

Unaudited Interim Consolidated Financial Statements

Multiplied Media Corporation

March 31, 2010

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

Multiplied Media Corporation

Consolidated Balance Sheets

(Unaudited)

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

As at	March 31 2010 \$	December 31 2009 \$
ASSETS		
Current		
Cash	3,914,487	468,762
Accounts receivable	401,292	288,718
Goods and Services Taxes recoverable	59,015	76,171
Prepaid expenses and deposits	188,214	349,894
	4,563,008	1,183,545
Prepaid expenses and deposits	49,427	54,010
Property and equipment [note 5]	171,517	164,611
Intangible assets [note 6]	7,935,049	229,756
	12,719,001	1,631,922
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable	783,793	637,664
Short term promissory notes [note 7]	250,435	130,000
	1,034,228	767,664
Commitments [note 12]		
Shareholders' equity		
Share capital [note 8]	28,227,355	17,437,843
Compensation options and warrants	1,893,866	361,880
Contributed surplus [note 10]	2,115,744	1,975,680
Deficit	(20,552,192)	(18,911,145)
	11,684,773	864,258
	12,719,001	1,631,922

See accompanying notes

On behalf of the Board:

(signed) "Craig Bentham" _____

(signed) "Stephen Lougheed" _____

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

(Unaudited)

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

	Three month period ended March 31	
	2010	2009
	\$	\$
REVENUE		
Sales	173,954	16,170
Interest income	397	-
	174,351	16,170
EXPENSES		
Salary and consulting fees	877,286	148,574
Stock based compensation <i>[note 9]</i>	140,064	71,780
Administration, occupancy and insurance	275,200	211,792
Advertising and marketing	306,811	11,178
Professional fees	69,114	1,804
Amortization of tangible assets	27,083	28,768
Amortization of intangible assets	119,840	4,530
	1,815,398	478,426
Net loss and comprehensive loss for the period	(1,641,047)	(462,255)
Deficit, beginning of the period	(18,911,145)	(14,977,810)
Deficit, end of the period	(20,552,192)	(15,440,065)
Net loss for the period per share <i>[note 11]</i>	(0.01)	(0.01)

See accompanying notes

Multiplied Media Corporation

Consolidated Statements of Cash Flow

(Unaudited)

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

	Three month period ended March 31	
	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(1,641,047)	(462,255)
Items not requiring cash		
Amortization	146,923	33,298
Stock based compensation [note 9]	140,064	71,780
Unrealized foreign exchange gain	(3,365)	-
	(1,357,425)	(357,177)
Changes in non-cash working capital		
Accounts receivable	(99,330)	(16,979)
Goods and Services Tax recoverable	17,156	(17,386)
Prepaid expenses and deposits	172,089	(47,948)
Accounts payable	72,102	(94,285)
	162,017	(176,598)
Cash flows used by operating activities	(1,195,408)	(533,775)
INVESTING ACTIVITIES		
Acquisition of Unomobi Inc. [note 3]	(153,648)	-
Purchase of equipment	(33,989)	(4,482)
Intangibles, trademark and patents	(6,483)	(2,848)
Cash flows used in investing activities	(194,120)	(7,330)
FINANCING ACTIVITIES		
Issuance of common shares	5,320,750	548,200
Share issuance costs	(485,497)	(7,095)
Cash flows from financing activities	4,835,253	541,105
Decrease in cash	3,445,725	-
Cash, beginning of the period	468,762	-
Cash, end of the period	3,914,487	-

See accompanying notes

Multiplied Media Corporation

Notes to Consolidated Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)
Three Months Ended March 31, 2010 and 2009

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. Multiplied Media Corporation is incorporated under the Alberta Business Corporations Act.

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 \$1,641,047 for the three months ended March 31, 2010.

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. 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 consolidated 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:

Basis of presentation

These consolidated financial statements include the accounts of Multiplied Media Corporation and its wholly-owned subsidiary, Unomobi Inc., incorporated under the laws of the State of Delaware, U.S.A. and are presented in Canadian dollars. All significant inter-company accounts and transactions have been eliminated upon consolidation.

Cash equivalents

The Company’s short-term investments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

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:

Multiplied Media Corporation

Notes to Consolidated Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)
Three Months Ended March 31, 2010 and 2009

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.

Intangible assets

Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their fair values.

Intangible assets with finite lives are amortized over their estimated useful lives. The amortization methods and estimated lives of intangible assets are reviewed annually.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying value of the intangible asset with its fair value with any impairment loss being recognized in income.

Trademark and patent application costs are capitalized and amortization is provided for on a straight-line basis over the expected life of 10 to 20 years. The unamortized balance is charged to operations if the Company does not obtain approval or the trademark or patent is abandoned.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in impairment. Impairment is recognized based on the fair value of the reporting entity compared to the carrying value of the reporting entity. If the fair value of the consolidated Company is less than the carrying value, impairment is measured by allocating the fair value of the consolidated Company to the identifiable assets and liabilities as if the Company had been acquired in a business combination for a purchase price equal to its fair value. The excess of the fair value of the consolidated Company over the amounts assigned to the identifiable assets and liabilities is the fair value of the goodwill. Any excess of the carrying value of goodwill over the implied fair value of goodwill is the impairment amount. Impairment is charged to net income in the period in which it occurs.

Goodwill is stated at cost less impairment and is not amortized.

Multiplied Media Corporation

Notes to Consolidated Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)
Three Months Ended March 31, 2010 and 2009

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.

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 March 31, 2010, 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.

Foreign currency translation

Unomobi Inc. has been accounted for as an integrated foreign operation and has been translated using the temporal method. Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at the average exchange rate for the period except for amortization of tangible and intangible assets which are translated at the historical exchange rates. Exchange gains or losses arising from translation are included in the consolidated statements of loss and comprehensive loss and deficit.

Multiplied Media Corporation

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

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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 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 starting 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 consolidated 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 consolidated 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

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(see note 1 – Description of Operations & Going Concern Uncertainty)
Three Months Ended March 31, 2010 and 2009

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 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 consolidated 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 consolidated 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. ACQUISITION OF UNOMOBI INC.

On June 1, 2009, the Company and Unomobi Inc. ("Unomobi") jointly announced a proposed transaction whereby the Company would acquire all the issued and outstanding common shares of Unomobi, a mobile software development company holding two patents having priority to 1999 concerning the pushing of commercial offers to users of GPS-equipped portable wireless devices who provided limited profile data and an Email to SMS patent pending technology that provides push email service to basic mobile phones. Under the agreement, all the issued and outstanding shares of Unomobi would be exchanged for 95,000,000 common shares of the Company.

On February 16, 2010 (the "Acquisition Date"), the Company completed the acquisition of Unomobi. The purchase price consisted of 95,000,000 common shares with a fair value of \$0.065 per share and acquisition costs directly related to the transaction. The fair value of the Company's common shares was determined using the Company's average closing price on the TSX Venture Exchange over a reasonable period before the date on which the terms of the purchase consideration was agreed to and announced.

The results of the acquired operations have been included in the consolidated financial statements since the Acquisition Date. The acquisition has been accounted for using the purchase method of accounting. The allocation of the purchase price disclosed herein has been based on management's preliminary estimates and certain assumptions with respect to the fair value increment associated with the assets acquired and liabilities assumed. The Company will complete a full valuation of the Unomobi assets and liabilities. It is likely that the fair values of the assets and liabilities acquired will vary from those shown below and the difference may be material.

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(see note 1 – Description of Operations & Going Concern Uncertainty)
Three Months Ended March 31, 2010 and 2009

	February 16, 2010
	\$
Preliminary purchase price allocation:	
Intangible assets	7,818,650
Non-cash working capital	(54,957)
Demand promissory notes <i>[note 7]</i>	(123,800)
Net assets acquired	7,639,893
Consideration:	
Common shares issued	6,175,000
Compensation warrants issued as a finder's fee <i>[note 9]</i>	1,311,245
Transaction costs	230,807
Cash acquired	(77,159)
Total consideration	7,639,893

4. 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. 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 March 31, 2010, total managed capital is \$11,684,775 (December 31, 2009 - \$864,258).

Multiplied Media Corporation
Notes to Consolidated Financial Statements

(see note 1 – Description of Operations & Going Concern Uncertainty)
 Three Months Ended March 31, 2010 and 2009

5. PROPERTY AND EQUIPMENT

	March 31, 2010		
	Cost	Accumulated	Net Book
	\$	amortization	Value
		\$	\$
Computer	298,833	(153,354)	145,479
Furniture and equipment	69,095	(45,508)	23,587
Leasehold improvement	6,161	(3,710)	2,451
	374,089	(202,572)	171,517

	December 31, 2009		
	Cost	Accumulated	Net Book
	\$	amortization	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
	340,100	(175,489)	164,611

6. INTANGIBLE ASSETS

	March 31, 2010		
	Cost	Accumulated	Net Book
	\$	amortization	Value
		\$	\$
Patents	7,962,372	(131,746)	7,830,626
Trademarks	134,773	(30,350)	104,423
	8,097,145	(162,096)	7,935,049

	December 31, 2009		
	Cost	Accumulated	Net Book
	\$	amortization	Value
		\$	\$
Patents	137,936	(15,268)	122,668
Trademarks	134,076	(26,988)	107,088
	272,012	(42,256)	229,756

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Notes to Consolidated Financial Statements

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

Three Months Ended March 31, 2010 and 2009

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Three Months Ended March 31, 2010 and 2009

7. SHORT-TERM PROMISSORY NOTES

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

As part of the acquisition of Unomobi, the Company assumed the liability for three promissory notes due to related parties totalling \$121,500 United States dollars. These promissory notes are non-interest bearing and due on demand with no fixed maturity date.

8. SHARE CAPITAL

Share Capital Authorized

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

Issued and Outstanding

	March 31, 2009		December 31, 2009	
Common shares:	Shares #	Amount \$	Shares #	Amount \$
Balance, beginning of period	145,997,346	17,437,843	72,558,296	13,828,765
Issuance for cash net (i)	-	-	1,000,000	50,000
Issuance for cash, net (ii)	410,000	20,500	9,504,000	459,162
Issuance for cash, net (iii)	150,000	7,500	11,510,000	549,092
Issuance for cash, net (iv)	19,980,000	4,227,727	48,643,717	2,270,293
Issued on exercise of warrants (v)	2,179,500	217,950	2,713,000	271,300
Issued on the exercise of Compensation warrants (vi)	1,330,000	179,980	60,000	8,119
Issued on the exercise of stock options (vii)	-	-	8,333	1,112
Issued on the acquisition of Unomobi [note 3]	95,000,000	6,135,855	-	-
Balance, end of year	265,046,846	28,227,355	145,997,346	17,437,843
Compensation warrants and options:				
Balance, beginning of year	4,804,371	361,880	1,435,585	330,185
Compensation warrants [note 9]	1,384,109	320,921	4,864,371	366,399
Compensation warrants exercised (vi)	(1,330,000)	(100,180)	(60,000)	(4,519)
Compensation warrants issued on the acquisition of Unomobi [note 9]	5,000,000	1,311,245	-	-
Compensation options [note 9]	-	-	(1,435,585)	(330,185)

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Balance, end of year	9,858,480	1,893,866	4,804,371	361,880
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- (i) 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.
- (ii) 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 March 31, 2010, the Company had a share subscription amount receivable of \$2,500 (December 31, 2009 - \$23,000) for the issuance of 50,000 shares (December 31, 2009 - 460,000) and 25,000 warrants (December 31, 2009 - 230,000).
- (iii) 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. In February 2010, the cash was received and the shares issued.
- (iv) During March 2010, the Company completed the issuance of 19,980,000 common shares for gross proceeds of \$4,995,000 less issuance costs of \$446,352 and fair value of compensation warrants of \$320,921. Compensation warrants in the amount of 1,384,109 were issued in connection with this issuance (see Note 9). As at March 31, 2010, the Company had a share subscription amount receivable of \$5,000 to issue 20,000 shares.
- 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 9).
- (v) For the period ended March 31, 2010, the Company issued 2,179,500 common shares on the exercise of 2,179,500 warrants for cash proceeds of \$217,950. During the last quarter of 2009, the Company issued 2,713,000 common shares on the exercise of 2,713,000 warrants for cash proceeds of \$271,300.
- (vi) During the period ended March 31, 2010, the Company issued 1,330,000 common shares on the exercise of 1,330,000 compensation warrants for cash proceeds of \$79,800. During December 2009, the Company issued 60,000 common shares on the exercise of 60,000 compensation warrants for cash proceeds of \$3,600.
- (vii) During December 2009, the Company issued 8,333 common shares on the exercise of 8,333 stock options for cash proceeds of \$833.

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Notes to Consolidated Financial Statements

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9. 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 period ended March 31, 2010, the Company granted stock options to employees and a director of the Company to purchase common shares for prices ranging between \$0.20 and \$0.28 per share. During the year ended December 31, 2009, the Company granted stock options to employees, consultants and directors of the Company to purchase 9,025,000 common shares for prices ranging between \$0.10 and \$0.14 per share.

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 the vesting period. For the three months ended March 31, 2010, the Company recognized stock based compensation expense, net of cancellations, of \$140,064 (2009 – \$71,780). Assuming that no common share dividend will be paid, a weighted average expected volatility of 191% (2009 – 138%), a weighted average expected life of three years, and a weighted average risk-free interest rate of 2.32% (2009 – 2.95%), 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 three months ended March 31, 2010 is as follows:

	March 31, 2010		December 31, 2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of year	12,138,667	0.16	5,685,698	0.26
Granted	1,275,000	0.21	9,025,000	0.12
Exercised	-	-	(8,333)	0.10
Forfeited	(1,321,667)	0.17	(2,190,000)	0.21
Expired	-	-	(373,698)	0.32
Balance, end of year	12,092,000	0.17	12,138,667	0.16
Exercisable, end of year	7,791,336	0.18	7,066,341	0.18

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Exercise Price \$	Number of Options Outstanding	Number of Options Exercisable	Remaining Life (Year)
0.10 – 0.19	9,095,000	6,018,337	4.29
0.20 – 0.29	1,375,000	491,665	4.69
0.30 – 0.39	400,000	266,667	2.53
0.40 – 0.49	1,072,000	914,667	1.90
0.50 – 0.59	150,000	100,000	2.12
	12,092,000	7,791,336	4.04

Warrants

Pursuant to a promissory note announced on November 6, 2008, the Company issued 1,300,000 warrants exercisable at \$0.10 per share 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. In 2010, the Company collected subscription receivables for 560,000 Units. These Units comprised of one common share and one-half warrant. Each whole warrant is exercisable at a price of \$0.10 into one common share for two years from date of closing.

As at March 31, 2009, there are 9,244,500 warrants outstanding comprised of 1,300,000, 1,150,000, 500,000, 3,644,500 and 2,650,000 warrants which expire on October 31, 2010, December 23, 2010, January 2, 2011, February 18, 2011 and May 15, 2011, respectively.

Compensation Warrants

On February 16, 2010, the Company issued 5,000,000 compensation warrants exercisable at \$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. At March 31, 2010, all these compensation warrants remain outstanding. The fair value of the these 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 188%, expected life of five years and a risk-free interest rate of 2.5%.

Pursuant to a private placement completed during March 2010, the Company granted 1,384,109 compensation warrants to agents at an exercise price of \$0.25 each. The compensation warrants are convertible into common shares on a one-for-one basis and expire on March 26, 2012. At March 31, 2010, all these compensation warrants remain outstanding. The fair value of the these 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 254%, expected life of two years and a risk-free interest rate of 1.69%.

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

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convertible into common shares on a one-for-one basis and expire on August 6, 2011. At March 31, 2010, 3,474,371 of these compensation warrants remain outstanding. The fair value of these 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 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.

10. 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:

	March 31, 2010 \$	December 31, 2009 \$
Balance, beginning of year	1,975,680	718,580
Stock-based compensation recognition of fair value of stock options granted, net of cancellations and forfeitures <i>[note 8]</i>	140,064	927,194
Stock options exercised	-	(279)
Fair value of expired compensation options	-	330,185
Balance, end of year	2,115,744	1,975,680

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11. LOSS PER SHARE

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

	2010	2009
Numerator for basic net loss per share	\$ (1,641,047)	\$ (462,255)
Denominator for basic net loss per share:		
Weighted average number of common shares	194,543,885	78,030,785
Net loss per share		
Basic	\$ (0.01)	\$ (0.01)

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

12. COMMITMENTS

The Company has entered into operating lease agreements for office space in Concord, Ontario, Thornton, Ontario and Calgary, Alberta with expiries in October 2010, 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 remaining future minimum lease payments including the estimated Company's share of premise business and realty taxes and other operating costs:

	\$
2010	216,616
2011	269,458
2012	217,244
2013	86,144
Total	789,462

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13. 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 March 31, 2010, the carrying value of all financial instruments of the Company approximated their fair value.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising primarily from fluctuations in interest rates on its cash and cash equivalents. The Company limits its exposure to interest rate risk by continually monitoring and adjusting portfolio duration to align to forecasted cash requirements and anticipated changes in interest rates.

b) Fair value

The Company's financial instruments include cash, accounts receivable, goods and services tax recoverable, accounts payable and short term promissory notes. 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 March 31, 2010, the Company's two largest customers represented 100% of the total accounts receivable balance.

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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.

With the closing of financing in March 2010, the Company believes it has sufficient funding to meet foreseeable financial obligations.

14. SUBSEQUENT EVENTS

a) Director Warrants

Subsequent to March 31, 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.

b) Stock Options

Subsequent to March 31, 2010, the Company issued 700,000 stock options to employees and a consultant. These stock options are exercisable at \$0.16, vest one-third each on the first, second and third anniversary dates and expire five years from the date of grant.

c) Short –term Promissory Notes

Subsequent to March 31, 2010, a related party converted \$25,000 in promissory notes issued on November 6, 2008 to 500,000 common shares. The Company also issued to this related party, 250,000 common shares on the exercise of 250,000 warrants for cash proceeds of \$25,000.

Subsequent to March 31, 2010, the Company repaid \$100,000 United States dollars of the promissory notes assumed on the acquisition of Unomobi.

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d) Capital Lease

Subsequent to March 31, 2010, the Company entered into a capital lease to acquire \$211,470 in computer data processing equipment with minimum lease payments of \$6,211.40 per month for a term of 36 months.