

Unaudited Interim Financial Statements

Multiplied Media Corporation

March 31, 2008

The accompanying interim financial statements have not been reviewed by the Company's external auditors.

Multiplied Media Corporation

Balance Sheets

(Unaudited)

As at	March 31, 2008	December 31, 2007
	\$	\$
ASSETS		
Current		
Cash	3,966	121,790
Short term investments <i>[note 5 and note 9]</i>	1,550,000	3,151,175
Accounts receivable	9,933	24,989
Goods and Services Taxes recoverable	53,743	64,696
Prepaid expenses and deposits	178,697	225,255
	1,796,339	3,587,905
Prepaid expenses and deposits	212,193	212,193
Property and equipment <i>[note 6]</i>	395,521	346,187
Deferred development costs <i>[note 7]</i>	2,335,986	2,353,266
Intangible assets <i>[note 8]</i>	178,177	111,069
	4,918,216	6,610,620
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable	585,618	638,534
Commitments <i>[note 14]</i>		
Shareholders' equity		
Share capital <i>[note 10]</i>	13,259,322	13,259,322
Compensation options and warrants <i>[note 10 and note 11]</i>	353,076	423,512
Contributed surplus <i>[note 12]</i>	370,753	237,709
Deficit	(9,650,553)	(7,948,457)
	4,332,598	5,972,086
	4,918,216	6,610,620

See accompanying notes

Multiplied Media Corporation
Statements of Loss and Comprehensive Loss and Deficit
(Unaudited)

	Three month period ended March 31	
	2008	2007
REVENUE		
Sales	654	3,469
Interest income	21,168	16,444
Total Revenue	21,822	19,913
EXPENSES		
Salary and consulting fees	784,046	407,105
Stock based compensation <i>[note 11]</i>	58,258	41,631
Administration, occupancy and insurance	292,935	190,452
Advertising and marketing	255,345	358,449
Professional fees	63,210	24,706
Amortization of tangible assets	37,157	8,662
Amortization of deferred development costs and intangible assets	232,967	67,179
	1,723,918	1,125,184
Net loss and comprehensive loss for the period	(1,702,096)	(1,105,271)
Share repurchase adjustment <i>[note 10]</i>	-	(33,374)
Deficit, beginning of period	(7,948,457)	(2,852,806)
Deficit, end of period	(9,650,553)	(3,991,451)
Net loss for the period per share <i>[note 13]</i>	(0.03)	(0.02)

See accompanying notes

Multiplied Media Corporation
Statements of Cash Flow
(Unaudited)

	Three month period ended March 31	
	2008	2007
OPERATING ACTIVITIES		
Net loss for the period	(1,702,096)	(1,105,271)
Items not requiring cash		
Amortization	270,124	75,841
Stock based compensation <i>[note 11]</i>	58,258	41,631
	(1,373,714)	(987,799)
Changes in non-cash working capital		
Short term investments	1,601,175	1,001,601
Accounts receivable	15,056	13,567
Goods and Services Tax receivable	10,953	(51,311)
Prepaid expenses and deposits	46,558	(6,235)
Accounts payable	(52,916)	(115,860)
	1,620,826	841,762
Cash flows from (used by) operating activities	247,112	(146,037)
INVESTING ACTIVITIES		
Purchase of equipment	(86,491)	(40,182)
Expenditures on trademark and patents	(69,407)	(14,363)
Expenditures on deferred development costs	(209,038)	(186,691)
Cash flows used by investing activities	(364,936)	(241,236)
FINANCING ACTIVITIES		
Repurchase of common shares <i>[note 10]</i>	-	(55,250)
Cash flows from financing activities	-	(55,250)
Increase (decrease) in cash	(117,824)	(442,523)
Cash, beginning of the period	121,790	361,060
Cash, end of the period	3,966	(81,463)

See accompanying notes

Multiplied Media Corporation

Notes to Financial Statements

March 31, 2008
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements, with the exception of the application of the accounting policies described in Note 2. These unaudited interim financial statements do not include all of the disclosures required in annual financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2007.

2. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2008 the Company adopted the new CICA Handbook accounting requirements for Section 1535 "Capital Disclosures," Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation." In accordance with the transitional provisions for these new standards, these policies were adopted prospectively without restatement of prior periods.

Capital Disclosures

CICA Handbook Section 1535 "Capital Disclosures" requires the disclosure about the Company's objectives, policies and processes for managing capital, which have been provided in Note 3.

Financial Instruments

CICA Handbook Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation" replace Section 3861 "Financial Instruments - Disclosure and Presentation" effective January 1, 2008 for the Company. Section 3862 requires the disclosure of information to allow users to evaluate the significance of the financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The additional information to comply with these standards is disclosed in Note 4.

Future Accounting Changes

Section 3064 "Goodwill and Intangible Assets"

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 will replace Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs." This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. This new section is effective for the Company beginning January 1, 2009. The Company is currently assessing the impact of adoption of this new accounting policy standard.

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International Financial Reporting Standards (IFRS)

In 2006 the Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements in Canada. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over a five-year transition period with adoption required effective January 1, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

3 CAPITAL STRUCTURE FINANCIAL POLICIES

The Company's objectives in managing its capital is to safeguard the Company's assets and its' ability to continue as a going concern and to sustain future development of the business.

Management defines capital as the Company's shareholders' equity. The Company manages its capital structure and makes adjustments according to market conditions and the risk characteristics of the underlying assets. In addition, the management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust capital spending, issue new shares, sell assets or incur debt. The Company is not subject to externally imposed capital requirements. As at March 31, 2008, total managed capital is \$4,332,598 (December 31, 2007 - \$5,972,086).

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The company is exposed to a number of different financial risks arising from normal course business exposures, as well as the company's use of financial instruments. These risk factors include interest rate risk, liquidity risk and credit risk.

Fair value of financial instruments

The carrying value of the Company's financial assets and liabilities was as follows:

	March 31, 2008		December 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Held for trading:				
Cash	3,965	3,965	121,790	121,790
Short term investments	1,550,000	1,550,000	3,151,175	3,151,175
Loans and receivables:				
Accounts receivable	9,933	9,933	24,989	24,989
Financial liabilities				
Other liabilities:				
Accounts payable	585,618	585,618	638,534	638,534

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Interest Rate Risk

The Company is exposed to interest rate risk with respect to the short term investments. The Company's short term investments consist of a number of cashable GIC's with floating interest rate that will fluctuate based on Royal Bank of Canada's prime rate. If interest rates on the floating instrument were to change by 1% it is estimated that revenue would change by \$5,078.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company believes that it has access to sufficient funds to meet its current and foreseeable financial requirements at reasonable costs. The Company's accounts payable and accrued liabilities are due within one year.

Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Company's accounts receivable are subject to normal credit risks. The Company believes that the credit risk of accounts receivable is limited due to the strong historical collection record of the Company's customers.

No provision has been made for impaired receivables as of March 31, 2008 as the Company does not have any impaired receivables.

5. SHORT TERM INVESTMENTS

Short term investments consist of three cashable GICs which mature between August 17, 2008 and March 3, 2009, earning interest from 2.65% to 3.25% per annum. (see note 9).

6. PROPERTY AND EQUIPMENT

	March 31, 2008		
	Cost	Accumulated amortization	Net Book Value
	\$	\$	\$
Computer	370,643	(81,977)	288,666
Furniture and equipment	113,519	(21,322)	92,197
Leasehold improvement	23,957	(9,299)	14,658
	508,119	(112,598)	395,521

	December 31, 2007		
	Cost	Accumulated amortization	Net Book Value
	\$	\$	\$
Computer	329,912	(53,255)	276,657
Furniture and equipment	75,453	(14,718)	60,735
Leasehold improvement	16,263	(7,468)	8,795
	421,628	(75,441)	346,187

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7. DEFERRED DEVELOPMENT COSTS

The Company has certain projects that meet the criteria for deferral and amortization of development costs. Development costs are capitalized for clearly defined, technically feasible technologies which management intends to produce and promote to an identified future market, and for which resources exist or are expected to be available to complete the project. During the three month period ended March 31, 2008, development costs of \$213,388 were deferred. The costs deferred are related to development of new systems for identified future markets. The Company records amortization in arriving at the carrying value of deferred development costs once a project is completed and sales of the related product have commenced. During the three month period ended March 31, 2008, \$230,668 was expensed as amortization of deferred development costs. Amounts incurred and amortized for deferred development costs are as follows:

	March 31, 2008	December 31, 2007
	\$	\$
Balance, beginning of period	2,353,266	1,485,266
Additions	213,388	1,209,480
Amortization	(230,668)	(341,480)
Balance, end of period	2,335,986	2,353,266

Breakdown of deferred development cost additions are as follows:

	March 31, 2008	December 31, 2007
	\$	\$
Consulting expenses (recovery)	(26,374)	808,634
Salaries and stock based compensation related to development	239,762	400,846
Total	213,388	1,209,480

The recoverability of unamortized deferred development costs is evaluated based on projected future revenues net of associated costs. When such review indicates that estimated future cash flows associated with these deferred costs would not be sufficient to recover their carrying value, the excess of the carrying value over estimated recoverable amount will be recognized as an impairment loss and charged to expense in the period that impairment has been determined.

8. INTANGIBLE ASSETS

	March 31, 2008		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Patents	114,441	(3,444)	110,997
Trademarks	73,384	(6,204)	67,180
	187,825	(9,648)	178,177

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	December 31, 2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Patents	62,538	(2,712)	59,826
Trademarks	55,880	(4,637)	51,243
	118,418	(7,349)	111,069

9. OPERATING LINE OF CREDIT

The Company has a demand operating line of credit in the amount of \$50,000, collateralized by a cashable GIC in the amount of \$50,000. Interest is payable at Royal Bank of Canada prime rate per annum which is 5.25% at March 31, 2008. No amounts are drawn on this facility as at March 31, 2008.

10. SHARE CAPITAL

Share Capital Authorized

Unlimited Common voting shares, no par value
Unlimited Preferred shares, no par value

Issued and Outstanding

	March 31, 2008		December 31, 2007	
Common shares:	Shares	Amount	Shares	Amount
	#	\$	#	\$
Balance, beginning of period	59,978,296	13,259,322	45,776,480	6,502,236
Repurchase of common shares (i)	-	-	(154,029)	(21,876)
Issuance for cash, net (ii)	-	-	14,355,845	6,778,962
Balance, end of period	59,978,296	13,259,322	59,978,296	13,259,322
Compensation warrants and options:	Shares	Amount	Shares	Amount
	#	\$	#	\$
Balance, beginning of period	2,098,085	423,512	662,500	93,327
Compensation warrant - expired [note 11]	(500,000)	(70,436)	-	-
Compensation options [note 11]	-	-	1,435,585	330,185
Balance, end of period	1,598,085	353,076	2,098,085	423,512

- (i) During January 2007, in connection with the reverse takeover in 2006, the Company repurchased 154,029 common shares for total cost of \$55,250. As a result, the average carrying value of \$21,876 was allocated as a reduction to share capital; and \$33,374 was charged to the deficit in 2007.
- (ii) During July 2007, the Company completed the issuance of 14,355,845 Common Shares and 1,435,585 Compensation Options at a price of \$0.55 each for gross proceeds of \$7,895,715 less total issuance costs of \$786,568 and fair value of Compensation Options of \$330,185 (see note 11).

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11. STOCK OPTIONS & WARRANTS

Stock Options

The Company has a stock option plan that permits the Board of Directors to grant to employees, officers, and directors options to purchase common shares from Treasury. Under the plan, the Board of Directors sets the exercise price and expiry date for each option grant. The options vest one-third each year and expire in 5 years from the date of grant. During the three month period ended March 31, 2008, the Company granted stock options to employees and directors of the Company to purchase 100,000 (2007 – 2,580,000) common shares for prices ranging between \$0.11 and \$0.18 per share.

The fair value of stock options has been estimated on the date of grant by reference to the Black-Scholes option-pricing model. During the first quarter of 2008, the Company recognized stock based compensation expense, net of cancellations, of \$58,258 (2007 – \$41,631) and capitalized \$4,350 (2007 – Nil) as deferred development costs, assuming that no common share dividend will be paid, an expected volatility of 103% (2007 – 75%), an expected life of three years, and a risk-free interest rate between 2.54% and 3.24% (2007 – 4.17%), equal to the interest rate of 3-year Government of Canada bond.

As at March 31, 2008, there were 4,800,698 stock options outstanding. A summary of the status of the Company's stock options during the years presented is as follows:

	March 31, 2008		March 31, 2007	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of period	4,700,698	0.40	373,696	0.3165
Granted	100,000	0.15	2,720,000	0.4000
Forfeited/cancelled	-	-	(15,000)	0.4000
Balance, end of period	4,800,698	0.39	3,078,696	0.3900
Exercisable, end of period	1,165,371	0.38	373,696	0.3165

Exercise Price \$	Number of Options Outstanding	Number of Options Exercisable	Remaining Life (Year)
0.11	10,000	-	4.94
0.12	10,000	-	4.95
0.15	10,000	-	4.92
0.16	55,000	-	4.87
0.18	15,000	-	4.85
0.25	325,000	-	4.64
0.32	373,698	373,698	1.07
0.39	400,000	-	4.53
0.40	3,202,000	791,673	3.85
0.55	370,000	-	4.12
0.69	30,000	-	4.24
	4,800,698	1,165,371	3.79

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Compensations Warrants

Pursuant to a Subscription Receipt Agreement completed in 2006, the Company granted 662,500 compensation warrants (the "Compensation Warrants") to agents at an exercise price of \$0.40 each. The Compensation Warrants are convertible into Common Voting Shares on a one-for-one basis. As at March 31, 2008, 162,500 Compensation Warrants remained outstanding and expire on April 4, 2008.

The fair value of Compensation Warrants has been estimated at \$93,327, using the Black-Scholes option pricing model, assuming that no common share dividend will be paid, an expected volatility of 70.34%, expected life of 18 months, and a risk-free interest rate of 4.03%. During the three month period ended March 31, 2008, 500,000 Compensation Warrants expired and fair value of \$70,436 was charged to contributed surplus.

Compensation Options

Pursuant to an agency agreement for issuance of 14,355,845 Common Shares in July 2007 (note 10), the Company granted 1,435,585 compensation options (the "Compensation Options") to the agent, at an exercise price of \$0.55 each. The Compensation Options are convertible into Common Voting Shares on a one-for-one basis. As at March 31, 2008, the Compensation Options remain outstanding and expire on January 24, 2009.

The fair value of Compensation Options has been estimated at \$330,185, using the Black-Scholes option pricing model, assuming that no common share dividend will be paid, an expected volatility of 85%, expected life of 18 months, and a risk-free interest rate of 4.69%.

12. CONTRIBUTED SURPLUS

For stock options granted, the Company records compensation expense using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over 3 years from the date of grant as an increase to stock based compensation expense and contributed surplus. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital. A summary of changes of contributed surplus is:

	March 31, 2008	December 31, 2007
Balance, beginning of period	237,709	-
Stock-based compensation recognition of fair value of stock options granted, net of cancellations <i>[note 11]</i>	58,258	223,704
Stock-based compensation directly related to development <i>[note 7]</i>	4,350	14,005
Fair value of expired Compensation Warrants <i>[note 11]</i>	70,436	-
Balance, end of period	370,753	237,709

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Notes to Financial Statements

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13. LOSS PER SHARE

The following table sets forth the computation of basic net loss per share:

	Three month ended March 31,	
	2008	2007
Numerator for basic net loss per share	\$ (1,702,096)	\$ (1,105,271)
Denominator for basic net loss per share:		
Weighted average number of common shares	59,978,296	46,284,959
Net loss per share		
Basic	\$ (0.03)	\$ (0.02)

Diluted earning per share is not presented as the stock options, compensation options, and compensation warrants are anti-dilutive.

14. COMMITMENTS

The Company has entered into agreements to lease premises in Calgary, Alberta. The leases expire in May 2008 and 2013 with remaining total minimum lease payments of \$721,287.

During 2007, the Company has entered into agreements to lease premises in Thornton, Ontario. The leases expire in February, 2012 and 2013 with total minimum lease payments of \$172,562.

The following is a schedule by fiscal year of future minimum lease payments:

Remainder of 2008	\$	125,080
2009		175,637
2010		185,288
2011		192,662
2012 & after		215,182
Total	\$	893,849

15. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the current year presentation.