



**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED MARCH 31, 2010 AND 2009**

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Consolidated Balance Sheet**  
**March 31, 2010**  
(in thousands of United States dollars)

	<b>March 31, 2010</b>	<b>June 30, 2009</b>
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 3,696	\$ 15,744
Accounts receivable	3,872	3,449
Future income tax asset	98	237
Prepaid expenses	1,848	1,130
	<b>9,514</b>	20,560
Other assets	2,918	2,692
Future income tax asset	2,002	1,042
Property and equipment	50,332	36,856
Equipment under capital lease	1,062	1,013
Goodwill (Note 3)	2,394	1,715
Intangible assets	3,307	2,552
	<b>\$ 71,529</b>	\$ 66,430
<b>Liabilities</b>		
Current:		
Accounts payable and accrued liabilities	\$ 9,781	\$ 7,936
Deferred revenue	2,968	2,886
Current portion of deferred gain	79	79
Current portion of deferred lease inducements	126	138
Current portion of derivative liabilities (Note 4)	152	89
Current portion of notes payable (Note 5)	3,000	2,250
Current portion of obligations under capital lease	393	211
Income taxes payable	78	2,200
	<b>16,577</b>	15,789
Deferred gain	433	493
Deferred lease inducements	566	664
Derivative liabilities (Note 4)	190	179
Notes payable (Note 5)	12,096	12,303
Obligation under capital lease	334	363
	<b>30,196</b>	29,791
<b>Shareholders' equity</b>	<b>41,333</b>	36,639
	<b>\$ 71,529</b>	\$ 66,430
Commitments and contingencies (Note 11)		

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Consolidated Statements of Shareholders' Equity**  
**For the Three and Nine Months Ended March 31, 2010**  
(in thousands of United States dollars except number of shares)

	Three months ended				Nine months ended			
	March 31, 2010		March 31, 2009		March 31, 2010		March 31, 2009	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>SHARE CAPITAL (Note 6)</b>								
<b>Common shares</b>								
Balance at beginning of period	121,260,741	\$ 27,942	119,294,323	\$ 26,940	119,314,323	\$ 26,950	118,504,368	\$ 26,539
Stock options exercised	33,879	14	-	-	352,011	225	111,670	60
Warrants exercised	-	-	-	-	1,628,286	781	678,285	341
<b>Balance at end of period</b>	<b>121,294,620</b>	<b>27,956</b>	119,294,323	26,940	<b>121,294,620</b>	<b>27,956</b>	119,294,323	26,940
<b>Warrants</b>								
Balance at beginning of period	833,333	86	2,461,619	493	2,461,619	493	3,139,904	678
Warrants exercised	-	-	-	-	(1,628,286)	(407)	(678,285)	(185)
<b>Balance at end of period</b>	<b>833,333</b>	<b>86</b>	2,461,619	493	<b>833,333</b>	<b>86</b>	2,461,619	493
<b>Total – share capital</b>		<b>28,042</b>		27,433		<b>28,042</b>		27,433
<b>CONTRIBUTED SURPLUS</b>								
Balance at beginning of period		5,709		3,879		4,766		2,509
Stock-based compensation		619		434		1,684		1,826
Stock options exercised		(5)		-		(127)		(22)
<b>Balance at end of period</b>		<b>6,323</b>		4,313		<b>6,323</b>		4,313
<b>RETAINED EARNINGS</b>								
Balance at beginning of period		6,862		2,718		4,709		(1,013)
Net income		459		1,414		2,612		5,145
<b>Balance at end of period</b>		<b>7,321</b>		4,132		<b>7,321</b>		4,132
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>								
Balance at beginning of period		(315)		(11)		(279)		(11)
Other comprehensive income (loss)		(38)		-		(74)		-
<b>Balance at end of period</b>		<b>(353)</b>		(11)		<b>(353)</b>		(11)
<b>Total - shareholders' equity</b>		<b>\$ 41,333</b>		\$ 35,867		<b>\$ 41,333</b>		\$ 35,867

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Consolidated Statement of Operations**  
**For the Three and Nine Months Ended March 31, 2010**  
(in thousands of United States dollars, except per share amounts)

	Three months ended		Nine months ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Revenue				
Colocation Services	\$ 7,143	\$ 5,944	\$ 20,616	\$ 18,783
Hosting Services	17,923	16,705	51,721	51,009
	25,066	22,649	72,337	69,792
Cost of revenue	14,852	13,404	42,670	39,306
Gross profit	10,214	9,245	29,667	30,486
Operating expenses	8,047	6,636	22,761	20,671
Operating income before other items	2,167	2,609	6,906	9,815
Other items:				
Interest income	(2)	(4)	(8)	(59)
Settlement of legal claim	440		440	-
Gain on insurance recovery	-	-	(93)	-
Gain on disposal of property and equipment	(29)	-	(71)	(20)
Loss on derivative	111	-	111	-
Foreign exchange (gain) / loss	75	(48)	264	(132)
Interest expense – long term	338	405	987	1,266
	933	353	1,630	1,055
Income before income taxes	1,234	2,256	5,276	8,760
Future income tax expense (recovery)	(212)	144	(712)	381
Current income tax expense	987	698	3,376	3,234
Income tax expense	775	842	2,664	3,615
<b>Net income</b>	<b>\$ 459</b>	<b>\$ 1,414</b>	<b>\$ 2,612</b>	<b>\$ 5,145</b>
Other comprehensive income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	(38)	-	(74)	-
<b>Comprehensive income</b>	<b>\$ 421</b>	<b>\$ 1,414</b>	<b>\$ 2,538</b>	<b>\$ 5,145</b>
Net income attributable to:				
Common shares	\$ 459	\$ 1,414	\$ 2,612	\$ 5,145
Comprehensive income attributable to:				
Common shares	\$ 421	1,414	\$ 2,538	\$ 5,145
Basic and diluted earnings per share	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.04
Weighted average number of shares				
Basic	121,274,770	119,294,323	120,653,339	119,085,836
Diluted	124,338,272	123,755,886	124,316,811	124,073,826

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Consolidated Statement of Cash Flows**  
**For the Three and Nine Months Ended March 31, 2010**  
**(in thousands of United States dollars)**

	Three months ended		Nine months ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
<b>Operating Activities:</b>				
Net income	\$ 459	\$ 1,414	\$ 2,612	\$ 5,145
Adjustments for non-cash items:				
Amortization of property and equipment	3,560	3,050	10,055	8,693
Amortization of intangible assets	82	323	569	1,051
Increase in accrued interest	-	11	-	66
Bad debt expense	174	198	388	595
Gain on disposal of property and equipment	(29)	-	(71)	(20)
Gain on insurance	-	-	(93)	-
Amortization of deferred gain	(20)	(20)	(59)	(59)
Amortization of deferred loan origination fees	74	110	191	350
Future income tax expense	(212)	144	(712)	381
Stock-based compensation included in income for the period	620	434	1,684	1,825
Decrease in deferred lease inducements	(37)	(36)	(110)	(35)
Changes in non-cash working capital:				
Decrease (Increase) accounts receivable	405	816	(458)	(466)
Decrease (Increase) in prepaid expenses	(81)	183	(657)	(30)
Increase (Decrease) in accounts payable and accrued liabilities	490	(145)	1,147	(1,320)
Increase (Decrease) in income taxes payable	54	169	(2,122)	468
Decrease in deferred revenue	(314)	(236)	(200)	(176)
<b>Cash flows from operating activities</b>	<b>5,225</b>	<b>6,415</b>	<b>12,164</b>	<b>16,468</b>
<b>Investing Activities:</b>				
Acquisition of subsidiary, net of cash acquired	(534)	-	(534)	-
Investment in other assets	(135)	12	(362)	43
Acquisition of property and equipment	(9,390)	(2,788)	(22,992)	(11, 819)
Acquisition of intangible assets	(389)	(304)	(1,325)	(1,200)
Proceeds on disposition of equipment	29	-	71	20
<b>Cash flows used in investing activities</b>	<b>(10,419)</b>	<b>(3,080)</b>	<b>(25,142)</b>	<b>(12,956)</b>
<b>Financing Activities:</b>				
Proceeds from line of credit	2,000	-	2,000	-
Repayments of notes payable	(750)	(800)	(1,500)	(2,400)
Payment of capital lease obligations	(66)	(47)	(178)	(148)
Issuance of capital stock	9	-	471	194
<b>Cash flows from (used in) financing activities</b>	<b>1,193</b>	<b>(847)</b>	<b>793</b>	<b>(2,354)</b>
<b>Foreign exchange gain (loss) on cash and cash equivalents</b>	<b>75</b>	<b>(19)</b>	<b>137</b>	<b>(139)</b>
(Decrease) Increase in cash and cash equivalents	(3,926)	2,469	(12,048)	1,019
Cash and cash equivalents, beginning	7,622	9,576	15,744	11,026
Cash and cash equivalents, ending	\$ 3,696	\$ 12,045	\$ 3,696	\$ 12,045
Supplemental Disclosure of Cash Flow Information (Note 7)				

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**(dollar amounts are presented in thousands of**  
**United States dollars, except per share amounts)**

**1. Significant Accounting Policies:**

**a) Nature of Operations:**

Peer 1 Network Enterprises, Inc. (the "Company") was incorporated under the laws of British Columbia. The Company is a provider of Internet infrastructure solutions and related managed services. The Company provides colocation facilities with high performance Internet bandwidth and hosting servers to web-centric and enterprise customers in North America and the UK. The Company has established local offices and data centres in Canada, the USA, and the UK and also has established points of presence in London, UK and Amsterdam in the Netherlands. The corporate headquarters are in Vancouver.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and, accordingly do not include all information and note disclosures required for the annual financial statements under Canadian generally accepted accounting principles. It is management's opinion that all adjustments considered necessary for fair presentation of the financial position, results of operations and cash flow for the interim periods presented have been made. These financial statements have been prepared in accordance with the same accounting principles applied in the preparation of the annual audited consolidated financial statements filed with the British Columbia Securities Commission for the fiscal year ended June 30, 2009, except as described in note 1(b). The annual financial statements should be referenced in conjunction with this interim report. Certain comparative amounts have been reclassified to correspond to the presentation in the current period.

**b) Changes in Accounting Policies:**

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", effective for interim and annual periods on or after Oct 1, 2008. Section 3064, which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standards ("IFRS") IAS 38, "Intangible Assets". This new standard is effective for the Company's interim and annual financial statements commencing July 1, 2009. The Company has adopted this new standard in the preparation of its financial statements.

**c) Recent Accounting Pronouncements:**

i) In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its financial statements.

**PEER 1 NETWORK ENTERPRISES, INC.**  
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**1. Significant Accounting Policies: (continued)**

**c) Recent Accounting Pronouncements: (continued)**

ii) In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", which replaces the existing standard. This Section carries forward existing Canadian guidance for preparing consolidated financial statements other than non-controlling interests. The Section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

iii) In January 2009, the CICA issued Section 1602, "Non-controlling Interests", which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 1, 2011 with earlier adoption permitted. As of March 31, 2010 the Company has no non-controlling interests, and accordingly there is no currently expected impact as a result of the standard.

iv) In June 2009, the CICA amended Handbook Section 3855, "Financial Instruments - Recognition and Measurement", to clarify the application of the effective interest method after a debt instrument has been impaired. The Section has also been amended to clarify when an embedded prepayment option is separated from its host instrument for accounting purposes. The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after May 1, 2009 for the amendments relating to the effective interest method and January 1, 2011 for the amendment relating to embedded prepayment options. The Company is currently evaluating the impact of the amendments relating to embedded prepayment options.

**2. Basis of Consolidation:**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Peer 1 Network (USA) Inc., Peer 1 Network (Seattle) Inc., Peer 1 Network (San Jose) Inc., Peer 1 Network (New York) Inc., Peer 1 Network (Nevada) GP, Inc., Peer 1 Network (Nevada) LP, Inc., ServerBeach Ltd., Data Center Technologies IP Inc., Peer 1 Dedicated Hosting Inc., Colobrokers.com Inc., 585065 B.C. Ltd., Peer 1 Network (Texas), LP, Peer 1 Network (LA), Inc. Peer 1 (UK) Ltd., and VIA Net.Works USA, Inc.

**PEER 1 NETWORK ENTERPRISES, INC.**  
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**3. Acquisition of VIA Net.Works USA, Inc.:**

On March 17, 2010, the Company acquired all the shares of Atlanta based VIA Net.Works USA, Inc. ("VIA Net.Works"), a privately held subsidiary of Clara.net Holdings limited, in an all cash-transaction. The purchase price has been established at \$550,000. The results of VIA Net.Works' operations have been included in the consolidated financial statements since March 18, 2010.

VIA Net.Works' assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill. The goodwill is expected to be deductible for tax purposes.

The following table summarizes the value of the assets acquired and liabilities assumed at the date of acquisition:

<b>As at March 17, 2010</b>	
Cash and cash equivalent	\$ 16
Accounts receivable, net	192
Prepaid expenses	61
Other assets	12
Capital assets	289
Goodwill	679
Future income tax	170
Total assets acquired	<b>1,419</b>
Accounts payable	331
Capital lease obligation	256
Deferred revenue	282
Total liabilities assumed	<b>869</b>
<b>Net Assets acquired</b>	<b>550</b>

**4. Derivative Liabilities:**

The carrying amount of the derivative financial instrument in a hedge relationship was as follows:

	<b>March 31, 2010</b>	June 30, 2009
<b>Derivative financial instruments designated as cash flow hedges</b>		
Interest – rate swap agreement	\$ 342	\$ 268

The interest rate swap matures at the same time as the notes payable described below in Note 5.

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
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**5. Notes Payable:**

Notes payable as of March 31, 2010 include amounts payable to National Bank of Canada. Pursuant to the adoption of CICA Handbook Section 3855, amounts are shown net of related transaction and financing costs. Details are as follows:

	<b>March 31, 2010</b>	June 30, 2009
Notes payable - Loan Facility A	\$ 2,000	\$ -
Notes payable - Loan Facility B	13,500	15,000
Less: Unamortized deferred loan origination fees	404	447
Notes payable, net of related transaction and financing	<b>15,096</b>	14,553
Less: Current portion	<b>3,000</b>	2,250
	<b>\$ 12,096</b>	\$ 12,303

**6. Shareholders' Equity:**

**Capital Stock:**

The Company is authorized to issue unlimited common shares without par value and unlimited preferred shares without par value.

**Warrants:**

The following non-transferable share purchase warrants are outstanding:

Exercise Price	Outstanding at June 30, 2009	Issued	Exercised	Outstanding at March 31, 2010	Expiry Date
USD\$0.23	1,628,286		1,628,286	-	-
CDN\$0.40	833,333		-	833,333	January 31, 2011
	2,461,619		1,628,286	833,833	

**Stock Options:**

As at March 31, 2010, the Company had 16,110,850 stock options outstanding.

**7. Supplemental Disclosure of Cash Flow Information:**

	<b>Three months ended March 31,</b>		<b>Nine months ended March 31,</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
Interest paid	\$ 203	\$ 284	\$ 675	\$ 849
Income taxes paid	890	534	5,446	2,726
Interest received	2	4	8	59
Effect of acquisition of property and equipment	<b>(3,677)</b>	(908)	<b>366</b>	(871)

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
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**8. Related Party Balances and Transactions:**

The Company has entered into a number of related party transactions with companies either owned or subject to significant influence by management, directors, and principal shareholders.

The significant transactions with related parties are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Transaction during the period -				
Revenue earned from companies owned or subject to significant influence by directors and principal	\$ 36	\$ 20	\$ 94	\$ 78
Other expenses from companies owned or subject to significant influence by directors and principal	\$ -	\$ 24	\$ 1	\$ 77

These transactions are in the normal course of operations and are measured at their exchange amounts, which is the amount of consideration established and agreed to by the related parties.

	March 31, 2010	March 31, 2009
Balances at the end of the period -		
Accounts receivable from companies owned or subject to significant influence by directors and principal shareholders	\$ 96	\$ 3
Accounts payable to companies owned or subject to significant influence by directors and principal shareholders	\$ -	\$ -

The balances are payable on demand and have arisen from the sale of products, provision of services and invoice payments.

**9. Capital Risk Management:**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, notes payable and equity comprising of issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new share issues, share repurchases, the payment of dividends, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is subject to externally imposed capital requirements as required under the terms of its loan agreement. The Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2009.

**PEER 1 NETWORK ENTERPRISES, INC.**  
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**10. Financial Risk Management:**

a) Overview:

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Management has overall responsibility for the oversight of the Company's risk management within parameters established by the board of directors.

b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure. The Company has adopted a credit policy which includes a requirement for payment at commencement of service for dedicated hosting customers. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are primarily located in the United States, Canada and the UK and represent various industries. At March 31, 2010, no single customer represented more than 5% of accounts receivable. The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance is a specific loss component that relates to individually significant exposures, and an overall loss component established based on historical trends and other information. Trade accounts receivable are written off against the allowance account after management has determined that the loss is probable. As at March 31, 2010, the Company had an allowance for doubtful accounts of \$652. At March 31, 2010, the Company had no individually material past due trade accounts receivables.

	<b>As of March 31, 2010</b>	
Total Accounts receivable	\$	4,524
Less: Allowance for doubtful accounts		(652)
Accounts receivable, net	\$	3,872
Of which:		
Not overdue	\$	648
1-30 days		2,253
31-60 days		180
61-90 days		49
91 days and over		176
Less: Allowance for doubtful accounts		(652)
Accounts receivable – other		1,218
Accounts receivable, net	\$	3,872

**PEER 1 NETWORK ENTERPRISES, INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
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**10. Financial Risk Management: (continued)**

c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at March 31, 2010, the Company had financial assets held for trading of \$3,696, loans and receivables of \$3,872 and other financial liabilities of \$25,605. As at March 31, 2009, the Company had financial assets held for trading of \$12,045, loans and receivables of \$3,923 and other financial liabilities of \$20,411. All of the Company's financial liabilities have contracted maturities of less than 3 years. The Company manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations.

d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. The Company provides its services in the United States, Canada and the UK, substantially all of the Company's financial assets and liabilities originate in United States Dollars, Canadian dollars and UK Pound Sterling. The Company is exposed to currency risk for sales and purchases that are denominated in Canadian dollars and UK Pound Sterling and may enter into derivative contracts to limit its exposure to foreign exchange risk. The Company is subject to interest rate risk on its cash and cash equivalents. A change of 1% in interest rates for the three months ended March 31, 2010 would have changed net income by \$39; and a change of 1% in interest rates for the nine months ended March 31, 2010 would have changed net income by \$114.

e) Fair value of financial instruments:

The fair values of financial assets and financial liabilities are determined as follows:

- (i) For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities carrying amounts approximate fair value due to their short-term maturity;
- (ii) The fair value of notes payable and obligations under capital lease approximate their carrying value as their effective interest rates approximate current market rates.
- (iii) The fair value of derivative financial instruments is determined based on fair market valuation methods.

**PEER 1 NETWORK ENTERPRISES, INC.**  
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**11. Contingencies:**

Legal contingencies -

In March, 2010, the Company completed mediation with respect to a claim issued in March 2007, whereby the Company was served with a Writ of Summons and Statement of Claim (subsequently amended) issued in the Supreme Court of British Columbia by the plaintiffs, Aidan Stretch, James Walsh, WindyPoint Capital Inc., and WindyPoint Capital Holdings Inc. (collectively referred to as "WindyPoint"). In accordance with the outcome of the mediated settlement, the Company has expensed CDN\$450,000 during the quarter ended March 31, 2010; this amount was paid in April 2010. See Note 13, "Subsequent Events".

**12. Segmented Information:**

Management has determined that the Company operates in a single reportable operating segment which involves the provision of outsourced data center infrastructure services. The Company provides its services in the United States, Canada and the UK and substantially all of the Company's identifiable assets as at March 31, 2010 are located in the United States, Canada and the UK. The Company's service offerings include the provision of physical space within its data centres, a complete suite of managed and unmanaged dedicated hosting services and high availability bandwidth connectivity. The Company makes decisions and evaluates financial performance primarily based on these service offerings.

**13. Subsequent Events**

On April 12, 2010, PEER 1 announced the settlement, by means of a confidential mediation, an action pursued in the Supreme Court of British Columbia by WindyPoint for compensation alleged to be due for financial advisory and investment banking services provided in 2005. This claim is also described in Note 11, "Contingencies", and in accordance with the terms of the settlement, PEER 1 has paid to the plaintiffs the total sum of CDN\$450,000. In all respects the settlement reached is to the mutual satisfaction of the parties.

On April 13, 2010, PEER 1 announced that it has received Toronto Stock Exchange approval to commence a Normal Course Issuer Bid ("NCIB"). The NCIB will permit PEER 1 to repurchase for cancellation up to 6,064,731 common shares, representing 5% of PEER 1's issued and outstanding shares as at April 12, 2010. In accordance with the rules of the TSX, the maximum number of common shares that can be purchased on a daily basis is 14,531 common shares, subject to block exception. PEER 1 has not purchased any of its common shares during the past 12 months. The NCIB will commence on April 16, 2010 and run until the earlier of the date on which purchases under the bid have been completed and April 15, 2011.

In May 2010, the Company was advanced an additional US\$3 million loan under the loan Facility A held with National Bank of Canada. This US\$3 million loan advanced under Facility A is a LIBOR loan and carries a combined interest rate of 3.11% determined as the rate of US three month libor plus the applicable margin.