

Bluedrop Performance Learning Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

Six months ended March 31, 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.

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Bludrop Performance Learning Inc.

Consolidated Statements of Financial Position

Unaudited

March 31 September 30

2015 2014

In Canadian dollars

ASSETS

Current assets

Cash and cash equivalents	\$	197,732	4,055
Accounts receivable (Note 4)		5,883,699	6,994,565
Unbilled revenue		990,742	971,338
Prepaid expenses		487,827	488,220
Due from related parties (Note 5)		-	51,818
		7,560,000	8,509,996
Due from related parties (Note 5)		169,816	119,589
Deferred tax assets		4,679,167	4,855,470
Goodwill and other intangible assets (Note 6)		5,229,828	5,284,924
Property and equipment (Note 7)		755,237	915,867
	\$	18,394,048	19,685,846

LIABILITIES AND EQUITY

Current liabilities

Bank indebtedness (Note 8)	\$	-	1,071,655
Accounts payable and accruals		2,763,271	2,791,522
Deferred revenue		2,912,001	2,855,758
Due to related parties (Note 5)		15,764	-
Current portion of obligations under finance leases		39,776	49,727
Current portion of long term debt (Note 9)		643,685	2,406,673
		6,374,497	9,175,335
Obligations under finance leases		22,125	42,219
Long term debt (Note 9)		7,392,277	6,091,860
Provisions (Note 10)		1,253,062	1,188,864
Deferred revenue		2,449,524	2,501,761
Deferred tax liabilities		606,463	641,118
Long term payables		-	28,167
		18,097,948	19,669,324
Equity			
Share capital (Note 11)		5,053,021	5,053,021
Reserves		1,488,690	1,322,350
Deficit		(6,245,611)	(6,358,849)
		296,100	16,522
	\$	18,394,048	19,685,846

Approved on Behalf of the Board



Derrick H. Rowe
Director



Emad Rizkalla
Director

Bluedrop Performance Learning Inc.

Consolidated Statements of Comprehensive Income (Loss)

Unaudited

Six months ended March 31

In Canadian dollars

	Three Months Ended March 31		Six Months Ended March 31	
	2015	2014	2015	2014
Revenue				
Services revenue	\$ 4,231,314	3,949,376	\$ 7,604,295	5,528,347
Product sales	1,111,292	528,662	2,087,657	986,889
	5,342,606	4,478,038	9,691,952	6,515,236
Direct costs	3,187,770	2,789,673	5,903,118	4,075,467
Gross profit	2,154,836	1,688,365	3,788,834	2,439,769
Expenses				
Sales and marketing	468,555	764,268	894,609	1,507,939
General and administration	1,171,015	1,265,489	2,107,038	2,210,458
Acquisition and restructuring costs	-	210,764	-	1,877,170
Government assistance (Note 12)	(253,164)	(421,972)	(450,079)	(650,551)
Share-based compensation (Note 11)	69,615	54,036	140,038	127,134
Finance costs (Note 13)	428,951	377,794	839,492	495,636
Depreciation and amortization	219,804	216,730	441,255	393,411
Other (gains) and losses	43,745	-	(428,177)	5,913
	2,148,521	2,467,109	3,544,176	5,967,110
Profit (Loss) before income taxes	6,315	(778,744)	244,658	(3,527,341)
Income tax expense (recovery)				
Current	-	(9,579)	-	(9,579)
Deferred	(4,718)	(206,731)	131,420	(874,878)
	(4,718)	(216,310)	131,420	(884,457)
Net profit (loss) and comprehensive loss	\$ 11,033	(562,434)	\$ 113,238	(2,642,884)
Net profit (loss) per share				
Basic	0.0001	(0.0057)	0.0011	(0.0267)
Diluted	0.0001	(0.0057)	0.0011	(0.0267)
Weighted average number of shares outstanding				
Basic	98,986,609	98,986,609	98,986,609	98,986,609
Diluted	99,073,290	98,986,609	99,029,231	98,986,609

Bluedrop Performance Learning Inc.

Consolidated Statements of Changes in Equity

Unaudited

Six months ended March 31In 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	-		-	127,134	-	-	127,134
Issue of convertible note, net of tax	-		-	-	201,466	-	201,466
Loss and comprehensive loss	-		-	-	-	(2,642,884)	(2,642,884)
March 31, 2014	98,986,609	\$	5,053,021	1,026,990	201,466	(5,081,751)	1,199,726
Share-based compensation	-		-	93,894	-	-	93,894
Loss and comprehensive loss	-		-	-	-	(1,277,098)	(1,277,098)
September 30, 2014	98,986,609	\$	5,053,021	1,120,884	201,466	(6,358,849)	16,522
Share-based compensation	-		-	140,038	-	-	140,038
Issue of convertible note, net of tax	-		-	-	26,302	-	26,302
Loss and comprehensive loss	-		-	-	-	113,238	113,238
March 31, 2015	98,986,609	\$	5,053,021	1,260,922	227,768	(6,245,611)	296,100

Bluedrop Performance Learning Inc.

Consolidated Statements of Cash Flows

Unaudited

Six months ended March 31

2015

2014

In Canadian dollars

Increase (decrease) in cash and cash equivalents

Operating activities

Net profit (loss) for the period	\$	113,238	(2,642,884)
Items not affecting cash:			
Share-based compensation		140,038	127,134
Depreciation and amortization		441,255	393,411
Non-cash government assistance		(73,857)	(125,511)
Additions and revaluation of provision		5,973	23,131
Gain on settlement of long term debt		(470,422)	-
Finance costs		839,492	495,636
Deferred taxes		131,420	(874,878)
Loss on disposal or property and equipment		43,745	5,913
Interest paid		(33,914)	(19,378)
		1,136,968	(2,617,426)
Changes in non-cash working capital (Note 14)		1,137,850	254,079
		2,274,818	(2,363,347)

Investing activities

Change in related party balances		17,355	(43,176)
Net cash flow on business combinations (Note 3)		-	(910,449)
Proceeds on disposal of property and equipment		10,000	6,000
Purchase of property and equipment, net of government assistance		(21,239)	(111,505)
Purchase of intangible assets, net of government assistance		(252,971)	(105,607)
		(246,855)	(1,164,737)
Changes in non-cash working capital (Note 14)		(70,240)	(117,842)
		(317,095)	(1,282,579)

Financing activities

Repayment of obligations under finance leases		(30,045)	(48,282)
Advances of long term debt		1,225,000	4,281,465
Repayment of long term debt		(1,508,118)	(1,306,281)
Repayment of royalties		(47,893)	(32,551)
Change in long term payables		(28,167)	38,831
Interest paid		(303,168)	(149,936)
		(692,391)	2,783,246

Increase (decrease) in cash and cash equivalents

(Bank indebtedness) cash and cash equivalents, beginning of period		1,265,332	(862,680)
		(1,067,600)	229,813
Cash and cash equivalents (bank indebtedness), end of period	\$	197,732	(632,867)

Cash and cash equivalents (bank indebtedness) consists of:

Cash on hand and in bank	\$	197,732	101,086
Bank indebtedness		-	(733,953)
	\$	197,732	(632,867)

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Six months ended March 31, 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 May 29, 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

Six months ended March 31, 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

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Six months ended March 31, 2015In Canadian dollars

4. Accounts receivable

	March 31	September 30
	2015	2014
Trade	\$ 4,039,186	5,368,431
Government assistance	1,787,400	1,607,061
Other	57,113	19,073
	<hr/> \$ 5,883,699	<hr/> 6,994,565

5. Related party transactions

(a) Due from (to) related parties

	March 31	September 30
	2015	2014
Shareholder loan	\$ (15,764)	1,591
Share purchase loans	169,816	169,816
	<hr/> \$ 154,052	<hr/> 171,407

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		Six months ended	
	March 31		March 31	
	2015	2014	2015	2014
Rent expense	\$ 65,520	65,520	131,040	131,040
Fees, salaries and benefits for key management personnel	240,600	243,417	395,700	402,400
Share based compensation for key management personnel	42,015	49,643	86,592	79,243
Finance costs	37,625	-	37,625	-

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

Six months ended March 31, 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	-	-	500,880	-	-	500,880
Government assistance	-	-	(242,845)	-	-	(242,845)
March 31, 2015	\$ 265,500	61,815	2,368,552	2,905,000	1,853,131	7,453,998
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	-	-	155,345	157,786	-	313,131
March 31, 2015	\$ 265,500	61,815	1,342,212	554,643	-	2,224,170
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
March 31, 2015	\$ -	-	1,026,340	2,350,357	1,853,131	5,229,828

Included in Technology are \$500,880 of internally generated additions for the six months ended March 31, 2015.

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Six months ended March 31, 2015

In 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	21,239	-	-	-	21,239
Disposals	-	(94,054)	-	(10,245)	(104,299)
March 31, 2015	\$ 512,207	775,698	46,967	193,956	1,528,828
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	65,050	54,085	945	8,044	128,124
Disposals	-	(40,309)	-	(10,245)	(50,554)
March 31, 2015	\$ 298,502	292,138	46,418	136,533	773,591
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
March 31, 2015	\$ 213,705	483,560	549	57,423	755,237

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 March 31, 2015 was Nil (September 30, 2014 – \$1,005,000).

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Six months ended March 31, 2015

In Canadian dollars

9. Long term debt

	Maturity	March 31 2015	September 30 2014
Unsecured convertible term notes - 14%	2013-2016	3,406,240	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	1,131,817	1,046,685
Government assistance debt:			
Province of Newfoundland and Labrador - 4.75%	2016-2019	457,651	441,198
Atlantic Canada Opportunities Agency - non-interest bearing	2012-2017	220,399	258,265
Government of Nova Scotia - 5%	2013-2021	1,220,373	1,293,777
Atlantic Canada Opportunities Agency - non-interest bearing	2013-2018	276,545	308,763
Invest New Brunswick - non-interest bearing	2013-2014	10,352	71,014
Atlantic Canada Opportunities Agency - non-interest bearing	2015-2019	317,783	313,834
Atlantic Canada Opportunities Agency - non-interest bearing	2016-2017	394,802	431,694
		8,035,962	8,498,533
less: current portion		(643,685)	(2,406,673)
Total long term debt		\$ 7,392,277	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 March 31, 2015.

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Six months ended March 31, 2015In Canadian dollars

10. Provisions

To March 31, 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 \$2,974,121 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:

	March 31 2015	September 30 2014
Opening balance	\$ 1,188,864	1,186,545
Accretion	101,054	201,713
Royalties paid or payable	(47,893)	(27,771)
Additions and revaluations	11,037	(171,623)
	<u>\$ 1,253,062</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 March 31, 2015	<u>98,986,609</u>	<u>\$ 5,053,021</u>

(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 March 31, 2015	<u>237,375</u>	<u>\$0.40</u>

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Six months ended March 31, 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	1,367,343	\$0.07
Forfeitures	(285,608)	\$0.13
Expired	(522,580)	\$0.23
Outstanding at March 31, 2015	14,213,346	\$0.16
Exercisable at March 31, 2015	7,534,671	\$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 \$140,038 of share-based compensation expense in the six months ended March 31, 2015 relating to the 2011 Stock Option Plan (March 31, 2014 - \$127,134). 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 in the year ended September 30, 2014:

	2015	2014
Risk free interest rate	0.62%	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	\$0.0196	\$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 March 31, 2015 no shares were outstanding under the plan.

12. Government assistance

	Three months ended March 31		Six months ended March 31	
	2015	2014	2015	2014
ACOA-AIF contributions	\$ 145,404	240,000	247,404	480,000
less: additions and revaluation of ACOA-AIF provision	(6,622)	(15,533)	(11,036)	(32,376)
National Research Council - Industrial Research Assistance Program	97,162	13,677	168,984	46,945
Invest New Brunswick	16,014	56,158	16,014	88,147
Scientific Research and Experimental Development credits	-	60,000	-	120,000
Nova Scotia Digital Media Tax Credits	70,308	87,600	166,222	111,600
Discounts on below-market interest rate financial liabilities	73,857	125,511	73,857	125,511
	\$ 396,123	567,413	661,445	939,827
Government assistance included in:				
Net earnings	253,164	421,972	450,079	650,551
Deferred revenue	(15,740)	(15,740)	(31,479)	(31,479)
Intangible assets	158,699	161,181	242,845	320,755
	\$ 396,123	567,413	661,445	939,827

Bluedrop Performance Learning Inc.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

Six months ended March 31, 2015In Canadian dollars

13. Finance costs

	Three months ended		Six months ended	
	March 31		March 31	
	2015	2014	2015	2014
Interest on long term debt	\$ 176,628	158,671	337,620	177,094
Interest on finance lease obligations	842	1,265	1,810	2,831
Short term interest and bank charges	18,377	14,573	29,356	19,352
Accretion of long term debt	178,603	152,831	365,095	195,477
Accretion of provisions	50,527	50,428	101,054	100,856
Other financing costs	3,974	26	4,557	26
Total finance costs	\$ 428,951	377,794	839,492	495,636

14. Changes in non-cash working capital

	2015	2014
Accounts receivable	\$ 1,110,866	(1,263,019)
Work in progress	(19,404)	531,548
Prepaid expenses	393	5,748
Accounts payable and accruals	(28,251)	706,252
Deferred revenue	4,006	155,708
	\$ 1,067,610	136,237
Changes in non-cash working capital related to:		
Operating activities	1,137,850	254,079
Investing activities	(70,240)	(117,842)
	\$ 1,067,610	136,237

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		Six months ended	
	March 31		March 31	
	2015	2014	2015	2014
Salaries and other labour costs	\$ 3,448,220	3,676,096	6,429,533	5,669,476
Materials, services and supplies	748,546	431,833	1,295,868	916,532
Travel and living	94,548	157,596	186,091	248,525
Occupancy	197,589	273,879	391,201	447,032
Professional fees	291,089	159,110	442,184	269,745
Other costs	47,348	120,916	159,888	242,554
Total expenses classified by nature	\$ 4,827,340	4,819,430	8,904,765	7,793,864

Bluedrop Performance Learning Inc.

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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:

	Six months ended March 31, 2015			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 1,674,675	8,017,277	-	9,691,952
Direct costs	902,931	5,000,187	-	5,903,118
Gross profit	771,744	3,017,090	-	3,788,834
Expenses				
Sales and marketing	572,266	289,429	32,914	894,609
General and administration	287,799	484,171	1,335,068	2,107,038
Government assistance	(210,000)	(166,222)	(73,857)	(450,079)
Share-based compensation	23,614	13,733	102,691	140,038
Finance costs	-	-	839,492	839,492
Depreciation and amortization	218,746	213,864	8,645	441,255
Other (gains) and losses	-	-	(428,177)	(428,177)
	892,425	834,975	1,816,776	3,544,176
(Loss) earnings before income taxes	\$ (120,681)	2,182,115	(1,816,776)	244,658

	Three months ended March 31, 2015			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 834,620	4,507,986	-	5,342,606
Direct costs	476,850	2,710,920	-	3,187,770
Gross profit	357,770	1,797,066	-	2,154,836
Expenses				
Sales and marketing	325,596	129,727	13,232	468,555
General and administration	188,188	203,542	779,285	1,171,015
Government assistance	(108,999)	(70,308)	(73,857)	(253,164)
Share based compensation	10,952	8,922	49,741	69,615
Finance costs	-	-	428,951	428,951
Depreciation and amortization	111,181	104,652	3,971	219,804
Other (gains) and losses	-	-	43,745	43,745
	526,918	376,535	1,245,068	2,148,521
(Loss) earnings before income taxes	\$ (169,148)	1,420,531	(1,245,068)	6,315

Bluedrop Performance Learning Inc.

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Six months ended March 31, 2015

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16. Segment reporting (continued)

	Six months ended March 31, 2014			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 2,000,909	4,514,327	-	6,515,236
Direct costs	711,620	3,363,847	-	4,075,467
Gross profit	1,289,289	1,150,480	-	2,439,769
Expenses				
Sales and marketing	1,036,676	469,043	2,220	1,507,939
General and administration	455,979	546,796	1,207,683	2,210,458
Acquisition and restructuring costs	186,000	70,417	1,620,753	1,877,170
Government assistance	(366,495)	(111,600)	(172,456)	(650,551)
Share based compensation	42,493	(16,464)	101,105	127,134
Finance costs	-	-	495,636	495,636
Depreciation and amortization	270,420	73,494	49,497	393,411
Other (gains) and losses	-	-	5,913	5,913
	1,625,073	1,031,686	3,310,351	5,967,110
(Loss) earnings before income taxes	\$ (335,784)	118,794	(3,310,351)	(3,527,341)

	Three months ended March 31, 2014			
	Bluedrop Learning Networks	Bluedrop Training and Simulation	Corporate and Other	Total
Revenue	\$ 889,306	3,588,732	-	4,478,038
Direct costs	350,432	2,439,241	-	2,789,673
Gross profit	538,874	1,149,491	-	1,688,365
Expenses				
Sales and marketing	539,811	222,395	2,062	764,268
General and administration	223,843	342,994	698,652	1,265,489
Acquisition and restructuring costs	-	70,417	140,347	210,764
Government assistance	(195,184)	(87,600)	(139,188)	(421,972)
Share based compensation	22,828	(34,032)	65,240	54,036
Finance costs	-	-	377,794	377,794
Depreciation and amortization	137,736	45,496	33,498	216,730
Other (gains) and losses	-	-	-	-
	729,034	559,670	1,178,405	2,467,109
(Loss) earnings before income taxes	\$ (190,160)	589,821	(1,178,405)	(778,744)

17. Comparative figures

Comparative figures have been reclassified to conform with the March 31, 2015 statement of comprehensive income presentation. Presentation changes include reclassification of certain costs previously classified as general and administration to direct costs.