

**DXSTORM.COM INC.**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2010**  
**(Form 51-102F1)**

The management discussion and analysis, prepared as of August 26, 2010 reviews and summarizes the activities of DXStorm.com Inc. ("DXStorm" or the "Company") and compares the financial results for the year ended June 30, 2010 with those from year ended June 30, 2009. The following should be read together with the audited consolidated financial statements for the years ended June 30, 2010 and 2009, and related notes attached thereto, which were prepared by management in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and at Company's website located at [www.dxstorm.com](http://www.dxstorm.com).

**Description of Business**

The Company's principal business ranges from medical application software development to e-commerce and internet based solutions - from turnkey micropayment solutions to custom-developed and fully managed systems including database, network, security and transaction systems for any enterprises. DXStorm continues to supply web hosting, development and custom programming to a large variety of verticals throughout North America, particularly in the medical, advertising and retail environments.

DXStorm.com Inc. trades on the TSX Venture Exchange under the symbol DXX.

**Activities**

DXStorm actively continues the development of its MDX HealthNET platform; a turnkey solution for Governments and Health Regions looking to improve the quality of healthcare through the adoption of a single, integrated solution for all stakeholders. In business and in the Medical industry in particular, having solid reference sites is the key to success. DXStorm has spent a great deal of time and money in developing a luminary site featuring a fully digital Hospital Information System (HIS), in a reputable working Hospital. This site of Excellence is a result of a solid partnership and is viewed as the key to future sales in the medical applications vertical. Throughout the development process DXStorm has exercised the necessary patience in ensuring that the Hospital Information System component of the MDX HealthNET platform is as comprehensive and robust as the environment demands.

With the complex phase of development completed DXStorm is now entering the rollout stage and is planning the time to market. It is our belief that we have a more rounded and mature product. Our luminary site is in the final stages of training and validation, with the expectation to be fully operational before the year's end. We anticipate operative presentations to several interested off-shore markets.

Our e-commerce platform continues to grow and improve to meet the needs of our target audience. New features and improved usability based on customer feedback continue to evolve our mature e-commerce offering and we expect it to do so for the foreseeable future.

### Selected Annual Information

The following table sets forth a summary of the financial results for the years ended June 30, 2010, 2009 and 2008:

---

	2010	2009	2008
Total Revenues	\$1,788,303	\$2,131,923	\$2,836,752
Income (Loss) for the year	(\$378,979)	(\$2,012,313)	\$97,327
Earnings (loss) per share	(\$0.018)	(\$0.097)	\$0.005
Total Assets	\$1,289,074	\$1,757,778	\$3,863,730
Long Term Debt	Nil	Nil	Nil
Dividends Declared	Nil	Nil	Nil

---

Loss per share is calculated on the basis of net loss divided by the weighted average number of common shares outstanding for the year. Diluted loss per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. The weighted average number of common shares was 20,729,508 (2009-20,729,508).

### Results of Operations

The Company recorded net loss of \$378,979 or \$0.018 per share for the year ended June 30, 2010, compared to a net loss of \$2,012,313, \$0.097 per share for the year ended June 30, 2009. In order to complete the Hospital Information System (HIS) to be fully operational according to the schedule, the Company increased investment in the project.

Expenses incurred during the period consist of:

- General and administrative \$2,042,926 (2009-\$2,219,817) representing development expenses, internet connection, software purchases, hardware purchases, telephone, office rent, audit and legal fees, investor relation fees, travel, utilities and office supplies.
- Amortization \$105,292 2009-\$106,681
- Bad debt expense \$19,064 2009-\$NIL
- Goodwill impairment \$NIL 2009-\$1,229,648
- Write down of fixed assets \$NIL 2009-\$588,090

Overall operating expenses have been reduced, however a substantial amount of the savings were reinvested in the development of digital Hospital Information System (HIS).

There was no stock-based compensation recorded during the year. No stock options were granted during the year ended June 30, 2010.

## Fourth Quarter Review

For the fourth quarter ended June 30, 2010, the Company recorded net loss of \$100,675 or \$0.005 per share as compared to a net loss of \$1,773,286 or \$0.086 per share for the same quarter ended the previous year. The Company's investment in digital medical software solutions and development of its MDX HealthNET platform accounted for most of its expenditures.

Expenses incurred during the quarter consist of:

- General and administrative \$424,633 (2009-\$404,384) representing internet connection, software purchases, hardware purchases, telephone, office rent, audit and legal fees, investor relation fees, utilities and office supplies.
- Amortization \$21,603 2009-(\$18,527)
- Bad debt expense \$19,064 2009-\$NIL
- Goodwill impairment \$NIL 2009-\$1,229,648
- Write down of fixed assets \$NIL 2009-\$588,090

## Summary of Quarterly Results

	Quarter Ended			
	June 30, 2010	March 31, 2010	Dec 31, 2009	Sept 30, 2009
Total Assets	\$1,289,074	\$1,372,848	\$1,568,379	\$1,660,665
Capital Assets	\$12,309	\$27,781	\$54,070	\$79,994
Working Capital	\$472,346	\$557,549	\$652,420	\$708,365
Shareholders' Equity	\$484,655	\$585,330	\$706,491	\$788,359
Revenue	\$364,625	\$427,103	\$509,330	\$487,245
Net (Loss)	(\$100,675)	(\$121,160)	(\$81,868)	(\$75,276)
Earnings (Loss)/share	(\$0.005)	(\$0.006)	(\$0.004)	(\$0.004)

	Quarter Ended			
	June 30, 2009	March 31, 2009	Dec 31, 2008	Sept 30, 2008
Total Assets	\$1,757,778	\$3,592,780	\$3,470,298	\$3,596,977
Capital Assets	\$101,661	\$691,763	\$748,284	\$771,382
Working Capital	\$761,974	\$715,510	\$824,114	\$792,612
Shareholders' Equity	\$863,635	\$2,636,921	\$2,802,348	\$2,793,642
Revenue	\$430,309	\$492,656	\$755,348	\$453,610
Net (Loss)	(\$1,773,286)	(\$165,125)	\$8,340	(\$82,242)
Earnings (Loss)/share	(\$0.086)	(\$0.008)	\$0.000	(\$0.004)

Earnings per share vary with the volume of client-specific work and custom programming. Therefore, earnings per share will continue to fluctuate in the future.

## Liquidity and Capital Resources

As at June 30, 2010, the Company had cash and cash equivalents of \$335,406 compared to \$344,291 in 2009. The Company had net working capital of \$472,346 at June 30, 2010, compared to \$761,974 during the same period in 2009.

The ability of the Company to continue to operate efficiently is dependent upon obtaining additional financing and/or selling or development of our Medical solutions technology. The Company is unable to predict the revenue stream from custom website design and custom programming. The revenue stream from custom website design and custom programming will continue to vary with the number of contracts.

## Financings

There were no financings during the year ended June 30, 2010.

## Transactions with Related Parties

- (a) During the year ended June 30, 2010 rent expense of \$120,000 under a month-month lease was incurred in favour of a corporation controlled by an officer and director of the company.
- (b) Included in accounts receivable is the amount of \$4,011 receivable, included in accounts payable is the amount of \$63,325 with a corporation controlled by an officer and director.
- (c) The Company has entered into a "Comprehensive Technology Services Agreement" to provide a comprehensive suite of services to a corporation controlled by an officer and director. The Agreement calls for a monthly fee of \$35,000 per month for July 2009 to December 2009 and \$40,000 per month starting January 2010, subject to variation based upon the actual level of monthly services rendered. Included in revenue from management services is the gross amount of \$455,595 earned under this agreement for the current year.

Included in accounts receivable is the amount of \$115,977 receivable from this company.

- (d) The amount of \$36,000 was paid to an officer and director of the company for rent expense incurred under the above-noted agreement.
- (e) The Company paid directors of the company the amount of \$5,000 in investor relation fees.
- (f) The Company paid a company owned by a director the amount of \$8,725 in professional fees.
- (g) In previous years, the Company entered into a "Comprehensive Technology Services Agreement" to provide a comprehensive suite of services to a corporation controlled by a family member of an officer and director. The Agreement calls for a monthly fee of \$5,750 per month, subject to variation based upon the actual level of monthly services rendered. Included in revenue from management services is the gross amount of \$NIL earned under this agreement for the current year (2009- \$NIL). Account receivable include \$109,741(\$103,275USD) with respect to these management fees (2009 - \$129,414).

Included in accounts receivable is the amount of \$9,304 receivable from the same company.

These transactions are in the normal course of business and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Proposed Transactions**

None anticipated at this time.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include valuation of accounts receivable, amortization, impairment of fixed assets and goodwill. Actual results could differ from those estimates.

### **Changes in Accounting Policies**

#### (a) New accounting pronouncements

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board published a new strategic plan that will significantly affect financial reporting requirements for Canadian public companies. The Standards Board plan outlines the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") with International Financial Reporting Standards ("IFRS") over an extended five-year transitional period. In February 2008, the Board announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. The Company is assessing the financial reporting impact of the transition to IFRS. The Company's management will continue to monitor these developments.

#### (b) Section 1582 - Business Combinations

This section, which replaces Section 1581 - Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The purpose of this replacement is to minimize the effect of making the transition to IFRS as it provides the Canadian equivalent to IFRS 3 - Business Combinations.

#### (c) Section 1601 & 1602 - Consolidated Financial Statements and Non-controlling interests

The new sections 1601 & 1602, together replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

These changes to the current standards will be the equivalent to the corresponding provisions of IAS 27 - Consolidated and Separate Financial Statements.

(d)Section 1625 - Comprehensive Revaluation of Assets and Liabilities

In August 2009, the CICA amended Handbook Section 1625 to be consistent with Sections 1582, 1601 and 1602. These amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011.

(e)Section 3251 - Equity

In August 2009, Section 3251 Equity was issued in response to issuing Section 1602 Non-controlling interests. The amendments require non-controlling interests to be shown as a separate component of equity. The amendments only apply to companies who adopt section 1602.

The adoption of these new accounting pronouncements is not expected to have a material impact on the financial statements.

**Financial Instruments**

The Company's financial instruments consist of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, unless otherwise noted.

Amendments to Section 3862 (Financial Instruments - Disclosure)

In 2009, the Canadian Institute of Chartered Accountants ("CICA") amended Section 3862, Financial Instruments - Disclosures to improve fair value and liquidity risk disclosures. Sections 3862 now requires that all financial instruments measured at fair value be categorized into one of the three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 - Unadjusted quote prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quote prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The Company's only financial instrument that is carried at fair value is cash and cash equivalents and is designated as Level 1.

**Disclosure of Outstanding Share Data**

Outstanding share data, warrants outstanding and stock options are disclosed in detail in Note 5 of the year ended June 30, 2010 audited consolidated financial statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

**Dividend Policy**

No dividends have been paid on any shares of the Company since the date of its incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

## **Legal Proceedings**

(a) On February 7, 2007, TDL Group Corp. ("TDL") filed a claim in Ontario Superior Court against Company and CEO Zoran Popovic, claiming some \$12 million in damages. On April 11, 2007, a counterclaim was filed in Ontario Superior Court by the Company against TDL and a consultant acting for them in the aggregate amount of \$67,670,612 for general damages, \$2,436,979 for special damages and \$1,500,000 for aggravated and punitive damages and other costs. In addition to categorically denying TDL's claims, the Company counterclaimed against TDL and a consultant acting for TDL for breach of contract, intentional interference with contractual relations, and the misappropriation of knowhow and confidential information. In its Statement of Defense and Counter-Claim, the Company denies TDL's claims and asserts claims against TDL for breach of a five-year TimCard agreement with the Company, under which the Company would provide a branded quick payment card to Tim Horton's locations across Canada. The Company also claims recovery of two years of expenses for installation and maintenance of a TimCard micropayment system in Tim Horton's locations in Oakville, Ontario.

During fiscal 2008, the Company entered into a contingency fee retainer agreement with legal counsel pertaining to the ongoing legal matters with TDL. Unless terminated by either party, the agreement calls for a "success fee" to be paid to the solicitors on settlement of the claim in addition to the retainer of \$100,000 currently recorded in prepaid expenses which amount will be refunded to the Company upon the successful of this claim. Should the agreement be terminated by either party then the accumulated legal fees (at pre-determined hourly rates) will be payable by the Company. No provision has been made in the financial statements for these amounts, as the Company believes that the claim by TDL is defensible and that the Company has a good arguable case for the damages claimed in the counterclaim.

(b) The Company is the defendant in a claim for wrongful dismissal, unpaid vacation pay, life insurance and other benefits for \$54,040 and 340,000 Common shares of DXStorm.com Inc., which are to be issued to the defendant and repurchased by the Company. No provision has been made in the financial statements for these amounts, as the Company believes the claim is without merit. This is ongoing and has not been settled or tried.

## **Indebtedness of Directors, Officers, Promoters and Others**

No director, Officer, or promoter or other member of management of the Company, or any Associate or Affiliate of any such person, is or has been indebted to Company since the beginning of the last completed financial year.

## **Risks and Uncertainties**

The Company is selling and developing products and services for new and emerging markets and as a result faces a number of risks, some of which are outlined below.

Competition - it is possible that new competitors will enter the marketplace. Such competitors may be able to expand their services more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements. Accordingly, the entry of new competitors could have a material adverse effect on our business, financial conditions, and overall results of operations.

Emerging Markets and Technology - The market for DXStorm's products is still emerging and continued growth and demand for and acceptance of these products remains uncertain. In addition, other emerging technology and markets may impact the viability of the market for DXStorm's products. DXStorm's continued success will depend upon its ability to keep pace with technological and marketplace change and to

introduce on a timely and cost effective basis, new and enhanced products that satisfy changing customer requirements and achieve market acceptance.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary from these statements.

### **Restatement**

The restatement of the 2009 audited consolidated financial statements, as previously reported, results from the following:

(a)The Company has subsequently determined that the original impairment of Clic.net's goodwill in the amount of \$614,824 was inadequate and in error, based on reduced profitability and significant changes to management. A full impairment of the goodwill should have been provided for in the amount of \$1,229,648.

(b)In 2009, the Company adjusted the valuation of the shares reserved for acquisition of ACEnetx Inc., to the then current market value resulting in a writedown of \$140,641. It has been subsequently determined that the writedown is an error as the value of the shares reserved should have remained at the original contracted price of \$156,441.

The impacts of the adjustments for financial results for the year ended June 30, 2009 are disclosed in detail in Note 13 of the year ended June 30, 2010 audited consolidated financial statements.

### **Reliance on Management**

The Corporation anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of digital medical software solutions and the business of providing online shopping carts. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Corporation could materially adversely affect the Company.

Readers are cautioned not to put undue reliance on forward-looking statements.

### **Auditors, Transfer Agent and Registrar**

The auditors of the Company are Sievert & Sawrantschuk LLP, Chartered Accountants of Toronto, Ontario. The Transfer Agent and Registrar for the Common Shares of the Company is Computershare of Vancouver, BC.

### **Disclosure Controls and Procedures**

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the annual financial statements and MD&A at June 30, 2010. Although certain weaknesses are inherent with small office operations, management has implemented certain controls such as segregation of duties within critical departments, frequent reviews and regular preparations of reconciliations of transactions to ensure absence of material irregularities. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The disclosure controls and procedures are designed to ensure effective information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

## Forward Looking Statements

This management discussion and analysis contains certain forward-looking statements relating but not limited to the Corporation's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.