

Interim Consolidated Financial Statements of
MEDIAGRIF INTERACTIVE TECHNOLOGIES INC.
FISCAL YEAR 2010
For the nine months ended December 31, 2009 and 2008
(unaudited)

CONSOLIDATED BALANCE SHEETS

(Unaudited) (Canadian dollars in Thousands)	December 31 2009	March 31 2009 (Restated) (Note 1)
	\$	\$
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	29,587	27,734
Cash held for the benefit of others	2,701	2,380
Accounts receivable	5,999	6,479
Income tax receivable	753	758
Tax credits receivable	2,588	3,169
Prepaid expenses	587	838
Future income taxes	-	347
	42,215	41,705
Premises and equipment	1,594	1,826
Intangible assets	999	1,376
Acquired intangible assets	2,847	3,365
Goodwill	25,991	25,991
Future income taxes	5,843	7,534
	79,489	81,797
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	8,737	10,853
Deferred revenues	8,264	9,379
Future income taxes	638	999
	17,639	21,231
Future income taxes	159	90
	17,798	21,321
SHAREHOLDERS' EQUITY		
Capital stock (note 5)	47,853	48,079
Share purchase options (note 5(c))	1,784	1,647
Contributed surplus (note 5(d))	2,368	2,393
Retained earnings	9,687	9,241
Accumulated other comprehensive loss	(1)	(884)
	61,691	60,476
	79,489	81,797

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited) (Canadian dollars in Thousands)	Nine months ended December 31	
	2009	2008 (Restated) (Note 1)
	\$	\$
Retained earnings - Beginning of period, as previously reported	9,262	10,719
Change in accounting policy (Note 1)	(21)	(76)
Retained earnings - Beginning of period, restated	9,241	10,643
Net earnings for the period	1,611	3,758
Premium on redemption of common shares for cancellation (note 5(b)(i))	-	(106)
Dividends declared on common shares	(1,392)	-
Reversal of a previous share buy-back provision	227	-
Retained earnings - End of period	9,687	14,295

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited) (Canadian dollars in Thousands)	Three months ended December 31		Nine months ended December 31	
	2009	2008 (Restated) (Note 1)	2009	2008 (Restated) (Note 1)
	\$	\$	\$	\$
Net earnings for the period	1,121	2,622	1,611	3,758
Foreign currency translation adjustment	219	(620)	(267)	(540)
Reclassification of realized gains or losses on foreign currency forward contracts, net of future income taxes	(191)	103	376	100
Unrealized gains (losses) on foreign currency forward contracts, net of future income taxes	145	(723)	774	(913)
	173	(1,240)	883	(1,353)
Comprehensive income for the period	1,294	1,382	2,494	2,405

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

(Unaudited) (Canadian dollars in Thousands)	December 31 2009	March 31 2009
	\$	\$
Foreign currency translation adjustment		
Cumulative effects of prior years	108	795
Current period	267	(687)
	375	108
Unrealized losses (gains) on foreign currency forward contracts		
Cumulative effects of prior years	776	70
Current period, net of realized and unrealized losses (gains) and future income taxes	(1,150)	706
	(374)	776
Accumulated other comprehensive loss	1	884

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited) (Canadian dollars in Thousands, except per share amounts)	Three months ended December 31		Nine months ended December 31	
	2009	2008 (Restated) (Note 1)	2009	2008 (Restated) (Note 1)
	\$	\$	\$	\$
Revenues	11,417	12,236	34,578	36,100
Cost of revenues	2,633	2,919	7,677	8,434
Gross margin	8,784	9,317	26,901	27,666
Operating expenses				
General and administrative	2,034	4,743	6,864	11,010
Sales and marketing	2,128	3,179	6,609	8,386
Technology	1,823	2,106	5,529	6,461
Amortization of acquired intangible assets	173	435	518	1,332
Stock-based compensation	89	207	215	435
	6,247	10,670	19,735	27,624
Earnings (loss) from operations	2,537	(1,353)	7,166	42
Other income (expense), net (note 3(b))	(489)	1,420	(2,548)	2,002
Earnings before income taxes	2,048	67	4,618	2,044
Provision for (recovery of) income taxes	927	(2,555)	3,007	(1,714)
Net earnings for the period	1,121	2,622	1,611	3,758
Basic net earnings per share	<u>0.08</u>	<u>0.18</u>	<u>0.12</u>	<u>0.26</u>
Diluted net earnings per share	<u>0.08</u>	<u>0.18</u>	<u>0.12</u>	<u>0.26</u>
Dividend per common share	<u>0.10</u>	<u>-</u>	<u>0.10</u>	<u>-</u>
Weighted average number of shares outstanding (note 5(g))				
Basic	<u>13,921,833</u>	14,178,832	<u>13,949,873</u>	14,350,547
Diluted	<u>13,921,833</u>	14,178,832	<u>13,949,873</u>	14,350,547
Number of shares outstanding - End of period	<u>13,908,510</u>	<u>14,017,308</u>	<u>13,908,510</u>	<u>14,017,308</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (Canadian dollars in Thousands)	Three months ended December 31		Nine months ended December 31	
	2009	2008 (Restated) (Note 1)	2009	2008 (Restated) (Note 1)
	\$	\$	\$	\$
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Net earnings for the period	1,121	2,622	1,611	3,758
Adjustments for				
Amortization of premises and equipment	304	397	941	1,239
Amortization of intangible assets	231	766	579	2,319
Amortization of acquired intangible assets	173	435	518	1,332
Amortization of gain on licenses	-	(141)	-	(479)
Stock-based compensation	89	207	215	435
Future income taxes	(150)	(1,282)	1,234	(1,775)
Changes in non-cash working capital items (note 3(a))	691	607	(1,116)	(2,126)
	2,459	3,611	3,982	4,703
INVESTING ACTIVITIES				
Acquisition of premises and equipment and intangible assets	(165)	(717)	(911)	(2,970)
	(165)	(717)	(911)	(2,970)
FINANCING ACTIVITIES				
Issuance of long-term debt	-	-	-	217
Repayment of long-term debt	-	(45)	-	(87)
Purchase of common shares for cancellation (note 5 (b)(i))	(113)	(714)	(329)	(1,712)
Cash dividends paid on common shares	(1,392)	-	(1,392)	-
	(1,505)	(759)	(1,721)	(1,582)
Net increase in cash and cash equivalents	789	2,135	1,350	151
Effect of exchange rate fluctuations on cash and cash equivalents	658	(160)	824	(275)
Cash and cash equivalents - Beginning of period	30,841	28,408	30,114	30,507
Cash and cash equivalents - End of period	32,288	30,383	32,288	30,383
Cash and cash equivalents comprise the following balance sheet amounts :				
Cash and cash equivalents	29,587	27,683	29,587	27,683
Cash held for the benefit of others	2,701	2,700	2,701	2,700

Supplementary disclosure of non-cash transactions

During the three-month period ended September 30, 2009, the Company reversed a previous share buy-back provision of \$ 226,685.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2009 and 2008**1) Significant accounting policies**

The consolidated interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to interim financial statements and follow the same accounting policies and methods of their application found in the audited financial statements for the year ended March 31, 2009, with the exceptions for changes mentioned below. The March 31, 2009 balance sheet figures have been derived from the audited financial statements of the Company for the year ended March 31, 2009. These interim financial statements are unaudited and have not been reviewed by the Company's external auditors. The disclosures in these interim financial statements do not conform in all material respects to the requirements of GAAP for annual financial statements; therefore, these interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for fiscal year 2009.

Changes in accounting policies

Goodwill and Intangible Assets

On April 1, 2009, the Company adopted Section 3064 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, "Goodwill and Intangible Assets". The new Section establishes standards for the recognition, costing, presentation and required information related to goodwill after its initial recognition. It also establishes the standard for when internally developed intangible assets satisfy recognition criteria as an asset. Section 3064 replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs", and, concurrently, EIC-27, "Revenues and Expenditures in the Pre-operating Period" has been withdrawn, while Accounting Guideline 11, "Enterprises in the Development Stage" and Section 1000, "Financial Statements Concepts", have been amended. These new accounting standards were required to be adopted retroactively, with restatement of comparative figures.

The adoption of the new accounting standards resulted, in these interim financial statements, in a cumulative charge of \$76,437 to retained earnings on April 1, 2008 and \$20,937 on April 1, 2009. The transitional adjustment also resulted in the following changes to the Company's consolidated balance sheet: i) a decrease of \$98,653 in other assets on April 1, 2008, and of \$27,028 on April 1, 2009; ii) a decrease of \$22,216 in long-term future income tax liability on April 1, 2008, and an increase of \$6,091 in long-term future income tax asset on April 1, 2009. In addition, the Company was impacted by a \$21,473 decrease to the amortization of other assets for the quarter ended December 31, 2008, and a \$64,174 decrease for the nine-month period ended December 31, 2008. This adjustment also resulted in a \$4,376 increase of the provision for income taxes for the quarter ended December 31, 2008, and in a \$15,416 increase for the nine-month period ended December 31, 2008. These changes relate to pre-operating expenditures that were incurred and capitalized during previous business acquisitions, that are no longer capitalized under the new accounting standards. These standards have no impact on the basic and diluted earnings per share for the quarter and the nine-month period ended December 31, 2008.

2) Related party transactions

Details of related party transactions not otherwise disclosed in the consolidated financial statements are as follows:

(Canadian dollars in Thousands)	Three months ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenues				
Joint ventures	100	297	538	1,013
Accounts receivable from				
Joint ventures	48	609	48	609
Accounts payable to				
Joint ventures	-	12	-	12

Balances and transactions with the joint ventures represent the amounts corresponding to the Company's interest therein.

All related party transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration agreed upon by the parties.

During the three-month period ended December 31, 2009, the Company paid a management fee of \$65,298 (2009 – nil) to a corporate shareholder having a significant influence over the Company. Fees of \$262,890 (2009 – nil) were paid for the nine-month period ended December 31, 2009. The transaction was in the normal course of business and was measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

During the periods ended December 31, 2008, revenues from joint ventures include amortization of gains on licenses which derive from the creation of Polygon DMCC.

3) Changes in non-cash working capital items and Other income (expense)

a) Changes in non-cash working capital items are as follows:

(Canadian dollars in Thousands)	Three months ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
Decrease (increase) in				
Accounts receivable	548	764	480	688
Income tax receivable	245	-	5	-
Tax credits receivable	1,298	(322)	581	(1,128)
Prepaid expenses	8	394	251	290
Increase (decrease) in				
Accounts payable and accrued liabilities	(740)	1,456	(1,318)	(576)
Income tax payable	-	(1,311)	-	(1,106)
Deferred revenues	(668)	(374)	(1,115)	(294)
	691	607	(1,116)	(2,126)

b) Other income (expense) consists of the following:

(Canadian dollars in Thousands)	Three months ended		Nine months ended	
	December 31		December 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest income	26	155	53	451
Financial expense	(47)	(58)	(142)	(156)
Foreign exchange gain (loss)	(449)	1,399	(2,330)	1,860
Other expense	(19)	(76)	(129)	(153)
	(489)	1,420	(2,548)	2,002

4) Segment information

The Company has only one reportable segment.

Geographical information is as follows:

(Canadian dollars in Thousands)	Three months ended December 31			
	2009		2008	
	Revenues \$	Premises and equipment intangible assets, acquired intangible assets and goodwill \$	Revenues \$	Premises and equipment intangible assets, acquired intangible assets and goodwill \$
Canada	4,647	4,176	4,380	8,129
United States	5,167	27,200	5,723	31,296
Europe	540	-	663	-
Asia and other	1,063	55	1,470	105
	11,417	31,431	12,236	39,530

(Canadian dollars in Thousands)	Nine months ended December 31			
	2009		2008	
	Revenues \$	Premises and equipment intangible assets, acquired intangible assets and goodwill \$	Revenues \$	Premises and equipment intangible assets, acquired intangible assets and goodwill \$
Canada	14,166	4,176	12,885	8,129
United States	15,555	27,200	16,575	31,296
Europe	1,687	-	2,020	-
Asia and other	3,170	55	4,620	105
	34,578	31,431	36,100	39,530

Revenues are attributed to geographic areas based on the location of the business places of the related customers.

5) Capital stock, share purchase options and contributed surplus

(Number in Thousands, Canadian dollars in Thousands, except per share amounts)

a) Authorized, unlimited as to number

Common shares

Preferred shares, issuable in series, with terms, conditions and dividends to be determined by the Board of Directors upon issuance

b) The following table summarizes common share activity for the nine-month periods ended December 31:

	2009		2008	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance - Beginning of period	13,974	48,079	14,565	50,111
Purchased for cancellation (note 5(b)(i))	(66)	(226)	(547)	(1,883)
Exercise of stock options (note 5 (b)(ii))	-	-	-	-
Balance - End of period	13,908	47,853	14,018	48,228

i) During the nine-month period ended December 31, 2009, the Company purchased 65,548 of its own shares (2009 - 547,331) for cancellation for a cash consideration totalling \$329,098 (2009 - \$1,711,552) in connection with its normal course issuer bid. Capital stock has been reduced by the average issue price per share before buy-back of \$3.44 (2009 - \$3.44) totalling \$225,523 (2009 - \$1,883,133), with the resulting premium or discount on redemption having been charged to retained earnings or contributed surplus.

ii) During the nine-month period ended December 31, 2009, no common shares were issued pursuant to the exercise of stock options (2009 – nil).

c) The following table summarizes the share purchase option activity for the nine-month periods ended December 31:

	2009	2008
	\$	\$
Balance - Beginning of period	1,647	2,301
Stock-based compensation expense	215	435
Transfer of accumulated compensation cost upon exercise of stock options (note 5(b)(ii))	-	-
Transfer of accumulated compensation cost related to stock options vested but not exercised	(78)	(606)
Balance - End of period	1,784	2,130

d) The following table summarizes contributed surplus activity for the nine-month periods ended December 31:

	2009	2008
	\$	\$
Balance - Beginning of period	2,393	993
Transfer of accumulated compensation cost related to stock options vested but not exercised	78	606
Discount on redemption of common shares for cancellation (note 5(b)(i))	(103)	277
Balance - End of period	2,368	1,876

e) Stock purchase plan

The Company has established a new stock purchase plan effective April 1, 2009 for the benefit of all regular full-time and part-time employees who are Canadian residents. Directors are not eligible to participate in the plan. Under the terms of the plan, employees may elect to contribute through payroll deductions up to 5% of their annual income, up to a maximum of \$5,000 annually, for the purchase of common shares of the Company on the open market. Under the plan, the Company has committed to match employee contributions to the plan for a maximum contribution of \$1,000 per employee. Since July 27, 2009, employees must hold, for a period of 12 months, the portion of shares bought with the contribution of the Company. The purchase price of shares under the plan shall be equal to the market price of the Company's common shares on the purchase date.

f) Stock option plan

The Company has a stock option plan as described in note 8 to the consolidated financial statements in the 2009 Annual Report.

During the nine-month period ended December 31, 2009, no stock options were granted by the Company.

g) Weighted average number of shares outstanding

The following table outlines the weighted average number of shares used in the calculation of the basic and diluted net earnings per share:

	Three months ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
Weighted average number of shares outstanding				
Basic	13,922	14,179	13,950	14,351
Dilutive effect of stock options	-	-	-	-
Diluted	13,922	14,179	13,950	14,351

Options to purchase 651,900 shares (2009 - 902,800) at a weighted average exercise price of \$8.99 per share (2009 - \$9.17) were outstanding at the end of the nine-month period ended December 31, 2009 but

were not included in the calculation of diluted earnings per share because the options' exercise price was greater than the average price of the shares.

6) Capital Disclosures

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth, to undertake selective acquisitions and to provide an appropriate return on investment to its shareholders. The Company's capital consists of long-term debt, shareholder's equity and deferred revenues, net of cash and cash equivalents and short-term investments.

The Company's primary uses of capital are to finance non-cash working capital requirements, capital expenditures, business acquisitions and, henceforth, payment of dividends. Thus, on November 10, 2009, the Company adopted a dividend policy intended to pay at least \$0.10 per share on a semi-annual basis. The Company has historically funded its needs from cash and short-term investments on hand, internally generated cash flows and share issuances.

In order to adjust its capital structure, the Company may from time to time issue shares for cash or in connection with business acquisitions, repurchase shares or secure bank debt to fund capital expenditures or business acquisitions.

Other than the new dividend policy, there were no changes in the Company's objectives for managing capital or the definition thereof as compared to the previous year.

The Company is not subject to any externally imposed capital requirements and does not presently use any quantitative measures to monitor its capital.

7) Financial risk management

The Company's financial assets and financial liabilities expose it to the following risks: market risk, including foreign currency risk and interest rate risk, credit risk and liquidity risk. The main objective of the Company's risk management process is to ensure that risks are properly identified and addressed to minimize potential adverse effects on financial performance.

Risk management is carried out by the finance department, which identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated.

Foreign currency risk

Foreign currency risk is related to the Company's business transactions denominated in a currency other than the Canadian dollar, primarily US dollars. Foreign currency risk arises from future sales and purchase transactions as well as recognized financial assets and financial liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign currency risk is to reduce fluctuations in performance. In order to reduce the potentially negative effects of a fluctuating Canadian dollar, the Company has entered into foreign currency forward contracts to stabilize anticipated future revenues and

purchase prices payable denominated in US dollars. Foreign currency forward contracts may only be entered into for purposes of managing foreign currency risk and not for speculative purposes.

The balances in foreign currencies as at December 31, 2009 are as follows:

(Amounts in Thousands)	US\$	€
Cash and cash equivalents	6,264	23
Cash held for the benefit of others	2,581	-
Accounts receivable	3,695	13
Accounts payable and accrued liabilities	(5,554)	-
Net position in foreign currency	6,986	36
Net position in Canadian dollars	\$ 7,312	\$ 54

Based on the above net exposures as at December 31, 2009, and taking into account the foreign currency forward contracts and assuming that all other variables remain constant, a 5% appreciation or depreciation of the Canadian dollar against the various currencies would result in an increase (decrease) in net earnings as follows:

(Canadian dollars in Thousands)	US\$	€
Canadian dollar appreciates 5%	(103)	(3)
Canadian dollar depreciates 5%	103	3

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents earn interest at market rates.

As at December 31, 2009, the Company's exposure to interest rate risk is on its cash and cash equivalents whose interest rates vary from 0% to 0.75%. If interest rates as at December 31, 2009 had been 0.5% higher or 0.5% lower, the impact on net earnings would have been insignificant.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company is not subject to significant interest rate risk with respect to financial assets and financial liabilities due to their short-term maturity.

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. Financial instruments, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, cash held for the benefit of others and accounts receivable. The Company's cash and cash held for the benefit of others are maintained at major financial institutions; therefore, the Company considers the risk of non-performance on these instruments to be remote.

The Company believes that its credit risk with respect to accounts receivable is limited based on past experience. The Company generally does not require collateral in connection with accounts receivable. Furthermore, its trade accounts receivable are not concentrated on any specific customers but rather are from a wide range of organizations. In addition, the Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible. The allowance for doubtful accounts is determined based on past experience of what is considered uncertain to be collectible after 60 days and 90 days, and inactive and restricted accounts are fully provided for.

The carrying value of the Company's trade accounts receivable is net of an allowance for doubtful accounts. Changes in the allowance during the period are as follows:

(Canadian dollars in Thousands)	Three months ended		Nine months ended		Fiscal year
	December 31		December 31		
	2009	2008	2009	2008	2009
	\$	\$	\$	\$	\$
Beginning of period	(500)	(420)	(519)	(360)	(360)
Credit (charge) for the period	57	(99)	76	(159)	(159)
End of period	(443)	(519)	(443)	(519)	(519)

As at December 31, 2009, the aging analysis of trade accounts receivables, all of which are overdue, and the derivative financial instruments assets are as follows:

(Canadian dollars in Thousands)	\$
Past due trade receivables	
1-30 days	3,160
31-60 days	1,828
61-90 days	172
Over 90 days	299
Total - past due trade receivables	5,459
Derivative financial instruments assets	
Forward foreign currency contracts	540
Total - derivative financial instruments assets	540
Total accounts receivables	5,999

There is no impairment or amounts past due related to assets other than accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company is currently not exposed to liquidity risk as it has sufficient cash and cash equivalents to sustain its operations and anticipated investing and financing activities. The Company's financial liabilities, which consist of accounts payable and accrued liabilities, are due within 12 months or less.

Fair value

Cash and cash equivalents and cash held for the benefit of others are carried at fair value. Accounts receivable, accounts payable and accrued liabilities, and purchase price payable are financial instruments whose fair values approximate their carrying values because of their short term to maturity.

8) Comparative figures

Certain figures for fiscal year 2009 have been reclassified in order to conform to the basis of presentation adopted in the current year.