

Financial Statements

**Multiplied Media Corporation**

December 31, 2009

## Auditors' Report

To the Shareholders of  
**Multiplied Media Corporation**

We have audited the balance sheets of **Multiplied Media Corporation** as at December 31, 2009 and 2008 and the statements of loss and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Multiplied Media Corporation as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Ernst + Young LLP*

Calgary, Canada  
April 21, 2010

Chartered Accountants

# Multiplied Media Corporation

## Balance Sheets

(see note 1 – Description of Operations & Going Concern Uncertainty)

As at December 31

As at	2009 \$	2008 \$
<b>ASSETS [ note 13]</b>		
<b>Current</b>		
Cash	468,762	-
Accounts receivable	288,718	9,433
Goods and services taxes recoverable	76,171	18,884
Prepaid expenses and deposits	349,894	88,137
	<b>1,183,545</b>	<b>116,454</b>
Prepaid expenses and deposits	54,010	122,334
Property and equipment [note 5]	164,611	186,684
Intangible assets [note 6]	229,756	228,308
	<b>1,631,922</b>	<b>653,780</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable	637,664	624,060
Short term promissory notes [notes 8 and 13]	130,000	130,000
	<b>767,664</b>	<b>754,060</b>
Commitments [note 11]		
<b>Shareholders' equity (deficiency)</b>		
Share capital [note 7]	17,437,843	13,828,765
Compensation options and warrants [notes 7 and 8]	361,880	330,185
Contributed surplus [note 9]	1,975,680	718,580
Deficit	(18,911,145)	(14,977,810)
	<b>864,258</b>	<b>(100,280)</b>
	<b>1,631,922</b>	<b>653,780</b>

See accompanying notes

On behalf of the Board:

(signed) "Craig Bentham" \_\_\_\_\_

(signed) "Stephen Lougheed" \_\_\_\_\_

**Multiplied Media Corporation**  
**Statements of Loss and Comprehensive Loss and Deficit**

(see note 1 – Description of Operations & Going Concern Uncertainty)

Years ended December 31

	2009	2008
	\$	\$
<b>REVENUE</b>		
Sales	288,537	9,617
Licensing revenue	-	60,151
Interest income	648	62,862
	<b>289,185</b>	<b>132,630</b>
<b>EXPENSES</b>		
Salary and consulting fees	1,483,468	2,140,514
Administration, occupancy and insurance	1,188,975	825,266
Stock based compensation <i>[note 8]</i>	927,194	371,849
Advertising and marketing	376,043	789,288
Professional fees	98,455	147,645
Amortization of tangible assets	101,273	120,214
Amortization of deferred development costs and intangible assets	19,567	691,278
Loss on sale of equipment	27,545	122,569
Impairment of deferred development costs <i>[note 4]</i>	-	2,029,448
Scientific research and experimental development refund	-	(76,088)
	<b>4,222,520</b>	<b>7,161,983</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(3,933,335)</b>	<b>(7,029,353)</b>
Deficit, beginning of the year	<b>(14,977,810)</b>	<b>(7,948,457)</b>
<b>Deficit, end of the year</b>	<b>(18,911,145)</b>	<b>(14,977,810)</b>
<b>Net loss for the year per share <i>[note 10]</i></b>	<b>(0.04)</b>	<b>(0.11)</b>

*See accompanying notes*

## Multiplied Media Corporation

### Statements of Cash Flow

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years ended December 31

	2009 \$	2008 \$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(3,933,335)	(7,029,353)
Items not affecting cash flows		
Loss on sale of equipment	27,545	122,569
Amortization	120,840	811,492
Stock based compensation	927,194	371,849
Impairment of deferred development costs	-	2,029,448
	<b>(2,857,756)</b>	<b>(3,693,995)</b>
Changes in non-cash working capital		
Accounts receivable	(279,285)	15,556
Goods and services tax recoverable	(57,287)	45,812
Prepaid expenses and deposits	(193,433)	226,978
Accounts payable	13,604	(14,474)
	<b>(516,401)</b>	<b>273,872</b>
Cash flows used in operating activities	<b>(3,374,157)</b>	<b>(3,420,123)</b>
<b>INVESTING ACTIVITIES</b>		
Short-term investments	-	3,151,175
Purchase of equipment	(108,245)	(83,280)
Intangibles, trademark and patents	(21,015)	(132,579)
Proceeds on disposition of equipment	1,500	-
Deferred development costs	-	(608,247)
Investment tax credit refund	-	271,821
Cash flows (used in) provided by investing activities	<b>(127,760)</b>	<b>2,598,890</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and compensation options	4,661,455	629,000
Share issuance costs	(690,776)	(59,557)
Promissory Note	-	130,000
Cash flows provided by financing activities	<b>3,970,679</b>	<b>699,443</b>
<b>Increase (decrease) in cash</b>	<b>468,762</b>	<b>(121,790)</b>
Cash, beginning of the year	-	121,790
<b>Cash, end of the year</b>	<b>468,762</b>	<b>-</b>
Cash Interest paid	-	-
Cash Income taxes paid	-	-

See accompanying notes

# Multiplied Media Corporation

## Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

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### 1. DESCRIPTION OF OPERATIONS AND GOING CONCERN ASSESSMENT

Multiplied Media Corporation (TSXV: MMC) (the “Company”), is a mobile local search service provider with a unique proprietary family of products designed to help consumers and merchants connect in an easy, convenient manner. The Company is incorporated under the Alberta Business Corporations Act and is traded on the TSX Venture Exchange.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses amounting to \$3,933,335 for the year ended December 31, 2009.

The continuation of the Company’s operations is dependent on the ability to achieve future profitable operations and to obtain additional financing which management anticipates will provide the Company with adequate funds to cover the cash flows projected for the fiscal 2010 year. The Company is pursuing financing alternatives with investors (see note 15). These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are stated in Canadian dollars and have been prepared by management in accordance with GAAP. As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates and approximations which have been made using careful judgement. These estimates and approximations are subject to uncertainty. Actual results could differ from those estimates. The financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

#### Property and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Computer	3 years straight line
Furniture and equipment	5 years straight line
Leasehold improvement	straight line over the term of lease

The Company regularly reviews its property and equipment to eliminate obsolete items.

#### Trademarks and patents

The Company capitalizes all trademark and patent application costs and amortization is provided for on a straight-line basis over the expected life of 10 and 20 years respectively. The unamortized balance is

## **Multiplied Media Corporation**

### **Notes to Financial Statements**

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

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charged to its operations if the Company does not obtain approval or the trademark or patent is abandoned.

#### **Impairment of long-lived assets**

Property and equipment and intangible assets are to be evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset exceeds the estimated undiscounted future cash flows from the use and eventual disposition of the asset, then an impairment loss is recognized to write the asset down to fair value. Fair value is determined based on discounted cash flows.

#### **Revenue recognition**

Revenue is recognized when services are provided to users, which is generally at the time when online queries are completed and when reasonable assurance exists regarding the measurement and collection of the consideration to be received.

Revenue from sublease of office space is recognized as the rental is provided. These amounts have been netted against occupancy costs.

Non-monetary revenue transactions are related to the licensing revenue earned in 2008 and recorded based upon the fair-value of products or services exchanged.

#### **Research and development costs**

Research costs are expensed in the year incurred. The Company expenses development costs in the year incurred, except when it is determined that the costs meet Canadian generally accepted accounting criteria for deferral and amortization. Amortization of development costs commences when development of a project is completed and sales of the related product have commenced. The costs are amortized on a straight-line basis based on the recoverability period of unamortized deferred development costs. As of December 31, 2009, no development costs have been deferred.

#### **Stock options**

The Company has adopted the Canadian accounting standard outlined in the CICA Handbook Section 3870, “Stock-based Compensation and Other Stock-based Payments”. This section provides for the fair value method to record stock-based compensation expense with respect to stock options granted. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

#### **Income taxes**

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income

# Multiplied Media Corporation

## Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

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tax assets and liabilities are recognized in the current year for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for income tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to be recovered or settled. The effect of a change in tax rates on future income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date. Future income tax assets are limited to the amount that is more likely than not to be realized.

### Loss per share

Basic per share amounts are computed by dividing the net loss for the year by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using the treasury stock method that assumes any proceeds received by the Company upon the exercise of in-the-money options, plus unamortized stock-based compensation cost, would be used to buy back common shares at an average market price. Anti-dilutive options or instruments are not included in the calculation and all options and instruments are considered anti-dilutive when the Company is in a loss position.

### Changes in accounting policies

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064 “Goodwill and Intangible Assets” which replaced 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, other intangible assets including internally generated intangible assets and research and development costs. The adoption of this standard has had no material impact on the Company’s net earnings or cash flows.

In January 2009, the CICA issued Emerging Issues Committee Abstract of Issue Discussed 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (“EIC-173”) applicable to the Company’s 2009 fiscal year. EIC-173 recommends that a company take into account its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities. The adoption of this standard has had no material impact on the Company’s net earnings or cash flows.

During 2009, CICA Handbook section 3862 “Financial Instruments – Disclosures” was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs, other than quoted prices in active markets, that are observable for

## Multiplied Media Corporation

### Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

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the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The amendments to section 3862 also clarify and enhance liquidity risk disclosures for financial and derivative financial liabilities and strengthen the relationship between qualitative and quantitative disclosures about liquidity risk. Section 3862 amendments were adopted by the Company in the financial statements for the year ended December 31, 2009. The amendments are to be applied on a prospective basis, and comparative information was not required in the first year of adoption.

On June 17, 2009 the Accounting Standards Board of Canada (“AcSB”) released Embedded Derivatives on Reclassification of Financial Assets, for amendments to Section 3855, Financial Instruments – Recognition and Measurement. The amendment indicates that contracts with embedded derivatives cannot be reclassified out of the held for trading category if the embedded derivative cannot be fair valued. The amendments to this standard were effective for the Company on July 1, 2009 and its adoption did not have a material impact upon the financial statements.

#### Future changes in accounting policies

The Company has assessed new and revised accounting pronouncements that have been issued and determined that the following may have a significant impact on the Company.

In October 2008, the CICA issued Section 1582 Business Combinations (“Section 1582”) concurrently with Section 1601 Consolidated Financial Statements (“Section 1601”), and Section 1602 Non-controlling Interests (“Section 1602”). Section 1582, which replaces Section 1581 Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. In addition, acquisition related and restructuring costs are to be recognized separately from the business combination and included in the statement of loss and comprehensive loss. Section 1601, which replaces Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company’s interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is assessing the impact of the new standards on its financial statements.

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current GAAP for those enterprises. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year.

The Company’s IFRS conversion project consists of three phases; the preliminary impact assessment, a detailed impact assessment and implementation. The Company has completed the first phase of the

# Multiplied Media Corporation

## Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
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transition plan which entails a review of the major differences between Canadian GAAP and IFRS. The Company is currently developing a project plan, identifying accounting policy alternatives, selecting accounting policies, drafting pro-forma financial statements, drafting position papers, assessing system impacts, identifying personnel and training requirements, assessing the impact on business activities and implementing financial statement changes.

The quantitative impact, if any, to the Company's financial statements on the adoption of IFRS has not yet been determined and will depend on the circumstances prevailing on January 1, 2011 as well as accounting policy choices made by the Company.

### 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 sustain future development of the business.

Management defines capital as the Company's shareholders' equity (deficiency). The Company manages its capital structure and makes adjustments according to market conditions and the risk characteristics of the underlying assets. In addition, management monitors the Company's ongoing capital requirements for the fiscal year. In order to maintain or adjust the capital structure, the Company may adjust capital spending, issue equity, sell assets or incur debt. The Company is not subject to externally imposed capital requirements. As at December 31, 2009 total managed capital is \$864,258 (December 31, 2008 - \$(100,280)).

Subsequent to December 31, 2009, the Company increased its total managed capital through the issuance of 20,000,000 shares for gross proceeds of \$ 5,000,000 (note 15).

### 4. IMPAIRMENT OF DEFERRED DEVELOPMENT COSTS

In accordance with generally accepted accounting principles, on an annual basis, or more frequently if circumstances may indicate that impairment may occur, the Company conducts an impairment test of its deferred development costs. If it is concluded that an impairment to deferred development costs exists, then a reduction in the carrying value of the deferred development costs would be recorded on the balance sheet and recognized as a non-cash impairment charge to income.

For the year ended December 31, 2008, the Company evaluated the deferred development costs relative to the Company's market capitalization, the revenues generated by the related assets, and the future expectations for those assets. Based upon all of those factors it was estimated by management that the deferred development costs had been impaired, and as a result should be written off. The impairment charge does not affect the Company's liquidity funds from operations and will not impact future operations with respect to its mobile services. During 2009, the Company did not record any deferred development costs.

## Multiplied Media Corporation

### Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

#### 5. PROPERTY AND EQUIPMENT

	2009		
	Cost \$	Accumulated amortization \$	Net Book Value \$
Computer	265,804	(130,566)	135,238
Furniture and equipment	68,135	(41,521)	26,614
Leasehold improvement	6,161	(3,402)	2,759
	<b>340,100</b>	<b>(175,489)</b>	<b>164,611</b>

  

	2008		
	Cost \$	Accumulated amortization \$	Net Book Value \$
Computer	258,858	(110,714)	148,144
Furniture and equipment	59,377	(24,828)	34,549
Leasehold improvement	14,346	(10,355)	3,991
	<b>332,581</b>	<b>(145,897)</b>	<b>186,684</b>

#### 6. INTANGIBLE ASSETS

	2009		
	Cost \$	Accumulated amortization \$	Net Book Value \$
Patents	137,936	(15,268)	122,668
Trademarks	134,076	(26,988)	107,088
	<b>272,012</b>	<b>(42,256)</b>	<b>229,756</b>

  

	2008		
	Cost \$	Accumulated amortization \$	Net Book Value \$
Patents	129,484	(8,504)	120,980
Trademarks	121,513	(14,185)	107,328
	<b>250,997</b>	<b>(22,689)</b>	<b>228,308</b>

# Multiplied Media Corporation

## Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

### 7. SHARE CAPITAL

#### Share Capital Authorized

Unlimited	Common voting shares	No par value
Unlimited	Preferred shares	No par value

#### Issued and Outstanding

	December 31, 2009		December 31, 2008	
	Shares #	Amount \$	Shares #	Amount \$
<b>Common shares:</b>				
<b>Balance, beginning of year</b>	<b>72,558,296</b>	<b>13,828,765</b>	<b>59,978,296</b>	<b>13,259,322</b>
Issuance for cash net (i)			9,480,000	414,443
Issuance for cash net (ii)			3,100,000	155,000
Issuance for cash net (ii)	1,000,000	50,000		
Issuance for cash, net (iii)	9,504,000	459,162	-	-
Issuance for cash, net (iv)	11,510,000	549,092		
Issuance for cash, net (v)	48,643,717	2,270,293		
Issued on exercise of warrants (vi)	2,713,000	271,300		
Issued on the exercise of Compensation warrants (vii)	60,000	8,119		
Issued on the exercise of stock options (viii)	8,333	1,112		
<b>Balance, end of year</b>	<b>145,997,346</b>	<b>17,437,843</b>	<b>72,558,296</b>	<b>13,828,765</b>
<b>Compensation warrants and options:</b>				
<b>Balance, beginning of year</b>	<b>1,435,585</b>	<b>330,185</b>	<b>2,098,085</b>	<b>423,512</b>
Compensation warrants [note 8]	4,864,371	366,399	(662,500)	(93,327)
Compensation warrants exercised (vii)	(60,000)	(4,519)		
Compensation options [note 8]	(1,435,585)	(330,185)	-	-
<b>Balance, end of year</b>	<b>4,804,371</b>	<b>361,880</b>	<b>1,435,585</b>	<b>330,185</b>

- (i) During September 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 \$59,557.
- (ii) During December 2008, the Company completed a first closing of a non-brokered private placement to issue 4,100,000 Units comprised of one common share and one-half warrant at a price of \$0.05. Each whole warrant is exercisable for one common share at a price of \$0.10 per common share for two years. As at December 31, 2008, the Company had a share subscription amount receivable of \$50,000 to issue 1,000,000 shares, and 500,000 warrants. In January 2009, the cash was received and the shares issued.
- (iii) During February 2009, the Company completed the second closing of a non-brokered private placement to issue 9,964,000 shares and 4,982,000 warrants. Each whole warrant is exercisable for one common share at a price of \$0.10 per common share for two years. As at December 31,

## Multiplied Media Corporation

### Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

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2009, the Company had a share subscription amount receivable of \$23,000 for the issuance of 460,000 shares and 230,000 warrants.

- (iv) During May 2009, the Company completed a closing of a non-brokered private placement to issue 11,660,000 common shares and 5,830,000 warrants. Each warrant is exercisable for one common share at a price of \$0.10 per common share for two years. At December 31, 2009, the Company had a share subscription receivable of \$7,500 for the issuance of 150,000 shares and 75,000 warrants.
- (v) During August 2009, the Company completed the issuance of 48,643,717 common shares for gross proceeds of \$2,918,623 less issuance costs of \$281,931 and fair value of compensation warrants of \$366,399. Compensation warrants in the amount of 4,864,371 were issued in connection with this issuance (see Note 8).
- (vi) During the last quarter of 2009, the Company issued 2,713,000 common shares on the exercise of 2,713,000 warrants expiring for cash proceeds of \$271,300.
- (vii) During December 2009, the Company issued 60,000 common shares on the exercise of 60,000 compensation warrants for cash proceeds of \$3,600.
- (viii) During December 2009, the Company issued 8,333 common shares on the exercise of 8,333 stock options for cash proceeds of \$833.

## 8. STOCK OPTIONS & WARRANTS

### Stock Options

The Company has a stock option plan that permits the Board of Directors to grant to employees, officers, directors and consultants 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. Options issued to the Directors during 2009 were fully vested on the date of grant. Prior to June 30, 2009, the options granted vested one-third each year on the anniversary of the date of grant. Options issued to employees and consultants after June 30, 2009 vested one-third immediately with the remaining two-thirds vesting equally on the first and second anniversaries of the date of grant. Options expire five years from the date of grant.

During the year ended December 31, 2009, the Company granted 9,025,000 stock options to employees, consultants and directors of the Company to purchase common shares for prices ranging between \$0.10 and \$0.14 per share. During the year ended December 31, 2008, the Company granted stock options to employees and directors of the Company to purchase 2,395,000 common shares for prices ranging between \$0.10 and \$0.19 per share.

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.

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

## Multiplied Media Corporation

### Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

over the vesting period. For the year ended December 31, 2009, the Company recognized stock based compensation expense, net of cancellations, of \$927,194 (for 2008 – \$371,849). Assuming that no common share dividend will be paid, a weighted average expected volatility of 225% (2008 – 104%), a weighted average expected life of three years, and a weighted average risk-free interest rate of 1.86% (2008 – 3.45%), equal to the interest rate of a 3-year Government of Canada zero-coupon bond.

A summary of the status of the Company's stock options during the years presented is as follows:

	2009		2008	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
<b>Balance, beginning of year</b>	<b>5,685,698</b>	<b>0.26</b>	<b>5,000,698</b>	<b>0.40</b>
Granted	9,025,000	0.12	2,395,000	0.11
Exercised	(8,333)	0.10	-	-
Forfeited	(2,190,000)	0.21	(710,000)	(0.40)
Cancelled	-	-	(1,000,000)	(0.40)
Expired	(373,698)	0.32	-	-
<b>Balance, end of year</b>	<b>12,138,667</b>	<b>0.16</b>	<b>5,685,698</b>	<b>0.26</b>
<b>Exercisable, end of year</b>	<b>7,066,341</b>	<b>0.18</b>	<b>1,306,043</b>	<b>0.37</b>

Exercise Price \$	Number of Options Outstanding	Number of Options Exercisable	Remaining Life (Year)
0.10 – 0.19	10,136,667	5,731,670	4.46
0.20 – 0.29	115,000	76,668	2.89
0.30 – 0.39	400,000	266,667	2.78
0.40 – 0.49	1,337,000	891,336	2.18
0.50 – 0.59	150,000	100,000	2.37
	<b>12,138,667</b>	<b>7,066,341</b>	<b>4.11</b>

### Warrants

Pursuant to a promissory note announced on November 6, 2008, the Company issued 1,300,000 warrants exercisable at \$0.10 on or before October 31, 2010.

Pursuant to the first closing of a non-brokered private placement on December 23, 2008, the Company sold 3,100,000 Units. In early 2009, the Company collected the subscription receivable for 1,000,000 Units. On February 18, 2009 the Company completed the second closing and issued a further 9,504,000 Units. Pursuant to the closing of a non-brokered private placement on May 15, 2009, the Company sold 11,510,000 Units. These Units comprised of one common share and one-half warrant. Each whole warrant is exercisable at a price of \$.10 into one common share for two years from date of closing.

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### Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
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As at December 31, 2009, there are 11,144,000 warrants outstanding comprised of 1,300,000, 1,300,000, 500,000, 4,502,000 and 3,542,000 warrants which expire on October 31, 2010, December 23, 2010, January 2, 2011, February 18, 2011 and May 15, 2011, respectively.

#### Compensations Warrants

Pursuant to a private placement completed during August 2009, the Company granted 4,864,371 compensation warrants to agents at an exercise price of \$0.06 each. The compensation warrants are convertible into common shares on a one-for-one basis and expire on August 6, 2011. At December 31, 2009, there were 4,804,371 compensation warrants outstanding.

The fair value of the compensation warrants has been estimated using the Black-Scholes option pricing model assuming that no common share dividend will be paid, an expected volatility of 257%, expected life of two years and a risk-free interest rate of 1.45%.

Compensation warrants of 662,500 granted in 2006 expired in 2008.

#### Compensation Options

Pursuant to an agency agreement for issuance of 14,355,845 common shares in July 2007, the Company granted 1,435,585 compensation options to the agent, at an exercise price of \$0.55 each. The compensation options were convertible into common shares on a one-for-one basis. These compensation options expired in January 2009.

## 9. 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 in contributed surplus are:

	2009	2008
	\$	\$
<b>Balance, beginning of year</b>	<b>718,580</b>	<b>237,709</b>
Stock-based compensation recognition of fair value of stock options granted, net of cancellations and forfeitures <i>[note 8]</i>	927,194	371,849
Stock options exercised	(279)	-
Stock-based compensation directly related to development	-	15,695
Fair value of expired compensation options	330,185	-
Fair value of expired compensation warrants	-	93,327
<b>Balance, end of year</b>	<b>1,975,680</b>	<b>718,580</b>

## Multiplied Media Corporation

### Notes to Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)  
Years Ended December 31, 2009 and 2008

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#### 10. LOSS PER SHARE

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

	2009	2008
Numerator for basic net loss per share	\$ (3,933,335)	\$ (7,029,353)
Denominator for basic net loss per share:		
Weighted average number of common shares	108,853,802	64,834,373
Net loss per share		
Basic	\$ (0.04)	\$ (0.11)

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

#### 11. COMMITMENTS

The Company has entered into operating lease agreements for office space in Thornton, Ontario and Calgary, Alberta with expiries in February 2012 and May 2013, respectively.

During 2009, the Company entered into a lease agreement whereby a portion of the Calgary office space was subleased to the end of May 2013. The net reduction in the monthly minimum lease payments, including operating costs, is \$4,033.

The following is a schedule by fiscal year of the net future minimum lease payments including the estimated Company's share of premise business and reality taxes and other operating costs:

	\$
2010	262,085
2011	269,458
2012	217,244
2013	86,144
Total	834,931

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## 12. INCOME TAXES

### Scientific Research and Experimental Development

During 2008, the Company received a refund from Revenue Canada for Scientific Research and Experimental Development expenditures made during 2006. A portion of that refund was related to expense items for \$76,088, and the remainder \$271,821 was charged against development costs.

### Non-capital loss

The Company has non-capital losses available of approximately \$13,900,000 (2008 - \$11,100,000). These losses are available to reduce income taxes in future years and expire in 2013 to 2019. The benefit from these losses has not been recognized in the accompanying financial statements.

### Income tax expense reconciliation

Income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective years' losses before income taxes. These differences result from the following items:

	2009	2008
	\$	\$
Expected income tax recovery at 29.0% (2008 – 29.5%)	(1,140,667)	(2,073,659)
Increase (decrease) resulting from:		
Non-deductible stock-based compensation costs	268,886	109,695
Other items	9,198	9,002
Income tax rate adjustments	138,118	300,277
Expiry of non-capital losses	77,168	69,725
True-up of tax return	61,604	-
Change in valuation allowance	585,693	1,584,960
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

## Multiplied Media Corporation

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#### Temporary differences

Future income tax assets and liabilities are recognized for temporary difference between the carrying amount of the assets and liabilities for accounting and tax purposes. The tax effects of deductible temporary differences that give rise to the Company's future tax assets are as follows:

	2009	2008
	\$	\$
Non-capital losses carried forward	3,493,243	2,783,475
Share issuance costs	316,452	274,422
Capital and other assets	867,743	864,608
	4,677,438	3,922,505
Less: valuation allowance	(4,677,438)	(3,922,505)
<b>Net future tax asset</b>	<b>-</b>	<b>-</b>

#### 13. RELATED PARTY TRANSACTIONS

Promissory notes were issued November 6, 2008 to related parties of the Company for \$130,000. The promissory notes are non-interest bearing, due on demand and mature on October 31, 2010. The promissory notes were issued with 1,300,000 detachable warrants that are exercisable at \$0.10 on or before October 31, 2010. The promissory notes are convertible at any time up to and including October 31, 2010 at a conversion price of \$0.05 per common share.

The promissory notes are secured by a first ranking security interest to all the present and after acquired property of the Company.

## Multiplied Media Corporation

### Notes to Financial Statements

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#### 14. FINANCIAL INSTRUMENTS

Financial assets and liabilities arising directly from the Company's operations include accounts receivable, goods and service taxes recoverable, accounts payable and short term promissory notes. Accounts receivable and goods and service taxes recoverable are designated as loans and receivables. Accounts payable and short term promissory notes are classified as other financial liabilities.

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "available for sale", "held to maturity", "loans and receivables" or "other financial liabilities" as defined by CICA Section 3855.

Financial assets and liabilities classified as "held for trading" are measured at fair value with changes in fair value recognized in income. Financial assets classified as "available for sale" are measured at fair value with changes in fair value recognized in other comprehensive income until the asset is removed from the consolidated balance sheets. Financial assets classified as "lead to maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest rate method of amortization.

Fair value of financial instruments are determined by reference to quoted bid or asking price, as appropriate, in active markets at reporting dates. In the absence of an active market, the Company determines fair value by using valuation techniques that refer to observable market data or estimated market prices. These include comparisons with similar instruments that have observable market prices, option pricing models and other standard valuation techniques. As at December 31, 2009, the carrying value of all financial instruments of the Company approximated their fair value.

a) Interest rate risk

As at December 31, 2009, the Company had no material exposure to changes in interest rates with respect to the short-term investments or debt. During the course of the year, short term investments consisted of a number of cashable and non-redeemable GICs which matured between January and December, 2009.

b) Fair value

The Company's financial instruments include cash, accounts receivable, goods and services tax recoverable, accounts payable and short term promissory note. The fair values of all financial instruments approximate their carrying values.

c) Credit risk

The Company's exposure to credit risk relates to accounts receivable and arises from the possibility that a counterparty does not fulfill its obligations. This is minimized through continuous evaluation of accounts receivable and recording an allowance for doubtful accounts as required.

At December 31, 2009, the Company's two largest customers represented 98.2% (2008 – 88.4%) of the total accounts receivable balance.

## **Multiplied Media Corporation**

### **Notes to Financial Statements**

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d) Foreign exchange risk

The Company has certain revenues and expenses denominated in United State dollars and European Euros. As a result the Company has exposure to fluctuations in the value of the Canadian dollar relative to the United States dollar and European Euro. These fluctuations can result in foreign exchange gains and losses. The Company does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the United States dollar nor to the European Euro.

e) Liquidity risk

Liquidity risk is the risk that, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle an obligation on the due date, will be forced to sell financial assets at a price less than what they are worth, or will be unable to settle or recover a financial asset.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to issue equity or obtain additional debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

See Note 15 regarding the closing of the financing in March 2010.

## **15. SUBSEQUENT EVENTS**

Subsequent to the end of the year, the Company announced the following:

a) Unomobi Inc.

On February 16, 2010, the Company completed the acquisition of all the outstanding shares of Unomobi Inc. by issuing 95,000,000 common shares at a deemed price of \$0.065 per share or total of \$6,175,000.

In connection with closing of the transaction, the Company issued warrants to purchase 5,000,000 common shares at an exercise price of \$0.20 per share to an arm's-length third party advisor and its associated entities as a finder's fee. The warrants are exercisable for a period of five years and are non-transferable.

## **Multiplied Media Corporation**

### **Notes to Financial Statements**

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#### b) Financing

On March 26, 2010, the Company completed a private placement of 20,000,000 common shares for gross proceeds of \$5,000,000. In connection with this private placement, 1,400,000 compensation warrants were issued. These compensation warrants are convertible into common shares on a one-for-one basis and expire on March 26, 2012.

During 2010, the Company received \$28,000 of share subscription receivable resulting in the issuance of 560,000 common shares and 280,000 warrants.

#### c) Warrants

During 2010, 2,179,500 common shares were issued as a result of the exercise of 2,179,500 warrants for proceeds of \$217,950.

In February 2010, 1,330,000 common shares were issued as a result of the exercise of 1,330,000 compensation warrants for proceeds of \$79,800.

During 2010, the Company received regulatory approval to issue 3,000,000 warrants to a Director, who is engaged as a consultant on certain strategic projects, with an exercise price of \$0.1425 per common share. These warrants vest and become exercisable at a rate of 375,000 warrants every three months with full vesting and expiry on December 4, 2011.

#### Stock Options

The Company issued 1,275,000 stock options to employees and a director in 2010. These stock options are exercisable at \$0.20 to \$0.28, vest one-third immediately, and two-thirds equally on the first and second anniversary dates of the grant and expire five years from the date of grant.