

Unaudited Interim Financial Statements

Multiplied Media Corporation

June 30, 2008

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

Multiplied Media Corporation

Balance Sheets

(Unaudited)

As at	June 30 2008 \$	December 31 2007 \$
ASSETS		
Current		
Cash	164,316	121,790
Short term investments <i>[note 5]</i>	54,000	3,101,175
Restricted short term investments <i>[note 9]</i>	50,000	50,000
Shares subscription receivable <i>[note 10]</i>	301,200	-
Accounts receivable	3,348	24,989
Goods and Services Taxes recoverable	74,199	64,696
Prepaid expenses and deposits	252,289	225,255
	899,352	3,587,905
Prepaid expenses and deposits	162,534	212,193
Property and equipment <i>[note 6]</i>	360,454	346,187
Deferred development costs <i>[note 7]</i>	2,381,433	2,353,266
Intangible assets <i>[note 8]</i>	224,688	111,069
	4,028,461	6,610,620
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable	624,692	638,534
Deferred revenue <i>[note 13]</i>	146,428	-
	771,120	638,534
Commitments <i>[note 15]</i>		
Shareholders' equity		
Share capital <i>[note 10]</i>	13,683,322	13,259,322
Compensation options and warrants <i>[note 10 and note 11]</i>	330,185	423,512
Contributed surplus <i>[note 12]</i>	564,266	237,709
Deficit	(11,320,432)	(7,948,457)
	3,257,341	5,972,086
	4,028,461	6,610,620

See accompanying notes

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

	Three month period ended June 30		Six month period ended June 30	
	2008	2007	2008	2007
REVENUE				
Sales	13,660	1,680	14,314	5,149
Interest income	7,358	4,324	28,526	20,768
Total Revenue	21,018	6,004	42,840	25,917
EXPENSES				
Salary and consulting fees	717,200	464,711	1,501,246	871,814
Stock based compensation <i>[note 11]</i>	164,948	62,600	223,206	104,231
Administration, occupancy and insurance	250,161	174,758	543,097	365,211
Advertising and marketing	266,799	349,903	522,144	735,352
Professional fees	17,284	47,231	80,494	71,938
Amortization of tangible assets	40,019	11,950	77,176	20,612
Amortization of deferred development costs and intangible assets	234,486	67,268	467,452	134,447
	1,690,897	1,178,421	3,414,815	2,303,605
Net loss and comprehensive loss for the period	(1,669,879)	(1,172,417)	(3,371,975)	(2,277,688)
Share repurchase adjustment <i>[note 10]</i>	-	-	-	(33,374)
Deficit, beginning of period	(9,650,553)	(3,991,451)	(7,948,457)	(2,852,806)
Deficit, end of period	(11,320,432)	(5,163,868)	(11,320,432)	(5,163,868)
Net loss for the period per share <i>[note 14]</i>				

See accompanying notes

Multiplied Media Corporation
Statements of Cash Flow
(Unaudited)

	Three month period ended June 30		Six month period ended June 30	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net loss for the period	(1,669,879)	(1,172,417)	(3,371,975)	(2,277,688)
Items not requiring cash				
Amortization	274,505	79,218	544,628	155,059
Stock based compensation <i>[note 11]</i>	164,948	62,600	233,206	104,231
	(1,230,426)	(1,030,599)	(2,604,141)	(2,018,398)
Changes in non-cash working capital				
Accounts receivable	6,585	11,184	21,641	24,751
Goods and Services Tax receivable	(20,456)	141,671	(9,503)	90,360
Prepaid expenses and deposits	122,494	(45,907)	169,053	(52,142)
Accounts payable	39,074	101,481	(13,842)	38,327
	147,697	208,429	167,349	101,296
Cash flows used by operating activities	(1,082,729)	(822,170)	(2,436,792)	(1,917,102)
INVESTING ACTIVITIES				
Purchase of equipment	(4,952)	(20,119)	(91,443)	(60,301)
Expenditures on trademark and patents	(50,329)	(6,715)	(119,736)	(21,078)
Expenditures on deferred development costs	(270,440)	(115,552)	(479,478)	(354,949)
Cash flows used by investing activities	(325,721)	(142,386)	(690,657)	(436,328)
FINANCING ACTIVITIES				
Issuance of common shares, net of issuance cost of \$50,000 <i>[note 10]</i>	122,800	-	122,800	-
Repurchase of common shares <i>[note 10]</i>	-	-	-	(55,250)
Cash flows from (used by) financing activities	122,800	-	122,800	(55,250)
Decrease in cash	(1,285,650)	(964,556)	(3,004,649)	(2,408,680)
Cash and short term investments, beginning of the period	1,553,966	1,019,237	3,272,965	2,463,361
Cash and short term investments, end of the period	268,316	54,681	268,316	54,681

See accompanying notes

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Notes to Financial Statements

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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 change in 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.

The continuation of the Company's operations is dependent on the Company's ability to achieve future profitable operations and to obtain additional financing. The Company is pursuing financing alternatives with investors. No agreements with investors have yet been reached and there can be no assurance that such agreements will be reached, nor that financing efforts will be successful. The value of the Company's intangible assets and deferred development costs could become impaired should these efforts not be successful.

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.

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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.

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 June 30, 2008, total managed capital is \$3,257,341 (December 31, 2007 - \$5,972,086).

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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 from 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:

	June 30, 2008		December 31, 2007	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Financial assets				
Held for trading:				
Cash	164,316	164,316	121,790	121,790
Short term investments	54,000	54,000	3,101,175	3,101,175
Restricted short term investments	50,000	50,000	50,000	50,000
Deposits	64,034	64,034	95,612	95,612
Loans and receivables:				
Accounts receivable	3,348	3,348	24,989	24,989
Financial liabilities				
Other liabilities:				
Accounts payable	624,692	624,692	638,534	638,534

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 rates that will fluctuate based on Royal Bank of Canada's prime rate. If interest rates on the floating instruments were to change by 1% it is estimated that revenue would change by \$2,570.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company believes that, assuming success of its financing efforts, the Company will have access to sufficient funds to meet its current and foreseeable financial requirements at reasonable costs. The Company's accounts payable 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 June 30, 2008 as the Company does not have any impaired receivables.

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5. SHORT TERM INVESTMENTS

Short term investments consist of a cashable GIC which mature on March 17, 2009 earning interest from 2.15% per annum.

6. PROPERTY AND EQUIPMENT

	June 30, 2008		
	Cost	Accumulated	Net Book
	\$	amortization	Value
		\$	\$
Computer	371,800	(112,556)	259,244
Furniture and equipment	117,314	(29,195)	88,119
Leasehold improvement	23,957	(10,866)	13,091
	513,071	(152,617)	360,454

	December 31, 2007		
	Cost	Accumulated	Net Book
	\$	amortization	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

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 and six month periods ended June 30, 2008, development costs of \$213,388 and \$489,502, respectively, 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 and six month periods ended June 30, 2008, \$230,668 and \$461,335, respectively, was expensed as amortization of deferred development costs. Amounts incurred and amortized for deferred development costs are as follows:

	June 30, 2008	December 31, 2007
	\$	\$
Balance, beginning of period	2,353,266	1,485,266
Additions	489,502	1,209,480
Amortization	(461,335)	(341,480)
Balance, end of period	2,381,433	2,353,266

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Breakdown of deferred development cost additions are as follows:

	Six months ended June 30, 2008	Year ended December 31, 2007
	\$	\$
Consulting expenses	126,644	808,634
Salaries and stock based compensation related to development	362,858	400,846
Total	489,502	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

	June 30, 2008		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Patents	129,484	(5,003)	124,481
Trademarks	108,670	(8,463)	100,207
	238,154	(13,466)	224,688

	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, which matures on August 17, 2008 earning interest from 2.15% per annum. Interest on the operating line of credit is payable at Royal Bank of Canada prime rate per annum which is 4.75% at June 30, 2008. No amounts are drawn on this facility as at June 30, 2008 or December 31, 2007.

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10. SHARE CAPITAL

Authorized

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

Issued and Outstanding

	June 30, 2008		December 31, 2007	
	Shares #	Amount \$	Shares #	Amount \$
Common shares:				
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
Issuance for cash, net (iii)	9,480,000	424,000		
Balance, end of period	69,458,296	13,683,322	59,978,296	13,259,322
Compensation warrants and options:				
Balance, beginning of period	2,098,085	423,512	662,500	93,327
Compensation warrant - expired [note 11]	(662,500)	(93,327)	-	-
Compensation options [note 11]	-	-	1,435,585	330,185
Balance, end of period	1,435,585	330,185	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).
- (iii) During June 2008, the Company closed a non-brokered private placement to issue 9,480,000 Common Shares at a price of \$0.05 each for gross proceeds of \$474,000 less issuance costs of \$50,000. As of June 30, 2008, \$301,200 remained in shares subscription receivable and the full amount was received subsequent to the period end.

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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 months ended June 30, 2008 and six months ended June 30, 2008, the Company granted stock options to employees and directors of the Company to purchase 2,195,000 and 2,295,000 common shares, respectively, for prices ranging between \$0.10 and \$0.18 per share as compared. During the three and six month periods ended June 30, 2007, the Company granted 2,720,000 and 4,047,000 stock options, respectively, to employees and directors. In June 2008, two of the Company's executives voluntarily cancelled 1,000,000 stock options without consideration. As a result, a one-time non-cash stock-based compensation expense of \$137,333 was recognized.

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 three and six month periods of 2008, the Company recognized stock based compensation expense, net of cancellations, of \$164,948 and \$223,206 respectively (three and six month periods of 2007 – \$62,600 and \$104,231). In addition, the Company capitalized \$4,350 and \$10,024 respectively (2007 – Nil) as deferred development costs, assuming that no common share dividend will be paid, a weighted average expected volatility of 104.40% (2007 – 90.76%), an expected life of three years, and a weighted average risk-free interest rate of 3.45% (2007 – 3.82%), equal to the interest rate of 3-year Government of Canada bond.

As at June 30, 2008, there were 5,795,699 stock options outstanding. A summary of the status of the Company's stock options during the years presented is as follows:

	June 30, 2008		June 30, 2007	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of period	5,000,698	0.39	373,696	0.32
Granted	2,295,000	0.10	4,047,000	0.42
Forfeited/cancelled	(1,499,999)	0.39	(65,000)	0.40
Balance, end of period	5,795,699	0.27	4,355,696	0.41
Exercisable, end of period	1,241,040	0.39	373,696	0.32

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Exercise Price \$	Number of Options Outstanding	Number of Options Exercisable	Remaining Life (Year)
0.10	2,195,000	-	3.01
0.13	10,000	-	4.70
0.15	10,000	-	4.67
0.16	55,000	-	4.62
0.18	15,000	-	4.60
0.25	475,000	-	4.39
0.32	373,698	373,698	0.82
0.39	400,000	-	4.28
0.40	1,975,334	734,008	3.65
0.55	256,667	123,334	3.87
0.69	30,000	10,000	3.99
	5,795,699	1,241,040	3.35

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. All Compensation Warrants expired without being exercised during the six month period ended June 30, 2008.

The fair value of the 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 six month period ended June 30, 2008, 662,500 Compensation Warrants expired and fair value of \$93,327 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 agents, 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 June 30, 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%.

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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:

	Six months ended June 30, 2008	Year ended 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>	223,206	223,704
Stock-based compensation directly related to development <i>[note 7]</i>	10,024	14,005
Compensation Warrants expired <i>[note 11]</i>	93,327	-
Balance, end of period	564,266	237,709

13. DEFERRED REVENUE

Deferred revenue as at June 30, 2008 consists of license fees for granting access and integrating third party application into the Company's application. Revenue is recognized evenly over the term of agreement.

14. LOSS PER SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Numerator for basic net loss per share	\$ (1,669,879)	\$ (1,172,417)	\$ (3,371,975)	\$ (2,277,688)
Denominator for basic net loss per share:				
Weighted average number of common shares	60,394,999	45,622,451	60,187,799	45,642,024
Net loss per share				
Basic	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.05)

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

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15. 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 \$698,738.

During 2007, the Company has entered into agreements to lease premises in Thornton, Ontario. The leases expire in February, 2012 and 2013 with remaining total minimum lease payments of \$162,190.

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

Remainder of 2008	\$	87,749
2009		176,897
2010		186,548
2011		193,922
2012 & after		215,812
Total	\$	860,928

16. SUBSEQUENT EVENTS

During August 2008, the Company arranged a promissory note of \$300,000, secured by the Company's Scientific Research and Experimental Development ("SR&ED") claims for taxation year of 2006. The promissory note bears interest of 24% per annum. Principal and interest are due in full on January 31, 2009.

17. COMPARATIVE FIGURES

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