secured convertible term note acquired in the acquisition of Atlantis. Under the agreement the Company paid \$1,125,000 on settlement of the debt. As at the settlement date the principal and accrued interest payable was \$1,595,422, resulting in a gain on settlement of \$470,422.

(b) Modification of term loan repayment terms

On January 5, 2015, the Company entered into an agreement to amend the repayment terms of an ACOA term loan. Under the amended arrangement the loan is repayable in five quarterly instalments of \$100,000 commencing on January 1, 2016.

(c) Unsecured convertible term note

On February 13, 2015, the Company received financing of \$625,000 in the form of an unsecured convertible debenture. The unsecured debenture bears interest at 14% per annum, interest payable quarterly, and is repayable on December 30, 2016. The debenture is convertible at a conversion price of \$0.15 per common share. Upon conversion, any accrued interest shall be converted into common shares at the current market price.

(d) Unsecured term loan

On February 17, 2015, the Company received financing of \$600,000 in the form of an 18 month unsecured term loan from an entity controlled by the Company's beneficial controlling shareholder and director. The term loan bears interest, payable monthly, at 16% per annum and is subordinated to existing senior credit and other term loan facilities. The terms of the loan provide that early repayment can be made by Bluedrop, without penalty, by providing 90 days notice.

(e) Unsecured royalty obligation

On March 31, 2015, the Company extended the availability of funding under the unsecured royalty obligation. Under the amended arrangement Bluedrop has the option to draw an additional \$650,000 of funding in exchange of an increased royalty of 0.65% of revenue, subject to certain adjustments. The extended balance was undrawn at June 30, 2015.

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015In Canadian dollars

10. Provisions

To June 30, 2015 the Company had recognized Atlantic Canadian Opportunities Agency - Atlantic Innovation Fund (ACOA-AIF) contributions of \$2,531,111 pursuant to a 2008 agreement, as amended and ACOA-AIF contributions of \$2,984,419 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:

	June 30 2015	September 30 2014
Opening balance	\$ 1,188,864	1,186,545
Accretion	151,581	201,713
Royalties paid or payable	(71,891)	(27,771)
Additions and revaluations	11,037	(171,623)
	<u>\$ 1,279,591</u>	<u>1,188,864</u>

11. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common shares issued and outstanding

	Number of Shares	Share capital
Issued and outstanding at October 1, 2013	98,986,609	\$ 5,053,021
Issued and outstanding at September 30, 2014 and June 30, 2015	98,986,609	\$ 5,053,021

(c) Share options (2010 Stock Option Plan)

	Number of options	Exercise price per share
Outstanding at October 1, 2013	262,375	\$0.40
Expired	(25,000)	\$0.40
Outstanding and exercisable at September 30, 2014 and June 30, 2015	237,375	\$0.40

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015

In Canadian dollars

11. Share capital (continued)

(d) Share options (2011 Stock Option Plan)	Number of options	Exercise price per share
Outstanding at October 1, 2013	6,160,771	\$0.18
Granted	9,248,284	\$0.13
Forfeitures	(1,559,264)	\$0.20
Expired	(195,600)	\$0.24
Outstanding at September 30, 2014	13,654,191	\$0.18
Granted	1,617,343	\$0.07
Forfeitures	(285,608)	\$0.13
Expired	(554,314)	\$0.23
Outstanding at June 30, 2015	14,431,612	\$0.16
Exercisable at June 30, 2015	7,626,374	\$0.20

Pursuant to the 2011 Stock Option Plan, the Company has reserved a maximum of 16,827,718 of common shares of the Company for issuance on the exercise of share options. 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 \$166,194 of share-based compensation expense in the nine months ended June 30, 2015 relating to the 2011 Stock Option Plan (June 30, 2014 - \$207,397). 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:

	2015	2014
Risk free interest rate	0.64%	1.35%
Expected dividend yield	0%	0%
Share price volatility	37%	40%
Expected life	3.6 years	3.6 years
Average fair value of options granted	\$0.0201	\$0.0403

(e) Employee share purchase plan

The Company has a employee share purchase plan which permits employees to subscribe to common shares of the Company through payroll deductions. The Company may provide financial assistance with respect to the plan by way of loan, guarantee or otherwise. The Company has reserved a maximum of 2,969,597 common shares under the employee share purchase plan. As at June 30, 2015 no shares were outstanding under the plan.

12. Government assistance

	Three months ended June 30		Nine months ended June 30	
	2015	2014	2015	2014
ACOA-AIF contributions	\$ 10,298	158,345	257,702	638,345
less: additions and revaluation of ACOA-AIF provision	-	(9,382)	(11,036)	(41,758)
National Research Council - Industrial Research Assistance Program	41,078	64,890	210,062	111,835
Invest New Brunswick	-	(5,000)	16,014	83,147
Scientific Research and Experimental Development credits	(703,773)	156,296	(703,773)	276,296
Nova Scotia Digital Media Tax Credits	179,000	87,903	345,222	199,503
Discounts on below-market interest rate financial liabilities	-	96,933	73,857	222,444
	\$ (473,397)	549,985	188,048	1,489,812
Government assistance included in:				
Net earnings	(145,686)	336,356	304,393	986,907
Deferred revenue	-	(15,739)	(31,479)	(47,218)
Intangible assets	(327,711)	229,368	(84,866)	550,123
	\$ (473,397)	549,985	188,048	1,489,812

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015In Canadian dollars

13. Finance costs

	Three months ended June 30		Nine months ended June 30	
	2015	2014	2015	2014
Interest on long term debt	\$ 174,014	158,602	511,634	335,696
Interest on finance lease obligations	765	1,229	2,575	4,060
Short term interest and bank charges	11,621	11,927	40,977	31,279
Accretion of long term debt	187,787	162,308	552,882	357,785
Accretion of provisions	50,527	50,428	151,581	151,284
Other financing costs	2,681	(690)	7,238	(664)
Total finance costs	\$ 427,395	383,804	1,266,887	879,440

14. Changes in non-cash working capital

	2015	2014
Accounts receivable	\$ 1,415,302	1,346,126
Work in progress	(271,502)	(90,037)
Prepaid expenses	99,859	59,132
Accounts payable and accruals	(32,909)	(687,953)
Deferred revenue	14,506	136,202
	\$ 1,225,256	763,470
Changes in non-cash working capital related to:		
Operating activities	689,148	672,436
Investing activities	536,108	91,034
	\$ 1,225,256	763,470

15. Expenses classified by nature

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

	Three months ended June 30		Nine months ended June 30	
	2015	2014	2015	2014
Salaries and other labour costs	\$ 3,468,747	3,251,941	9,898,280	8,921,417
Materials, services and supplies	806,913	451,943	2,102,781	1,368,475
Travel and living	164,348	173,589	350,439	422,114
Occupancy	166,767	242,141	557,968	689,173
Professional fees	126,528	130,709	568,712	400,454
Other costs	224,834	318,708	384,722	561,262
Total expenses classified by nature	\$ 4,958,137	4,569,031	13,862,902	12,362,895

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015

In Canadian dollars

16. Segment reporting

Bluedrop's business is organized and managed as two complementary lines of e-Learning based training businesses.

Bluedrop Training and Simulation is one of Canada's leading providers of comprehensive training solutions for the defence sector. With over 40 years' experience and hundreds of training devices delivered it prides itself on its resume and skilled work force of approximately 130 people. Bluedrop Training and Simulation provides a full suite of products and services ranging from; training needs analysis and design, courseware and technical documentation, training information management systems, training program delivery, virtual reality based trainers and simulators and in service support for larger simulators and programs. It services all branches of the defence sector including naval, air force and army operations as well as other security agencies.

Bluedrop Learning Networks is pioneering the development and adoption of a SaaS based training and delivery platform providing large scale customers with the ability to engage, track training and monitor training of large users groups spread out of multiple locations. It provides the complete service offering and solutions to meet the operational requirements of its clients from designing the training requirement, to building custom content, to operating and supporting the training and delivery platform. Revenues are generated from, recurring platform licences, custom courseware development, consulting services, and the sale of commercial off-the-shelf courses.

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:

	Nine months ended June 30, 2015			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 2,611,753	12,432,688	-	15,044,441
Direct costs	1,430,890	7,564,939	-	8,995,829
Gross profit	1,180,863	4,867,749	-	6,048,612
Expenses				
Sales and marketing	948,784	467,274	562	1,416,620
General and administration	483,615	759,021	2,207,817	3,450,453
Government assistance	9,163	(239,699)	(73,857)	(304,393)
Share-based compensation	27,442	19,295	119,457	166,194
Finance costs	-	-	1,266,887	1,266,887
Depreciation and amortization	338,714	317,034	12,389	668,137
Other (gains) and losses	-	-	(428,177)	(428,177)
	1,807,718	1,322,925	3,105,078	6,235,721
(Loss) earnings before income taxes	\$ (626,855)	3,544,824	(3,105,078)	(187,109)

	Three months ended June 30, 2015			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 937,078	4,415,411	-	5,352,489
Direct costs	527,959	2,564,752	-	3,092,711
Gross profit	409,119	1,850,659	-	2,259,778
Expenses				
Sales and marketing	376,518	177,845	(32,352)	522,011
General and administration	195,816	274,850	872,749	1,343,415
Government assistance	219,163	(73,477)	-	145,686
Share based compensation	3,828	5,562	16,766	26,156
Finance costs	-	-	427,395	427,395
Depreciation and amortization	119,968	103,170	3,744	226,882
Other (gains) and losses	-	-	-	-
	915,293	487,950	1,288,302	2,691,545
(Loss) earnings before income taxes	\$ (506,174)	1,362,709	(1,288,302)	(431,767)

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Nine months ended June 30, 2015

In Canadian dollars

16. Segment reporting (continued)

	Nine months ended June 30, 2014			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 2,865,148	8,167,198	-	11,032,346
Direct costs	1,104,523	5,801,987	-	6,906,510
Gross profit	1,760,625	2,365,211	-	4,125,836
Expenses				
Sales and marketing	1,285,743	705,508	7,629	1,998,880
General and administration	569,164	878,025	2,010,316	3,457,505
Acquisition and restructuring costs	186,000	(64,246)	1,767,342	1,889,096
Government assistance	(323,807)	(328,821)	(334,279)	(986,907)
Share based compensation	60,138	(9,604)	156,863	207,397
Finance costs	-	-	879,440	879,440
Depreciation and amortization	413,198	121,396	85,402	619,996
Other (gains) and losses	(211,011)	(1,131)	5,913	(206,229)
	1,979,425	1,301,127	4,578,626	7,859,178
(Loss) earnings before income taxes	\$ (218,800)	1,064,084	(4,578,626)	(3,733,342)

	Three months ended June 30, 2014			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 864,239	3,652,871	-	4,517,110
Direct costs	392,903	2,438,140	-	2,831,043
Gross profit	471,336	1,214,731	-	1,686,067
Expenses				
Sales and marketing	249,067	236,465	5,409	490,941
General and administration	113,185	331,229	802,633	1,247,047
Acquisition and restructuring costs	-	(134,663)	146,589	11,926
Government assistance	42,688	(217,221)	(161,823)	(336,356)
Share based compensation	17,645	6,860	55,758	80,263
Finance costs	-	-	383,804	383,804
Depreciation and amortization	142,778	47,902	35,905	226,585
Other (gains) and losses	(211,011)	(1,131)	-	(212,142)
	354,352	269,441	1,268,275	1,892,068
(Loss) earnings before income taxes	\$ 116,984	945,290	(1,268,275)	(206,001)

17. Comparative figures

Comparative figures have been reclassified to conform with the June 30, 2015 statement of comprehensive income presentation. Presentation changes include reclassification of certain costs previously classified as general and administration to direct costs.