VisualVault Corporation (Formerly Manuweb Software Systems, Inc.)

Condensed Interim Consolidated Financial Statements

6 Months Period Ending November 30, 2012 and 2011

NOTICE TO READER

NO Auditor Review of the Interim Financial Statements

The accompanying unaudited interim financial statements of Visual Vault Corporation ("the Company"), for the six month period ended November 30, 2012 have been prepared by management and have not been the subject of a review by the Company's external independent auditor.

Visual Vault Corporation

Vancouver, British Columbia
January 28, 2013

VISUALVAULT CORPORATION
(Formerly Manuweb Software Systems, Inc.)
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

ASSETS	**November 30, 2012**	May 31, 2012
CURRENT		
Cash	**9,571**	99,661
Due from related party *(Note 12)*	**115,254**	52,787
HST receivable	**19,477**	9,323
	144,302	161,771
Goodwill *(Note 4)*	**4,222,190**	4,222,190
Investment in software license and non-refundable deposit *(Note 5)*	**5,062,917**	4,946,250
	$ 9,429,409	$ 9,330,211
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	**432,682**	159,112
Convertible debt *(Note 13)*	**256,352**	-
Due to related party *(Note 12)*	**142,632**	48,800
Short term loan *(Note 6)*	**73,328**	73,328
	904,994	281,240
SHAREHOLDERS' EQUITY		
Share capital *(Note 8)*	**9,470,281**	9,470,281
Equity portion of convertible debt *(Note 13)*	**159,818**	-
Subscription receivable	**-**	(20,000)
Contributed surplus	**445,933**	445,933
Deficit	**(1,551,617)**	(847,243)
	8,524,415	9,048,971
	$ 9,429,409	$ 9,330,211

Note 7 - Commitment
Note 16 – Subsequent events

On behalf of the Board:

Van Potter

Brian Cameron

VISUALVAULT CORPORATION

(Formerly Manuweb Software Systems, Inc.)

Condensed Interim Statements of Comprehensive Loss/Income

(Expressed in Canadian dollars)

		3 months ended November 30, 2012		3 months ended November 30, 2011		**6 months ended November 30, 2012**	6 months ended November 30, 2011
EXPENSES							
Advertising and promotion		**-**		-		**48**	-
Accounting		**30,755**		-		**63,680**	-
Amortization of license		**83,333**				**83,333**	
Consulting - *Note 12*		**93,930**		-		**189,830**	-
Foreign exchange loss		**(977)**		-		**8,528**	-
General and administrative		**7,284**		36		**19,759**	110
Interest expense		**641**		266		**4,119**	266
Legal		**30,441**		-		**43,490**	-
Maintenance fee		**60,000**		-		**100,000**	-
Professional fees		**68,074**		-		**96,361**	-
Rent		**5,219**		-		**10,601**	-
Shares issued as bonus (recovery)		**(144,000)**		-		**-**	-
Transfer agent		**12,099**		8,705		**16,101**	14,297
Travel and promotion		**27,172**		-		**68,524**	-
TOTAL EXPENSES		**273,971**		9,007	**-**	**704,374**	14,673
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$**	**273,971**	**$**	**9,007**		**704,374**	14,673
Basic and diluted loss per share	**$**	**0.01**		0.00		**0.03**	0.00
Weighted average number of shares outstanding		**28,133,455**		**17,936,667**		**28,133,455**	17,936,667

VISUALVAULT CORPORATION

(Formerly Manuweb Software Systems, Inc.)

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Contributed surplus	Equity portion of convertible debt	Deficit	Total Equity
Issuance of shares in pursuant of plan of arrangement	6,038,667	15,000	-	-	-	15,000
Common shares issued for:						
Cash - $0.05	1,940,000	97,000	-	-	-	97,000
Exercise of option - $0.05	1,000,000	50,000	-	-		50,000
Investment - $0.02	8,958,000	179,160	-	-	-	179,160
Fair value difference of shares issued as investment	-	-	268,740	-	-	268,740
Stock based compensation	-	-	21,117	-	-	21,117
Net loss for the period	-	-	-	-	(135,851)	(135,851)
Balance as at May 31, 2011	**17,936,667**	**341,160**	**289,857**	**-**	**(135,851)**	**495,166**
7:1 share consolidation	(15,374,286)	-	-	-	-	-
Shares issued during the year						
Common shares issued for:						
Investment - $0.35	9,735,143	3,407,300	-	-	-	3,407,300
Investment - $0.35	13,275,500	4,646,425	-	-	-	4,646,425
Cash - $0.42	2,560,830	1,075,396	-	-	-	1,075,396
Stock based compensation	-	-	156,076	-	-	156,076
Subscription receivable	-	(20,000)	-	-	-	(20,000)
Net loss for the year	-	-	-	-	(711,392)	(711,392)
Balance as at May 31, 2012	**28,133,854**	**9,450,281**	**445,933**	**-**	**(847,243)**	**9,048,971**
Net loss for the period	-	-	-	-	(704,374)	(704,374)
Subscription receivable	-	20,000	-	-	-	20,000
Equity portion of convertible note	-	-	-	159,818	-	159,818
Balance as at November 30, 2012	**28,133,854**	**9,470,281**	**445,933**	**159,818**	**(1,551,617)**	**8,524,415**

VISUALVAULT CORPORATION

(Formerly Manuweb Software Systems, Inc.)

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

		6 months ended November 30, 2012	6 months ended November 30, 2011
OPERATING ACTIVITIES			
Net loss for the year	$	**(704,374)**	(14,673)
Items not involving cash:			
Amortization of license		**83,333**	
Changes in non-cash working capital			
Due from related party		**40,231**	-
Due to related party		**(62,467)**	(155,327)
Short term loan		**53,600**	-
HST receivable		**(10,153)**	-
Accounts payable		**273,569**	(20)
Cash flow from (used) by operating activities		**(326,261)**	(170,020)
FINANCING ACTIVITIES			
Subscriptions received		**20,000**	-
Issuance of convertible notes - net of issue costs		**416,170**	216,560
Cash flow from financing activities		**436,170**	216,560
INVESTING ACTIVITIES			
Purchase of software license		**(200,000)**	-
Cash flow from (used by) investing activities		**(200,000)**	-
INCREASE IN CASH FLOW		**(90,091)**	46,540
CASH - Beginning of period		**99,661**	26,735
CASH - End of period	$	**9,571**	73,275
Cash paid for:			
Interest paid	$	**4,119**	-
Income taxes	$	**-**	-

1. GENERAL BUSINESS DESCRIPTION

VisualVault Corporation, (Vancouver, BC and Scottsdale, Arizona) provides secure document management software as a service (SaaS) and compliance cloud services used where security and integrity of unstructured data is needed and compliance requirements are high. VisualVault Corporation markets the VisualVault™ platform under its Advantive Information Management (AIM) brand. The product is unique in its ability to meet the needs of a wide range of vertical markets including health care, securities regulation, manufacturing and government.

These consolidated financial statements include the accounts of the Company and its Wholly-owned subsidiaries, Advantive Information Management Inc. and Visual Vault Technologies Inc. All inter-company accounts have been eliminated.

On December 21, 2011 the Company changed its name from Manuweb Software Systems, Inc to VisualVault Corporation.

2. GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations over the next year. The Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

The Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not valid then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Certain disclosures included in the notes to the annual financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended May 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements follow the same accounting policies and methods of application as the annual financial statements for the year ended May 31, 2012.

4. GOODWILL

The goodwill arises as follows:

Acquisition of Advantive Information Management Inc.

Purchase price - 9,735,143 shares	3,407,300
Book value of net liabilities acquired	366,990
10% of Advantive purchase	447,900
Goodwill upon acquisition	**4,222,190**

The Company issued 9,735,143 shares at $0.35 for the remaining 90% interest in Advantive Information Management Inc. There were no identifiable assets acquired upon acquisition, therefore the total balance was put to Goodwill.

5. INVESTMENT IN SOFTWARE LICENSE AND NON-REFUNDABLE DEPOSIT

Acquisition of VisualVault Technologies Inc.

Purchase price - 13,275,500 shares at $0.35	4,646,250
Book value of net assets/liabilities acquired	-
Software upon acquisition	4,646,250
Add: Payment for license	500,000
Less: Accumulated amortization	(83,333)
Grand total	**5,062,917**

The Company issued 13,275,500 shares at $0.35 for a 100% interest in VisualVault Technologies Inc.

VVT executed three material agreements on May 1, 2012:

a) *Platform license and service agreement:*
VVT signed a Platform License and Services Agreement with Auersoft LLC of Mesa Arizona, wherein VVT has been granted certain rights of use with respect to the VVT products and services developed by Auersoft LLC.

b) *Amended and restated purchase and sale agreement:*
VVT and Auersoft LLC reached an agreement with respect to amending the original agreement executed in October 2011. The purchase price of the assets remain the same, however the terms of payment and closing of the transaction have been amended by mutual agreement. The terms of the purchase are now as follows:

- ii) $300,000USD upon signing the amended agreement (paid)
- iii) $200,000USD on or before June 30, 2012 (paid)
- iiii) $4,500,000USD on or before November 30, 2012
- iiv) $586,250USD on or before December 14, 2014. The final payment is convertible into 11,725,000 common shares of the Company based upon an assumption of the obligation to pay this amount by the Company. The conversion can take effect at any time after December 31, 2013.
- iv) The purchase price may be increased by up to $750,000USD if Aeursoft LLC delivers specified software upgrades on or before November 30, 2012

c) *Trademark license agreement:*
The Company, separate from its wholly-owned subsidiary, VVT, has been granted a trademark license agreement to use the VVT trademarks on a worldwide, perpetual, royalty free basis. This enables the Company to present itself corporately under the VisualVault brand from now to closing on November 30, 2012.

In accordance with the PaaS license granted by Auersoft LLC to the Company, the Company is required to make monthly payments of $20,000 per month to maintain the license at such time as Auersoft LLC has delivered a version of the Software that will enable full internet SaaS sign up by customers. As of the audit report date, the Company has not paid the license fee as Auersoft LLC has not completed the software development.

The date of closing for the above agreement is November 30, 2012. If the payment above of $4,500,000 is not made on this date then the software will revert back to Auersoft LLC.

6. SHORT TERM LOAN

	Nov. 30, 2012	Nov. 30, 2011
Short term loan	$ 73,928	$ -

Interest is charged at 8%. The loan is payable on demand and is unsecured.

7. COMMITMENT

The Company agreed to pay a bonus to certain investors of the convertible debt ($360,000) in the amount of 2,000 common shares for every increment of one $5,000 promissory note. The total amounts of shares to be issued are 144,000 with a value of $57,600 as at November 30, 2012. This amount was deducted from convertible debt as a share issue cost (note 13).

8. SHARE CAPITAL

Authorized, issued and outstanding common shares

Unlimited common shares without par value
Unlimited Class A Preferred shares without par value, dividend at 12% of profits or surplus, redeemable at any time
Unlimited Class B Preferred shares without par value, dividend at 13% of profits or surplus, redeemable at any time.

During the year ended May 31, 2012, the Company:

i) On December 21, 2011, the Company consolidated its share capital on a 7:1 basis, consolidating its 17,796,667 shares to 2,542,381 shares following the consolidation.

ii) On May 29, 2012, the Company issued 9,735,143 common shares with a value of $3,407,300 for the remaining 90% interest in Advantive Information Management Inc.

iii) On May 29, 2012, the Company issued 13,275,500 common shares with a value of $4,646,425 for a 100% interest in VisualVault Technologies Inc.

iv) On May 29, 2012, the Company issued 2,560,830 common shares with at $0.42 in the amount of $1,075,396. Each unit consisted of two share purchase warrants exercisable at $1.00 per shares expiring in two years.

During the year ended May 31, 2011, the Company:

i) On November 12, 2010, the Company issued 6,038,667 common shares with a value of $15,000 pursuant to a plan of arrangement;

ii) On April 29, 2011, the Company issued 1,940,000 common shares at $0.05 in the amount of $97,000. Each unit consisted of two share purchase warrants exercisable at $0.23 per share expiring in two years;

iii) On May 5, 2011, the Company issued 8,958,000 common shares at $0.02 for the purpose of acquiring a 10% interest in a related Company in the amount of $179,160.

8. SHARE CAPITAL (Continued)

iv) On May 26, 2011, the Company issue 1,000,000 common shares at $0.05 in the amount of $50,000. These shares were issued in relation to the exercise of stock options.

9. STOCK OPTIONS

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $	Weighted average remaining contractual life (years)	Aggregate intrinsic value $
Outstanding, June 11, 2010	-	-		
Granted	1,000,000	0.05		
Exercised	(1,000,000)	0.05		
Outstanding and exercisable, May 31, 2011	-	-	-	-
Granted	400,000	0.60	-	-
Outstanding and exercisable, May 31, 2012 & Nov. 30, 2012	400,000	0.60	2 years	-

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	Year ended May, 2012	Year ended May, 2011
Risk-free Interest rate	1.00%	1.50%
Expected life (in years)	2.0	1.0
Expected volatility	223.43	111.36

The weighted average fair value of the stock options granted during the year ended May 31, 2012 was $0.60 per option.

As at November 30, 2012, the following stock options were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
400,000	0.60	April 10, 2014

10. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, June 11, 2010	-	-
Issued	3,880,000	0.23
Expired	-	-
Balance, May 31, 2011	3,880,000	0.23
Issued	2,556,069	0.54
Expired	(3,880,000)	1.00
Balance, May 31, 2012 & Nov. 30, 2012	2,556,069	1.00

As at November 30, 2012, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
2,556,069	1.00	March 24, 2014

11. BASIC AND DILUTED EARNING (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the year ended November 30, 2012 was based on the net loss attributable to common shareholders of $704,374 (2011 – $14,673) and the weighted average number of common shares outstanding of (28,133,854) (2011 – 17,936,667) respectively.

The Company's convertible debt does give rise to a dilution effect which is reflected on the statement of financial position.

12. RELATED PARTY TRANSACTIONS

a) During the period ended November 30, 2012, there was $142,611 owing to a director (2011: $Nil).

b) During the period ended November 30, 2012, there was $115,254 owing from a Company controlled by a common director (2011: 189,043).

c) During the period ending November 30, 2012, the Company paid consulting fees to its directors and officers totalling $180,000 (2011: $Nil).

13. CONVERTIBLE DEBT

The Company issued Convertible notes during the period in the amount of $500,000 less finder's fees of $26,230 and share issue costs of $57,600. The debt bears interest at 6% and is due in 5 years. Each $5,000 note can be converted into 10,000 units; each unit consists of one common share and one warrant exercisable at $0.55 per share for a period of 1 year.

$360,000 of this debt includes bonus shares to be issued to certain investors in the amount of 2,000 common shares for every increment of one $5,000 promissory note. This amount was deducted from proceeds above as share issue costs.

On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at the time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. Therefore, we have derecognized the liability component of $159,818 and recognized this as equity in accordance with IAS 32. The market rate for similar debt was determined to be 15%.

14. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises all the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments of high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

15. FINANCIAL INSTRUMENTS AND RISKS

Fair Value

As at May 31, 2012, the Company's financial instruments consisted of cash, and accounts payable. The fair values of cash, amounts receivable and accounts payable approximate their carrying values because of their current nature.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
Level 3 – Inputs that are not based on observable market date

15. FINANCIAL INSTRUMENTS AND RISKS (Continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Nov. 30, 2012
Cash	$ 9,571	-	-	$ 9,571
	$ 9,571	-	-	$ 9,571

	Level 1	Level 2	Level 3	Nov 30, 2011
Cash	$ -	-	-	-
	$ -	-	-	$ -

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution.

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 manages liquidity risk through the management of its capital structure as described in Note 14.

There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.. As at November 30, 2012 the Company has no financial assets that are past due or impaired due to credit risk defaults.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is exposed to market risk in trading its investments, and unfavorable market conditions could result in dispositions of investments at less than favorable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. The Company is not exposed to significant interest rate risk as the Company's has no interest bearing debt. The Company's ability to raise capital to fund operations is subject to risks associated with fluctuations in the market prices. Management closely monitors the stock market to determine the appropriate course of action to be taken by the Company.

15. FINANCIAL INSTRUMENTS AND RISKS (Continued)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar as the Company's head office and operations are in Canada. All of the Company's financial instruments are denominated in Canadian dollars.

In management's opinion there is no significant foreign exchange risk to the Company.

Transaction Costs

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

16. SUBSEQUENT EVENTS

On December 21, 2012, Auersoft LLC granted an extension to close the transaction to January 31, 2013 referred to in note 5(b).