MEDIAGRIF

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED JUNE 30, 2016

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The following Management's Discussion and Analysis ("MD&A"), which has been prepared as at August 3, 2016, of the financial position and operating results of Mediagrif Interactive Technologies Inc. ("Mediagrif" or the "Company") should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements and accompanying notes thereto for the quarter ended June 30, 2016, as well as the Company's MD&A, audited consolidated financial statements and accompanying notes thereto for the year ended March 31, 2016. This management's discussion and analysis compares performance for the quarters ended June 30, 2016 and 2015.The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). Unless indicated otherwise, all dollar amounts are expressed in Canadian dollars. This MD&A was approved by the Board of Directors of Mediagrif.

In addition to providing profit measures in accordance with IFRS, the Company's statement of income shows operating profit and earnings before interest, taxes, depreciation, amortization, foreign exchange gain (loss) and other revenues (expenses) ("Adjusted EBITDA") as supplementary earnings measures. Operating profit and adjusted EBITDA are not intended to be measures that should be regarded as an alternative to other financial operating performance measures prepared in accordance with IFRS. Those measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Operating profit and adjusted EBITDA are provided to assist investors in determining the Company's ability to generate profitability from its operations and to evaluate its financial performance.

COMPANY PROFILE

Mediagrif (TSX: MDF) is a Canadian leader in information technology, owner of several recognized web and mobile platforms including Jobboom, LesPAC, Réseau Contact, MERX, ASC, InterTrade, Carrus, and BidNet. Mediagrif's e-commerce solutions are used by millions of consumers and businesses in North America and around the world. The Company has offices in Canada, the United States and China.

MISSION STATEMENT

Our mission is to provide to our customers innovative and efficient technological solutions. In doing so, we seek to create value for our customers, our employees and our shareholders.

FINANCIAL HIGHLIGHTS – FIRST QUARTER ENDED JUNE 30, 2016

- Acquisition of the assets of Advanced Software Concepts Inc. as at May 31st, 2016.
- Revenues increased by 7.1% to total $19.0 million for the first quarter of fiscal 2017 compared to $17.7 million for the first quarter of fiscal 2016.
- Adjusted EBITDA[1] of $7.0 million or 37% of revenues for the first quarter of 2017 compared to $6.5 million or 37% of revenues for the first quarter of 2016.
- Profit of $3.7 million ($0.25 per share) for the first quarter of fiscal 2017 compared to $3.4 million ($0.22 per share) for the first quarter of fiscal 2016.

[1] See reconciliation of adjusted EBITDA and profit.

RECENT EVENT

On May 31, 2016, the Company acquired substantially all of the assets of Advanced Software Concepts Inc. (the "Acquisition") for a cash consideration of $17.2 million following preliminary adjustments for working capital of $1.3 million and subject to subsequent adjustments also related to working capital. The acquisition was entirely financed by the Company's revolving credit facility.

With this strategic acquisition, the Company will incorporate a contract management component within its electronic procurement platforms enabling it to expand its service offering in the fast growing market of e-procurement software. In addition, the expertise and the financial strength of the Company will accelerate the presence of ASC Networks Inc. ("ASC") in the equally promising market for contract management solutions. Solid profitability combined with potential synergies with the development and expertise of the Company's e-commerce were also determining factors for the acquisition.

ASC offers best-in-class contract lifecycle management (CLM) solutions to a diversified clientele, principally in North America.

The Company accounted this Acquisition in accordance with IFRS 3. Therefore, the interim unaudited financial results for the quarter ended June 30, 2016 include the results of ASC from June 1, 2016, including transaction costs arising from the Acquisition. The Company has allocated the purchase price on a preliminary basis to the assets acquired and liabilities assumed taking into account all relevant information available to date.

Note 6 to the unaudited interim condensed consolidated financial statements for the first quarter of fiscal 2017 contains a summary of the estimated fair value of the assets acquired and liabilities assumed at the Acquisition date as well as the related goodwill.

The Company's profit for the three months ended June 30, 2016 includes $0.2 million in revenues and a $0.2 million loss generated from ASC additional activities.

If the business combination had been completed on April 1, 2016, the Company's consolidated revenues for the three months period ended June 30, 2016 would have totaled $19.8 million including a negative adjustment of the acquired deferred revenue of $0.3 million. The consolidated profit for the three months ended June 30, 2016 would have been $3.4 million, including additional amortization expense of $0.3 million and additional interest on the long-term debt of $0.1 million. The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a three-month period. However, pro forma information does not account for synergies or changes to historical transactions and is not necessarily indicative of the profit of the Company if the Acquisition actually occurred on April 1, 2016, nor of the profit that may be achieved in the future.

CONSOLIDATED STATEMENTS OF INCOME AND SELECTED FINANCIAL INFORMATION

In thousands of Canadian dollars, except per share amount. *Unaudited and not reviewed by independent auditor.*	**Three months ended June 30** **2016** **$**	 **2015** **$**
REVENUES	**18,966**	17,709
GROSS MARGIN	**15,180**	14,166
OPERATING EXPENSES		
General and administrative	**2,296**	2,382
Selling and marketing	**3,966**	3,862
Technology	**3,387**	2,805
TOTAL OPERATING EXPENSES	**9,649**	9,049
OPERATING PROFIT	**5,531**	5,117
Other expenses, net amount	**(162)**	(146)
Financial expenses, net amount	**(202)**	(196)
Share of profit of a joint venture	**(6)**	40
Income tax expense	**(1,427)**	(1,395)
PROFIT FOR THE PERIOD	**3,734**	3,420
ADJUSTED EBITDA (see reconciliation of adjusted EBITDA and profit)	**6,962**	6,478
CASH FLOWS GENERATED BY OPERATING ACTIVITIES	**4,459**	3,960
EARNINGS PER SHARE – BASIC AND DILUTED	**0.25**	0.22
Declared dividends per share	**0.10**	0.10
Weighted average number of shares outstanding (in thousands)		
Basic and diluted	**14,999**	15,460

In thousands of Canadian dollars *Unaudited and not reviewed by independent auditors*	**June 30, 2016** **$**	**March 31, 2016** **$**
TOTAL ASSETS	**210,695**	194,129
LONG-TERM DEBT	**41,021**	26,311

RECONCILIATION OF ADJUSTED EBITDA AND PROFIT	**Three months ended June 30**	
	2016	**2015**
In thousands of Canadian dollars. Unaudited and not reviewed by independent auditor.	**$**	**$**
PROFIT FOR THE PERIOD	**3,734**	3,420
Income tax expense	**1,427**	1,395
Depreciation of property, plant and equipment and amortization of intangible assets	**625**	463
Amortization of acquired intangible assets	**984**	894
Amortization of deferred financing costs	**10**	-
Amortization of deferred lease inducement	**(182)**	(36)
Foreign exchange loss (gain)	**(9)**	150
Interest on long-term debt	**202**	196
Loss (gain) on disposal of property, plant and equipment	**171**	(4)
ADJUSTED EBITDA	**6,962**	6,478

Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization, foreign exchange gain (loss) and other revenues (expenses) as historically calculated by the Company.

FIRST QUARTER ENDED JUNE 30, 2016, "FIRST QUARTER OF FISCAL 2017" COMPARED TO FIRST QUARTER ENDED JUNE 30, 2015, "FIRST QUARTER OF FISCAL 2016"

REVENUES

For the first quarter of fiscal 2017, revenues totaled $19.0 million, an increase of 7.1% or $1.3 million compared to the first quarter of fiscal 2016. This revenue increase is mainly explained as follows:

- Increase in revenues from MERX, InterTrade, Bidnet, LesPAC and Réseau Contact for an amount of $0.7 million.

- The addition of revenues from ASC for one month for $0.2 million. These revenues reflect an adjustment made to recognize the fair value of deferred revenues at the acquisition date which reduced revenues arising from sales made prior to the Acquisition by $0.1 million.

- Increase of $0.5 million in revenues attributable to changes in the Canadian dollar against the U.S. dollar, combined with hedges in place.

- Increase in revenues from software development for an amount of $0.1 million.

- Decrease in revenues from The Broker Forum and Jobboom for a total amount of $0.2 million.

During the first quarter of fiscal 2017, revenues earned in Canadian dollars represented 62% of total revenues, compared to 64% for the first quarter of fiscal 2016.

COST OF REVENUES

Cost of revenues totaled $3.8 million during the first quarter 2017 compared to $3.5 million in the first quarter of 2016.

The increase is mainly due to labor costs and software licensing fees of $0.2 million and to the addition of ASC activities for $0.1 million.

GROSS MARGIN

Based on the information above, gross margin for the first quarters of fiscal 2017 and 2016 remained stable at 80.0%.

OPERATING EXPENSES

Operating expenses for the first quarter of fiscal 2017 totaled $9.6 million, compared to $9.0 million for the first quarter of fiscal 2016. Changes in operating expenses are explained as follows:

- General and administrative expenses totaled $2.3 million during the first quarter of fiscal 2017 compared to $2.4 million for the corresponding period of fiscal 2016. This decrease is mainly attributable to lower professional services related to due diligence expenses of $0.3 million incurred in the first quarter of fiscal 2016 partially offset by higher labor costs of $0.2 million in the first quarter of fiscal 2017.
- Selling and marketing expenses totaled $4.0 million during the first quarter of fiscal 2017, compared to $3.9 million for the first quarter of fiscal 2016. This increase is mainly attributable to the additional amortization of acquired intangible assets arising from the Acquisition for an amount of $0.1 million.
- Technology expenses totaled $3.4 million during the first quarter of fiscal 2017, compared to $2.8 million during the corresponding period of fiscal 2016. This increase is mainly due to higher labor costs of $0.2 million, to the addition of ASC expenses for $0.2 million (including additional amortization of acquired intangibles of $0.1 million), and to higher amortization expense of $0.1 million and to lower internally developed software for an amount of $0.2 million. These increases were partially offset by the recording of additional tax credits for an amount of $0.1 million.

OPERATING PROFIT

Based on the information above, operating profit reached $5.5 million during the first quarter of fiscal 2017, compared to $5.1 million during the first quarter of fiscal 2016.

OTHER EXPENSES

During the first quarter of fiscal 2017, the foreign exchange gain/loss amounted to nil while a foreign exchange loss of $0.2 million was recorded in the first quarter of fiscal 2016.

FINANCIAL EXPENSES

Financial expenses totaled $0.2 million during the first quarters of fiscal 2017 and 2016. Financial expenses consist primarily of interest expenses and standby fees on long-term debt and of the amortization of deferred financing costs.

INCOME TAX EXPENSE

For the first quarter of fiscal 2017, income tax expense totaled $1.4 million, representing an effective tax rate of 27.6%, compared to the statutory rate of 26.9%. During the first quarter of fiscal 2016, the effective tax rate stood at 29.0%.

During the first quarter of fiscal 2017, the increase in the effective tax rate compared to the statutory tax rate is mainly due to the fact that a portion of profit is taxable in the United States, a jurisdiction where the statutory tax rate is higher.

During the first quarter of fiscal 2016, the increase in the effective tax rate compared to the statutory tax rate is mainly due to the fact that certain foreign exchange losses realized by the Company are non-deductible. Moreover, a portion of revenues is taxable in the United States, a jurisdiction where the statutory tax rate is higher.

PROFIT

As a result of the above items, profit for the first quarter of fiscal 2017 totaled $3.7 million ($0.25 per share), compared to $3.4 million ($0.22 per share) during the first quarter of fiscal 2016.

QUARTERLY PERFORMANCE

Selected quarterly financial information for the eight most recently completed quarters on or before June 30, 2016, is as follows:

Unaudited and not reviewed by independent auditors	**June 30 2016** $	**March 31 2016** $	**Dec. 31, 2015** $	**Sept. 30, 2015** $	**June 30, 2015** $	**March 31, 2015** $	**Dec. 31, 2014** $	**Sept. 30, 2014** $
Revenues	**18,966**	18,817	18,541	17,953	17,709	17,467	17,537	17,512
Operating profit	**5,531**	5,182	6,619	6,117	5,117	5,373	5,397	5,199
Adjusted EBITDA	**6,962**	6,556	8,003	7,539	6,478	6,750	7,003	7,137
Profit	**3,734**	2,472	4,851	5,089	3,420	4,583	4,056	3,862
Basic and diluted earnings per share	**0.25**	0.16	0.32	0.34	0.22	0.30	0.26	0.24

In thousands of Canadian dollars, except per share amounts.

2017 QUARTERS

- First quarter: Compared to the fourth quarter of fiscal 2016, revenues increased primarily due to the addition of ASC's revenues for a period of one month of $0.2 million, to the increase of Jobboom and InterTrade for an amount of $0.3 million partly offset by lower revenues in LesPAC and Market Velocity also of an amount of $ 0.3 million.

  Operating profit and Adjusted EBITDA increased mainly due to lower advertising costs of $0.2 million and also to lower sales commissions of $0.2 million associated with lower advertising revenues. In addition, during the fourth quarter of fiscal 2016, the Company recorded a provision for a legislative contingency of $0.2 million compared to $ nil in the first quarter of fiscal 2017. These decreases were partly offset by a $0.3 million increase in labor costs in the first quarter of fiscal 2017.

  Profit for the first quarter of 2017 also increased mainly due to a $1.0 million favorable foreign exchange fluctuation on assets denominated in US dollars compared to the fourth quarter of 2016.

2016 QUARTERS

- Fourth quarter: Compared to the third quarter of fiscal 2016, the higher revenues is mainly due to an increases in the revenues from MERX, LesPAC and InterTrade and to software development revenues for a total amount of $0.7 million as well as to a favorable exchange rate impact (CA$/US$) on revenues of $0.2 million. These increases were partially reduced by a decrease in revenues from Jobboom and Market Velocity.

  Still comparing to the third quarter, adjusted EBITDA and operating profit decreased, mainly due to additional labor costs of $0.6 million, to a $0.2 million increase in advertising costs and to a $0.3 million increase in sales commissions associated with higher advertising revenues. In addition, during the fourth quarter, the Company posted a $0.4 million decrease in tax credits, a $0.2 million increase in professional fees related primarily to the acquisition of ASC and an additional amount of $0.1 million for a provision for a legislative contingency. These items were partially offset by a $0.2 million increase in internally developed software.

Profit also decreased, mainly due to a $1.0 million foreign exchange loss during the fourth quarter compared to a $0.5 million foreign exchange gain during the third quarter of fiscal 2016 as well as to interest for a tax settlement of $0.4 million recorded during the fourth quarter of fiscal year 2016.

- Third quarter: Compared to the second quarter of fiscal 2016, the increase in revenues is mainly attributable to a $0.6 million increase in revenues from LesPAC, Jobboom and Réseau Contact and to a $0.1 million favorable exchange rate impact (CA$/US$) on revenues. These increases were partially offset by a decrease in revenues from Market Velocity.

  Adjusted EBITDA and operating profit also increased, mainly due to $0.3 million increase in tax credits (including $0.2 million related to a prior year) recorded during the third quarter when compared to the previous quarter and to a $0.2 million favorable retroactive adjustment on an advertising agreement. These items were partially offset by additional labor costs of $0.2 million, by a $0.2 million increase in advertising and promotion costs and by the recording of a provision for a legislative contingency of $0.2 million.

  Profit for the quarter ended December 31, 2015 decreased slightly, mainly due to a $0.4 million lower foreign exchange gain during the third quarter compared to the second quarter of fiscal year 2016.

- Second quarter: Compared to the first quarter of fiscal 2016, the increase in revenues is mainly attributable to higher revenues from InterTrade, Market Velocity and Réseau Contact as well as to a favorable exchange rate impact (CA$/US$) on revenues. These increases were partially offset by a decrease in revenues from Jobboom and by a decrease in revenues from LesPAC, some of is due to seasonal variation.

  Adjusted EBITDA and operating profit also increased, mainly due to lower professional fees (due diligence costs of $0.3 million incurred during the first quarter of fiscal 2016), lower advertising and promotion costs as well as a decrease in salaries and benefits, for a total amount of $0.5 million.

  Profit in the quarter ended September 30, 2015 also increased due to a $0.8 million foreign exchange gain on assets denominated in U.S. dollars compared to a foreign exchange loss of $0.2 million in the quarter ended June 30, 2015.

- First quarter: Compared to the fourth quarter of fiscal 2015, the increase in revenues is mainly due to higher revenues from LesPAC, MERX and Carrus, partially offset by a decrease in revenues from Jobboom.

  Adjusted EBITDA and operating profit decreased mainly due to non-recurring due diligence costs of $0.3 million, to higher commissions paid in connection with higher revenue and to lower tax credits.

  Profit in the quarter ended June 30, 2015 was also reduced by the recording of a foreign exchange loss of $0.2 million while a foreign exchange gain of $0.9 million was recorded during the quarter ended March 31, 2015.

2015 QUARTERS

- Fourth quarter: Compared to the third quarter of fiscal 2015, the Company's revenues and operating profit remained stable.

  Adjusted EBITDA decreased slightly, mainly due to a $0.2 million in termination benefits. On the other hand, operating profit remained stable due to a $0.2 million lower amortization expense.

Profit increased, primarily due to a $0.6 million higher foreign exchange gain and to lower financial expenses during the fourth quarter compared to the preceding quarter.

- Third quarter: Compared to the second quarter of fiscal 2015, revenues remained stable at $17.5 million.

  Adjusted EBITDA decreased slightly, mainly due to higher advertising and promotion costs during the third quarter. The increase in operating profit is due to lower amortization expense related to acquired intangible assets as well as to a decrease in the printing costs of certain publications. The lower expenses were partially offset by higher advertising and promotion costs.

  Profit increased due to lower financial expenses and lower income tax expense during the third quarter.

- Second quarter: Compared to the first quarter of fiscal 2015, the decrease in revenues during the second quarter of fiscal 2015 was primarily attributable to LesPAC and Jobboom; this decrease is partly explained by seasonal variations. The increase in revenues from MERX and InterTrade during the quarter partially offset this decrease.

  Moreover, the increase in operating profit and adjusted EBITDA is mainly attributable to a $0.3 million seasonal decrease in advertising and promotion costs, to lower salary and benefit costs and to additional tax credits.

  Profit has also increased due to a foreign exchange gain of $0.4 million during the second quarter compared to a foreign exchange loss of $0.3 million during the first quarter.

LIQUIDITY AND FINANCIAL RESOURCES

In general, the Company finances its operations, capital expenditures, dividends, repurchase of common shares and business acquisitions using funds generated by its operations and cash on hand.

When necessary, the Company may also use funds on the unused portion of its credit facility (see section "Financing Activities – Credit Agreement") or issue new shares to fund its operations including business acquisitions.

As at June 30, 2016, the Company had cash and cash equivalents of $10.2 million and $38.8 million available on its revolving facility of $80.0 million, subject to compliance with financial ratios and other usual restrictions included in the credit agreement.

OPERATING ACTIVITIES

	Three months ended June 30	
In thousands of Canadian dollars	**2016**	**2015**
Unaudited and not reviewed by independent auditors	**$**	**$**
Cash flows related to operating activities before changes in non-cash working capital items	**5,218**	3,967
Changes in non-cash working capital items	**(759)**	(7)
Cash flows related to operating activities	**4,459**	3,960

For the first quarter of fiscal 2017, cash flows generated by operating activities reached $4.5 million, compared to $4.0 million for the first quarter of fiscal year 2016.

This increase in generated cash flows is mainly due to higher profit and to lower tax payments during the first quarter of fiscal 2017 when compared to the first quarter of fiscal 2016.

INVESTING ACTIVITIES

In thousands of Canadian dollars *Unaudited and not reviewed by independent auditors*	**Three months ended June 30** **2016** **$**	 **2015** **$**
Consideration transferred on business acquisition	**(17,238)**	-
Acquisition of property, plant and equipment	**(413)**	(223)
Acquisition of intangible assets	**(636)**	(943)
Distribution from a joint venture	**-**	500
Proceeds on disposal of property, plant and equipment	**-**	4
Cash flows related to investing activities	**(18,287)**	(662)

Cash flows used by investing activities amounted to $18.3 million for the first quarter of fiscal 2017, compared to $0.7 million for the first quarter of fiscal year 2016.

The Acquisition mainly explains the use in cash during the first quarter of fiscal 2017. In addition, the Company acquired property, plant and equipment and intangibles assets amounting to $1.0 million during the first quarter of 2017 compared to $1.2 million during the first quarter of fiscal year 2016.

FINANCING ACTIVITIES

In thousands of Canadian dollars *Unaudited and not reviewed by independent auditors*	**Three months ended June 30** **2016** **$**	 **2015** **$**
Increase of long-term debt	**14,700**	6,999
Repayment of long-term debt	**-**	(1,799)
Repurchase of common shares for cancellation	**-**	(6,999)
Cash dividends paid on common shares	**(1,500)**	(1,554)
Cash flows related to financing activities	**13,200**	(3,353)

For the first quarter of fiscal 2017, cash flows from for financing activities amounted to $13.2 million compared to $3.4 million used during the first quarter of fiscal year 2016.

During the first quarter of fiscal 2017, the Company used $14.7 million of its revolving credit facility in order to finance the Acquisition.

Dividends paid by the Company amounted to $1.5 million during the first quarter of fiscal 2017. The decrease of $0.1 million compared to the first quarter of fiscal 2016 is due to a lower number of shares outstanding following the repurchase of shares during fiscal year 2016.

CREDIT AGREEMENT

On December 18, 2015, the Company renewed its credit agreement, which had previously been concluded on November 10, 2011 (the "Credit Agreement") with three Canadian financial institutions and under which the lenders made available to the Company an $80.0 million ($60.0 million as at March 31, 2016) secured revolving five-year credit facility (the "Revolving Facility") and an accordion loan of $40.0 million ($40.0 million as at March 31, 2016) subject to lenders' acceptance.

The Revolving Facility expires on December 18, 2020, and any outstanding amounts are due in full at maturity. Amounts under the Credit Agreement are repayable before maturity without penalty.

As at June 30, 2016, the Company had drawn $41.2 million on its Revolving Facility.

The Revolving Facility bears interest at a rate based either on Canadian prime rate, LIBOR or the bankers' acceptance rate plus a margin in each case. This margin varies according to the ratio of total debt to the EBITDA defined in the Credit Agreement. As at June 30, 2016, the actual rate was 0.88% and the margin was 1.20%. In addition, the unused portion of the Revolving Facility bears interest at 0.24% as standby fees.

All obligations under the Credit Agreement are secured by a first-rank security (hypothec) on substantially all of the Company's present and future tangible and intangible assets.

The Credit Agreement contains certain covenants and certain events of default customary for loans of this nature, including some limitations to the levels of investments and acquisitions, capital expenditures and distributions. The Credit Agreement is also subject to restrictive covenants requiring certain financial ratios to be maintained. As at June 30, 2016, the Company was in compliance with the financial ratios prescribed under these covenants.

FINANCIAL POSITION

As a whole, the Company has a sound financial position and is able to meet its financial obligations. As at June 30, 2016, the Company had cash and cash equivalents of $10.2 million and $38.8 million available on its credit facility of $80.0 million. At that same date, total assets of the Company amounted to $210.7 million compared to $194.1 million as at March 31, 2016.

INFORMATION FROM STATEMENTS OF FINANCIAL POSITION *In thousands of Canadian dollars*	**June 30, 2016 $**	**March 31, 2016 $**
Cash and cash equivalents	**10,204**	10,901
Accounts receivable	**6,921**	5,927
Tax credits receivable	**3,978**	5,128
Prepaid expenses and deposits	**1,575**	1,145
Intangible assets	**3,906**	3,617
Acquired intangibles assets	**67,604**	57,238
Goodwill	**107,047**	100,280
Accounts payable and accrued liabilities	**7,083**	8,220
Deferred revenues	**17,730**	16,774
Long-term debt	**41,021**	26,311
Shareholders' equity	**126,245**	123,805

The main changes in the Company's statement of financial position between June 30, 2016 and March 31, 2016 are explained as follows:

- Accounts receivable totaled $6.9 million as at June 30, 2016, an increase of $1.0 million compared to March 31, 2016. This increase is mainly attributable to the addition ASC's receivables amounting to $0.5 million as well as an increase in the receivables of InterTrade and from the software development carried out on behalf of a third party both in connections with the increase of their activities.

- Tax credits receivable totaled $4.0 million as at June 30, 2016, a decrease of $1.2 million when compared to March 31, 2016. This decrease is explained by the collection of tax credits during the first quarter of fiscal year 2017.

- Prepaid expenses and deposits reached $1.6 million as at June 30, 2016, an increase of $0.4 million when compared to March 31, 2016. This increase is mainly due to annual expenses paid at the beginning of the fiscal year.

- Intangible assets totaled $3.9 million as at June 30, 2016, up $0.3 million from March 31, 2016. This increase is explained by the acquisition of external software and also from the recording of internally developed software for a total amount of $0.6 million, partially offset by an amortization expense of $0.3 million.

- Acquired intangibles assets reached $67.6 million, up $10.4 million from March 31, 2016. This increase is mainly due to the addition of acquired intangible assets of ASC for $11.4 million less the amortization expenses of $1.0 million recorded during the first quarter of fiscal 2017.

- Goodwill increased $6.8 million to $107.0 million as at June 30, 2016 with all of the increase attributable to the Acquisition.

- Accounts payable and accrued liabilities totaled $7.1 million as at June 30, 2016, a $1.1 million decrease compared to March 31, 2016. This decrease is explained by the disbursements in the first quarter of 2017 of amounts related to incentive compensation and certain professional fees that were accrued as at March, 31 2016.

- Deferred revenues reached $17.7 million, up $1.0 million compared to March 31, 2016. This increase is mainly due to the addition of the deferred revenues arising from the Acquisition.

- Long-term debt totaled $41.0 million as at June 30, 2016, compared to $26.3 million as at March 31, 2016. This increase in long-term debt mainly represents the amounts used in order to proceed with the Acquisition.

- Shareholders' equity stood at $126.2 million as at June 30, 2016, compared to $123.8 million as at March 31, 2016. The change in shareholders' equity reflects the $3.9 million comprehensive income earned by the Company during the first quarter of fiscal year 2017 less $1.5 million in dividends.

DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to certain financial risks. The Company does not hold financial instruments for speculative purposes but only to reduce the volatility of its results from its exposure to these risks. The nature and the extent of the risks arising from the financial instruments and their related risk management are described in the Company's audited consolidated financial statements as at March 31, 2016.

The Company's hedging program will yield an average (CA$/US$) exchange rate of 1.3105 on foreign currency forward contracts of US $11.0 million held as at June 30, 2016, which will mature over fiscal years 2017 and 2018. As at June 30, 2015, the Company had foreign currency forward contracts of US $11.7 million held at a rate of 1.1722.

During the first quarter of fiscal year 2017, there has been no material change to the nature of risks arising from financial instruments, related risk management and classification of financial instruments. Furthermore, there was no change in the methodology used in determining the fair value of the financial instruments that are measured at fair value in the Company's consolidated statements of financial position.

RELATED PARTY TRANSACTIONS

The Company holds a 50% ownership in the joint venture Société d'investissement M-S S.E.C. (a limited partnership), which operates under the brand Global Wine & Spirits ("GWS"), in which it shares joint control with its co-venturers. GWS operates a virtual business-to-business electronic network offering an integrated solution for the purchase and sale of wine and spirits.

During the first quarter of fiscal year 2017, the Company recorded revenues of $0.5 million from transactions with GWS compared to $0.4 during the first quarter of fiscal 2016. In addition, the Company recharged $0.2 million in operating expenses to GWS during the first quarters of fiscal 2017 and 2016. As at June 30, 2016, the Company's accounts receivable reached $0.2 million from GWS compared to $0.1 million as at March 31, 2016.

In addition, during the three months ended June 30, 2015 the Company received a capital distribution of $0.5 million from GWS.

These transactions occurred in the normal course of business and were measured at the amount of consideration agreed to by the parties.

RISKS AND UNCERTAINTIES

The Company is confident of its long-term prospects. However, in order to ensure that its strategy and growth objectives are met, the Company seeks to diminish the risks and uncertainties created by potentially unfavourable situations in its industry sector or its liquidity. The risks that the Company faces are technological, operational or financial in nature or are inherent to its business activities or its acquisition strategies. The description of these risks and uncertainties has not changed compared to the description in the Management Discussion & Analysis for the year ended March 31, 2016.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9 FINANCIAL INSTRUMENTS

On July 24, 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. This final version of IFRS 9 represents the completion of this project and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not address the specific accounting for open portfolios or macro hedging, as these items are part of a separate IASB project that is currently ongoing. This final standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets. Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This standard introduces an amended hedging model that aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset impairment model that has an expanded scope, is based on expected credit losses rather than incurred credit losses and generally will result in earlier recognition of losses. This new standard supersedes all prior versions of IFRS 9. The Company has not yet examined the impacts of this new standard. IFRS 9 will apply to the Company for the annual period beginning on April 1, 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 *Revenue from Contracts with Customers* establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company has not yet examined the impacts of this new standard. IFRS 15 will apply to the Company for the annual period beginning on April 1, 2018.

IFRS 16 LEASES

On January 13, 2016, the IASB issued IFRS 16, Leases, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 will be effective as of January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15, Revenue from Contracts with Customers. The Company has not yet examined the impacts of this new standard. IFRS 16 will apply to the Company for the annual period beginning on April 1, 2019.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. These statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those expected by these forward-looking statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Company, may ultimately prove to be incorrect since they are subject to the risks and uncertainties that affect the Company. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators' Regulation 52-109 respecting *Certification of Disclosure in Issuers' Annual and Interim Filings*, certificates signed by the President and Chief Executive Officer and the Chief Financial Officer have been filed. These documents confirm the adequacy of the Company's disclosure controls and procedures and the design and effectiveness of its internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure controls and procedures of the Company have been designed in accordance with the rules of the Canadian Securities Administrators in order to provide reasonable assurance that material information related to the Company is made known to the Audit Committee and the Board of Directors and information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time period specified in securities legislation.

Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management has evaluated the effectiveness of the Company's disclosure controls and procedures in accordance with the rules of the Canadian Securities Administrators and has concluded that such disclosure controls and procedures are efficient for the fiscal year ended March 31, 2016. As at June 30, 2016, there were no changes in disclosure controls and procedures of the Company and these controls and procedures are still considered efficient.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The internal control over financial reporting has been designed in order to provide reasonable assurance that the financial information reported is reliable and that the financial statements were prepared in accordance with the Company's IFRS accounting policies.

Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management has evaluated the design and the effectiveness of the Company's internal control over financial reporting and has concluded that such controls were efficient for the fiscal year ended March 31, 2016.

The management evaluation of the design and the effectiveness of the Company's internal control over financial reporting exclude controls, conventions and procedures regarding ASC acquired on May 31st 2016. The Company has a period of one year from the acquisition date to conduct this analysis and to implement internal controls deemed necessary.

As at June 30, 2016, there were no changes in internal control over financial reporting of the Company which has had, or is reasonably likely to materially affect, the Company's internal control over the financial information.

ADDITIONAL INFORMATION

This report has been prepared as at August 3, 2016.

As of that date, the number of common shares outstanding was 14,998,979.

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com.

MARKET AND TICKER SYMBOL

The Company's common shares trade on the Toronto Stock Exchange under the ticker symbol "MDF".

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President and Chief Executive Officer
VIAVAR Capital Inc.

Michel Dubé
Québec, Canada
Consultant

André Gauthier
Québec, Canada
President
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