Annual Report
for the fiscal year
ended December 31,
2009

BV! MEDIA

BV! Media inc.
(TSX Venture: BVM)

Financial highlights

Figures in thousand $, except for results per share, in $, and number of shares.

For the fiscal year ended on December 31:

	2009	2008	2007	2006	2005
Revenues	11,163	5,730	4,331	3,444	2,629
Net earnings (loss)	430	(315)	350	274	553
Cash flows from operations	454	89	333	23	543
Long term debt (including the short term portion)	560	986	0	0	0
Shareholders' equity	6,840	6,348	1,875	1,462	1,140
Total assets	9,693	9,445	2,778	2,237	1,723
PER SHARE					
Basic and fully diluted earnings per share	0.01	(0.01)	0.01	0.01	0.02
Cash flows from operations	0.01	0.00	0.01	0.00	0.02
Declared dividends	0.00	0.00	0.00	0.00	0.00
Book value	0.11	0.11	0.06	0.05	0.04
Average number of shares outstanding	60,396,580	35,176,862	29,362,240	29,185,842	28,974,187

Message to shareholders

Dear shareholders,

We entered into 2010 with a lot of optimism and enthusiasm largely because we delivered, in 2009, results which were better than we expected and we did so in a very difficult economic environment. Although the advertising market was going through a downturn, the successful integration of the operations of NetWorldMedia, acquired in the fall of 2008, allowed us to almost double our sales. Thanks to efficient management, the Corporation also returned to profitability, generating over $ 400,000 in earnings and $ 1.2 million in EBITDA – almost 11% of sales. In the fourth quarter of 2009, our EBITDA margin increased to over 20%, demonstrating that we can sustain healthy growth rates while generating solid cash flow for our shareholders.

If we're bullish on our prospects for 2010, it's also because the Corporation opened the year by taking a critical step in its development. After having merged ad networks and sales forces, and having rebranded under the BV! Media name in 2009, we started 2010 by staffing our newly opened Toronto office with a seasoned, first class team. Since ad buys are significantly larger in Toronto than in Montreal, it was also logical that we house, in Toronto, our top sales manager. As our new Vice President, Sales and Marketing, Cathy Fernandes brings us extensive expertise that she has acquired during previous positions with Rogers and Quebecor, among others.

Compared to what they were 18 months ago, both the image and size of the Corporation have now changed dramatically. Our network is now not only a clear leader in Quebec but also a growing force nationally, already positioned in the Top 10 of Internet ad networks in Canada in total reach. Being the only Canadian, independent and exchange-listed player in this rapidly growing market, we are very confident in our own growth prospects. Even if initial costs of the Toronto office opening will be a drag on our results during the first few quarters of 2010, we should, over the medium and long term, reap the benefits of being closer to our main customers.

In parallel, we maintain our ongoing efforts in technology development, especially to reinforce our competitive advantage in behavioural targeting, and to develop and commercialize content: our BRANCHEZ-VOUS! portal is benefitting from a recently completed redesign and we're now making this content available on new mobile and tablet platforms.

We sincerely thank our employees, suppliers and business partners as well as the members of our Board of Directors for their collaboration and contribution to our performance.

To our shareholders, we appreciate the confidence you have placed in us and thank you for your continued support.

André Bisson, *Chairman of the Board*

Gino Coutu, *President, Ad network and co-Chief Executive Officer*

Patrick Pierra, *President, Content and co-Chief Executive Officer*

Management Discussion and Analysis

BV! Media Inc. – fiscal year ended December 31, 2009

This discussion should be read in conjunction with the information contained in the corporation's financial statements and the related notes to the financial statements.

Report dated April 21, 2010

Overview

BV! Media is an Internet Media company, incorporated in 2000 but whose current operations, through mergers, began in 1995. It derives almost all of its revenues from advertising, sold in text, graphics or video format on web sites. Some of the sites it markets – including the BRANCHEZ-VOUS! portal - belongs to the Corporation; the majority of the sites it markets belong to other publishers, who contract out to the Corporation all or part of their advertising sales. The Corporation markets all these sites as an advertising network called BV! Media. Its headquarters are in Montreal, Quebec.

Highlights

- In March, 2009, the Corporation moved into its new head offices in Old Montreal to accommodate, under one roof, all of its employees, who had been operating separately since the Corporation purchased NetWorldMedia Inc. in October, 2008.
- In the second quarter of 2009, the Corporation reported positive net earnings, returning to profitability after 5 quarters of losses.
- In May 2009, the Corporation changed its name from BRANCHEZ-VOUS! Inc. to BV! Media Inc., in order to assert its ambitions of being a major Internet advertising player throughout Canada. The BRANCHEZ-VOUS! name was retained for the French-language portal and content operations.
- Also in May BRANCHEZ-VOUS! launched an iPhone and iPod Touch application, which has since been downloaded by over 12,000 users from the App Store.
- In August 2009, BV! Media appointed Jean-Pascal Lion as a Director.
- In September 2009, BRANCHEZ-VOUS! became a major content provider for the newly launched MSN.ca portal.
- In December 2009, BV! Media recruited Cathy Fernandes, previously Vice President, Sales at Quebecor Media, to become Vice-President, Sales and Marketing of the Corporation and to launch the opening of a Toronto office in January, 2010.
- Despite a difficult economic environment, the Corporation remained profitable for the year and managed to grow revenues by 95% over 2008 largely due to the successful integration of the NetWorldMedia assets.

Mission, vision, strategies and goals

Our mission

BV! Media's mission is to **help organizations efficiently reach Canadian consumers and business people through Internet advertising and information content.**

Our vision

BV! Media aims to:

- Offer the largest, most comprehensive and innovative **Internet advertising network** to reach Canadian consumers and business decision-makers; and
- Become a leading provider of **digital information content** to Canadian consumers and businesses

Our strategies

BV! Media's main strategic objectives are to:

- Focus on **Internet advertising** to strengthen our position as one of the very few independent "pure play" Internet players in Canada;
- Extend our **advertising network** throughout Canada, including Canadian traffic on foreign sites;
- Enhance our proprietary **behavioural targeting technology**, to help achieve a scalability consistent with sustained growth;
- Refine our product mix to offer the **widest range of advertising solutions** – from search engine marketing to media creativity integrated into top branded sites, through pay-per-click ("PPC") text ads and standard display banner advertising - to the widest range of national and local advertisers; and
- Focus the **development of our publishing operations** on Canada specific, high-worth content niches, while leveraging the BRANCHEZ-VOUS! brand.

How we attained our goals in 2009:

Below are our goals for 2009, as they were stated in our 2008 Year end Management report, and how we reached them in 2009:

- "Increase significantly the number of English language sites included in our advertising network": in 2009, BV! Media increased from approximately 100 to approximately 150 the number of English-language sites it represents.
- "Get representation mandates in Canada from large foreign publishers to help them monetize their Canadian inventory": in February, 2009, BV! Media secured an exclusive representation agreement with AdGent 007, allowing BV! Media to represent such prime properties as Telegraph.co.uk, Independent.co.uk and Guardian.co.uk.
- "Reach over 10 million Canadians each month through our ad network": in December 2009, the BV! Media network reached over 16 million Canadians, according to comScore.
- "Achieve recognition as a large Canadian ad network under the BV! Media brand": comScore ranked BV! Media as the 8th largest network in Canada in December 2009. In addition, the Corporation recruited Cathy Fernandes as Vice President, Sales and Marketing - leading to the opening of a Toronto office and clearly establishing BV! Media as a major player in the Canadian Internet advertising market.
- "Increase our share of the Canadian advertising market": The Internet Advertising Bureau of Canada ("IAB Canada") predicted a growth of less than 10% for the overall Internet advertising market for 2009. BV! Media sales growth handily surpassed this number, growing 95% during 2009 and increasing its market share in the process.
- "Position BRANCHEZ-VOUS.com as an original news source, and not as a portal to generic content": by replacing the Canadian Press feeds with its own news content feed, and by syndicating its proprietary content to additional third-party portals, BV! Media emerged as a strong original news content producer.
- "Redesign the BRANCHEZ-VOUS.com home page so as to modernize its look and make it more appealing to users and advertisers": Following a comprehensive redesign, a striking new look for the BRANCHEZ-VOUS.com site was relaunched in February, 2010.

Our goals for 2010

- Increase sales by 25% or more;
- Increase English-language ad sales as a proportion of the total;
- Increase the number of represented site in the ad network to 450;
- Redesign the Showbizz.net site and position it as the leading Entertainment news source and gossip place in Quebec; and
- Leverage BV! Media's content production expertise and resources by providing clients with marketing-driven content.

Market trends

In Canada, the percentage of consumers who are regularly active online continues to grow slightly and reached 72% as at December 2008 (source: The comScore 2008 Digital year in review, March 2009). During the month of December 2008, an average Canadian Internet user logged on 26 days, spent 45 hours online and viewed 4,000 pages.

The Internet advertising market, in contrast to other advertising mediums, is still growing, albeit somewhat less quickly than in previous years. As at July 28, 2009, IAB Canada expected online advertising expenditures in Canada to grow by 9% in 2009, to $ 1.75 billion, following a 29% growth in 2008, to $ 1.6 billion. On the back of its strong growth in 2008, Internet advertising surpassed Radio to become the 3rd largest advertising medium in Canada behind only television and newspapers.

In 2009 and at the beginning of 2010, here are some notable trends:

- More emphasis from advertisers on measurable return on investment (ROI), which benefits cost-per-click and search-related advertising;
- Higher percentage of advertisers using behavioural targeting in their Internet ad campaigns;
- Double polarization of the interest of advertisers for, on the one end, tight integration of marketing concepts within the content of premium branded sites and, on the other end, ROI-focused ad buys in standard formats on wide-ranging ad networks;
- Increased usage of social networks, mostly Facebook, and a relative decrease in usage of traditional portals and Media sites;
- Increased usage of video content, and increased demand from advertisers for video advertising;
- Following the transfer of large traditional ad budgets to the web, increased demand from advertisers for women-oriented sites and audiences;
- Increased usage of smartphones and mobile devices, particularly the iPhone and the iPod Touch, for web access, and an explosion in the usage of mobile applications. This is however not yet matched by an increase in demand from advertisers for mobile advertising;
- Some large Media companies struggling to develop their web offering to become large players in Internet advertising; and
- Somewhat increased competition in the search advertising market, due to the launch of Bing to compete with Google's dominant position in that market.

Several of these trends should benefit BV! Media since it offers a large range of ad solutions – from content integration on premium branded sites to cost-per-click ("CPC") and search advertising, with a proprietary technology platform for behavioural targeting.

Competition

As an ad network, BV! Media now has dozens of direct competitors in Canada, the largest ones being Google AdNetwork, Microsoft Media Network, AOL Advertising, the Sympatico.ca Network (a Bell subsidiary), the Yahoo! Network and Olive Media (a joint subsidiary of Torstar and Power-owned Gesca).

As a publisher, BV! Media now competes directly with Cyberpresse and, to a lesser extent, with Radio-Canada.ca, Canoe, Sympatico.ca, MSN.ca, RDS.ca and Yahoo.ca.

Broadly speaking, as a provider of Internet advertising solutions, BV! Media also competes with most traditional Canadian media groups as advertising budgets continue to shift from radio, print and television to the web.

Main performance indicators

Management considers that the main indicators of the Corporation's performance are the following: sales, gross profit, adjusted EBITDA, net income and shareholders' equity.

Ability to deliver improving results

The ability of the Corporation to deliver improving results depends mainly on:

- The evolution (size, composition and concentration) of the Internet advertising market in Canada
- The reach, number of ad impressions and audience composition of the corporation's advertising network
- The ability of the Corporation's sales force to meet advertisers' and advertising agencies' expectations
- The degree of competition in the marketplace, which impacts the average advertising rates and royalty rates to be paid to represented publishers
- The efficiency and scalability of technology used to target and deliver advertising campaigns
- The Corporation's ability to meet its sites' users and its content clients' expectations in terms of content
- Keeping a sound financial structure and sufficient working capital to allow the Corporation to react quickly to business challenges and opportunities as they appear

General performance

The 2009 financial year was the first full year after having merged the operations of BRANCHEZ-VOUS! Inc. and NetWorldMedia Inc., subsequent to the purchase transaction completed on October 31, 2008.

Due to the contribution of NetWorldMedia Inc., BV! Media Inc. almost doubled sales and increased gross profit by 82% in 2009.

Since operating expenses increased by only 32%, the Corporation registered $429,705 in net earnings in 2009, compared with a net loss of $315,053 in 2008.

We additionally registered an almost six-fold increase in EBITDA, from $209,686 in 2008 to $1,194,564 in 2009 – or 11% of sales. Adjusted EBITDA increased by 357%, to $1,255,447 in 2009.

Earnings per share of $0.01 in 2009 compares to a loss per share of almost $0.01 in 2008.

Shareholders' equity grew to $6.8 million – or $0.11 per share - as at December 31, 2009.

Selected annual information

All figures are in $.

For fiscal year ended:	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Revenues	**11,163,245**	5,729,992	4,330,626
Gross profit	**5,640,996**	3,107,941	2,324,506
Net earnings (loss)	**429,705**	(315,053)	349,547
Basic and diluted earnings per share	**0.01**	(0.01)	0.01
EBITDA*	**1,194,564**	209,686	397,686
% EBITDA on sales	**10.7%**	3.6%	9.1%
Adjusted EBITDA*	**1,255,447**	274,523	454,545
Total assets	**9,692,930**	9,444,930	2,777,768
Long term financial liabilities	**460,255**	991,204	0
Declared dividends	**0.00**	0.00	0.00

* : EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, impairment of fixed assets, intangible assets and long-term investments. Adjusted EBITDA is defined as EBITDA to which the corporation adds stock-based compensation, since this expense does not result in any use of operating cash flows by the Corporation. EBITDA and Adjusted EBITDA are provided as a supplementary earnings measure to assist readers in determining the ability of BV! MEDIA to generate cash from operations and to cover financial charges. They are also widely used for business valuation purposes. These measures do not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

Reconciliation of Adjusted EBITDA

All figures are in $.

For fiscal year ended:	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Net earnings (net loss)	**429,705**	(315,053)	349,547
Interest	**2,219**	2,453	-
Current income taxes (recovered)	**293,892**	(33,439)	-
Future income taxes	**-**	(242,052)	-
Depreciation and amortization	**428,987**	235,327	48,139
Impairment of fixed assets	**28,163**	-	-
Impairment of intangible assets	**3,849**	532,959	-
Loss on disposal of long-term investments	**5,160**	-	-
Write-down of long-term investment	**2,589**	29,491	-
EBITDA 1,1	**94,564**	209,686	397,686
Stock-based compensation	**60,883**	64,837	56,859
Adjusted EBITDA	**1,255,447**	274,523	454,545

Operating results

On January 1st, 2009, the Corporation and its subsidiaries, 4306112 Canada Inc. and NetWorldMedia Inc., were amalgamated. The amalgamation was accounted for as a continuity-of-interests transaction maintaining the carrying amount of the assets and liabilities of the combined entities.

On January 1st, 2009, the Corporation also sold 32 shares (32% of voting shares) of its subsidiary TonClip.com Inc. for an amount of $1,250. As a result of the completion of this transaction, TonClip.com Inc. is no longer a subsidiary. All assets and liabilities related to this subsidiary, which were not significant, were derecognized. The Corporation retains an investment of 19% of the shares in TonClip.com Inc., which was written-down as at December 31, 2009.

Excluding the TonClip.com inc. from the results in 2009 does not significantly change the Corporation's financial statements, nor the comparison with the consolidated financial statements of previous year. Including the operating results of 4306112 Canada Inc. and NetWorldMedia Inc. for a full 12 months in 2009 and for 2 months at the end of 2008 however had a significant impact on the Corporation's financial statements for the year ended December 31, 2009 and for the three-month period ended Dec. 31, 2008.

Revenues

Revenues increased by 95% in 2009 compared to 2008. This increase was essentially due to the contribution, for the full year, of the purchased NetWorldMedia network, which was only included in the Corporation's financial results for 2 months (November and December) during the previous fiscal year. It is impossible to assess how sales would have evolved without the impact of this contribution, since NetWorldMedia's operations were fully merged within the Corporation's operations at the end of the previous fiscal year.

In 2010, BV! Media aims to increase its sales by 25% compared to 2009, with the majority of the growth coming from English Canada following the Corporation's recent opening of a sales office in Toronto in January, 2010 and from an expected increase in advertising sales on English-language sites. BV! Media also expects to benefit from a projected rebound in the general advertising market.

Cost of sales

Cost of sales, which corresponds to royalties paid to publishers of sites represented by BV! Media (no cost of sales is registered for sales on wholly-owned web sites), increased by 111% in 2009 compared to 2008, or somewhat faster than the increase in sales. The increase in cost of sales, as a percentage of sales, from 46% in 2008 to 49% in 2009 is mostly due to the fact that NetWorldMedia did not own any of the sites it marketed and, consequently, had a higher cost of sales ratio than BV! Media prior to the NetWorldMedia acquisition.

In 2010, as the Corporation expects to significantly increase sales on English-language sites, the proportion of sales on wholly-owned sites, which are currently all in French language, should be lower than in 2009, resulting in an expected higher cost of sales as a percentage of sales.

Gross profit

Gross profit increased by 82% in 2009. As a percentage of sales, it decreased from 54% of sales in 2008 to 51% of sales in 2009.

In 2010, BV! Media expects to increase its gross profit, due to an expected increase in sales. However, management expects gross profit to be lower as a percentage of sales, due to the increase of cost of sales as a percentage of sales.

Operating expenses

Operating expenses increased by 32% in 2009. As a percentage of sales, they decreased from 65% of sales in 2008 to 44% of sales in 2009. This decrease is mostly due to:

- cost synergies resulting from the integration of NetWorldMedia's ad network and sales force;
- the inclusion, in 2008, of a write-down of long term investments of $29,491;
- the inclusion, in 2008, of a significant impairment charge on intangible assets of $ 556,542; and
- the overall stability of the Corporation's administrative costs.

In 2010, BV! Media expects a significant increase in operating expenses, mostly related to the launch of a new Toronto sales office in January 2010 and to related sales and marketing expenses in order to develop the Corporation's presence in English Canada. Management expects that operating expenses, as a percentage of sales, will be somewhat higher in 2010 than in 2009, mostly due to the fact that Toronto office-related expenses will be incurred from the beginning of the year while the expected increase in sales should only materialize later in the year.

Net income

Net earnings of $ 429,705 – or 4% of sales – in 2009, results from the increase in gross profit and compares to a net loss of $ 315,053 – or 5% of sales – in 2008. Management expects that the Corporation will remain profitable for the year ending December 31, 2010 although we do expect to report losses during the first half of the year.

EBITDA

EBITDA increased by 470% in 2009 to 11% of sales compared to 4% of sales in 2008, mostly due to the relatively small increase in operating expenses during the year compared to the much larger increase in revenues. Management expects to report positive EBITDA in 2010 but margins could potentially be negatively impacted by the launch of the Toronto sales office.

Adjusted EBITDA

Adjusted EBITDA increased by 357% in 2009, from 5% of sales in 2008 to 11% of sales in 2009, due to the increase in EBITDA. Management expects to report positive Adjusted EBITDA in 2010.

Horizontal analysis

Change in main items of the statement of earnings and deficit, in thousand $ (except earnings per share, in $).

	2009	Variation / 2008	Variation / 2008
	$	**$**	%
Sales 11	**,163**	+5,433	+95
Cost of sales	**5,522**	+2,900	+111
Gross profit	**5,641**	+2,533	+82
Operating expenses	**4,917**	+1,186	+32
Net earnings (net loss)	**430**	+745	-
Earnings (loss) per share	**0.01**	+0.02	-
EBITDA	**1,195**	+985	+470
Adjusted EBITDA	**1,255**	+980	+357

Vertical analysis

Share of main items in the statement of earnings and deficit, as a proportion of revenues.

	2009	**2008**
Sales	100%	100%
Cost of sales	49%	46%
Gross profit	51%	54%
Operating expenses	44%	65%
Net earnings (loss)	4%	-5%
EBITDA	11%	4%
Adjusted EBITDA	11%	5%

Liquidity

As at December 31, 2009, BV! Media held $468,658 in cash and cash equivalents, compared to $81,410 in net cash and $300,000 in short-term investments as at December 31, 2008.

During the year, management liquidated its short term investment of $300,000 and used the proceeds to pay back $275,933 of shareholder advances.

Management secured a line of credit of $700,000 as at the end of 2008, backed by accounts receivable to finance its growth as needed. This line of credit was renegotiated at the beginning of 2010 and now bears interest at the bank’s prime rate plus 1.6%. All other terms remain the same.

Contractual obligations

All figures are in $.

TO	**TAL**	**2010**	**2011**	**2012**
Operating lease	**334,638**	130,434	102,102	102,102
Buying obligation	**459,313**	384,056	61,174	14,083
TOTAL contractual obligations	**793,951**	514,490	163,276	116,185

Our buying obligations consist, in large part, of royalties committed by the Corporation to secure website representation agreements with editors.

Financing sources

The Corporation has no long-term debt, except for shareholders' advances to the Corporation. These advances were payable to shareholders of 4306112 Canada inc. and are now assumed by BV! Media. As at December 31, 2009, the shareholders' advances totalled $559,728, of which $222,675 was registered as a long-term debt and $337,053 was registered as the current portion of the long-term debt.

BV! Media has no established financing source other than self-financing and a line of credit of $ 700,000, which is secured by accounts receivable.

Related parties transactions

In 2009, the Corporation registered $21,412 in related-party transactions for services provided by a legal firm of which a Director of the Corporation is also a partner. The Corporation had registered $92,445 in related-party transactions in 2008.

During the year, the Corporation repaid $426,758 in shareholder advances resulting from the purchase of NetWorldMedia Inc. on October 31, 2008. Of the amount repaid, $275,933 was paid back in cash and $150,825 was offset against advances to shareholders that resulted from an adjustment to the purchase price of NetWorldMedia as per the share purchase agreement. These shareholder advances bear interest at prime + 1% and are repayable by January 1, 2011 assuming certain liquidity criteria are satisfied by the Corporation.

Significant events

Amalgamation of 4306112 Canada inc. and NetWorldMedia inc.

On January 1, 2009, BV! Media inc. (then called BRANCHEZ-VOUS! inc.) and its subsidiaries, 4306112 Canada Inc. and NetWorldMedia Inc. were amalgamated. The operations of the amalgamated companies have continued under the name BV! Media Inc. The amalgamation has been accounted for as a continuity-of-interests transaction maintaining the carrying amount of the assets and liabilities of the combined entities.

Sale of a 32% stake in TonClip.com inc.

As at January 1st, 2009, BV! Media sold a 32% stake in TonClip.com inc., resulting in TonClip.com not being controlled by BV! Media nor being subject to significant influence from BV! Media after that date.

Name change

On May 27, 2009, the shareholders of the Corporation approved the change of name of the Corporation, from BRANCHEZ-VOUS! inc. to BV! Media inc., in order to better reflect its ambitions as a national player in the Internet advertising market.

Acquisition of 4306112 Canada inc. and NetWorldMedia inc.

As at October 31, 2008, BV! Media acquired 4306112 Canada inc., a holding corporation whose main asset was a 100% ownership of NetWorldMedia inc. NetWorldMedia was a Montreal-based corporation operating an Internet advertising network and was one of the main competitors of BV! Media. With this acquisition, BV! Media more than doubled in size, enlarged its sales force, widened its network, gained access to proprietary technology allowing behavioural targeting, and reinforced its management team. Consideration for this acquisition was the issuance of 30 million common shares to shareholders of 4306112 Canada inc. Such consideration was recorded in the financial statements at $ 4,322,619 using a price of $ 0.144 per share.

As part of an adjustment mechanism to the purchase price following the transaction, previous shareholders of 4306112 Canada inc. agreed to pay BV! Media a total of $ 150,825. This amount was recorded as receivable from shareholders in the consolidated balance sheet of the corporation as at December 31, 2008 and was deducted from the shareholders' advances in 2009.

Other information

Non-cash transactions

The Corporation signed several promotional agreements with large media and event promoters, for a cumulative amount of $124,000 in 2009 and $ 130,000 in 2008. The same amount has been registered in revenues and expenses, corresponding to non-cash transactions.

Quarterly information

Figures in thousand $ except for earnings per share, in $.

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	3,273	2,431	2,986	2,473	2,492	1,007	1,281	950
Gross profit	1,689	1,220	1,477	1,255	1,213	617	751	527
Net earnings (loss)	326	82	86	(64)	(233)	(56)	(18)	(8)
Basic and fully diluted earnings per share	0.01	0.00	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
EBITDA	699	228	227	41	147	(11)	65	9
Adjusted EBITDA	694	244	246	71	165	1	83	26

Sales and earnings vary significantly from one quarter to another, because the vast majority of the sales of the Corporation are derived from advertising campaigns that last a few weeks and are not booked on a regular basis. However, sales are usually higher during the second and fourth quarters.

Reconciliation of adjusted EBITDA

Figures in thousand $.

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net earnings (loss)	326	82	86	(64)	(233)	(56)	(18)	(8)
Interest	-	-	1	1	2	-	-	-
Current income taxes	224	37	33	-	(33)	-	-	-
Future income taxes	24	-	-	(24)	(242)	-	-	-
Depreciation and amortization	107	109	107	107	123	45	50	17
Impairment of intangible assets (1)	4	-	-	-	530	-	33	-
Impairment of fixed assets	6	-	-	22	-	-	-	-
Loss (gain) on disposal of investment	6	-	-	(1)	-	-	-	-
Write-down of long-term investment	2	-	-	-	-	-	-	-
EBITDA	699	228	227	41	147	(11)	65	9
Stock-based compensation	(5)	16	19	30	18	12	18	17
Adjusted EBITDA	694	244	246	71	165	1	83	26

(1) Trademarks are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. The impairment test consists of a comparison of the fair value of the Trademark with its carrying amount. When the carrying amount of the Trademark exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. The fair value is calculated based on evaluations of future discounted cash flows.

Fourth quarter

In Q4 2009, ended on December 31, 2009:

- **Revenues** increased by 31% compared to revenues of Q4 2008, partly due to the acquisition of NetWorldMedia inc. as at October 31, 2008, and by 35% compared to Q3 2009, due to an increase in advertising sales
- **Gross profit** increased by 38% compared to both Q4 2008 and Q3 2009, due to the increase in sales.
- **Net earnings** of $325,281 in Q4 2009 compares to net loss of $ 232,612 in Q4 2008. This difference is mostly due to the impairment of intangible assets charge taken in Q4 2008 and due to an increase in advertising sales. Net earnings also increased by 298% in Q4 2009 compared to Q3 2009, mostly due to an increase in gross profit.
- **EBITDA** increased by 375% in Q4 2009 compared to Q4 2008, mostly due to the net earnings difference between the periods. On a sequential basis, EBITDA increased by 207% compared to Q3 2009, mostly due to the increase in revenues and gross profit.
- **Adjusted EBITDA** increased by 322% in Q4 2009 compared to Q4 2008. On a sequential basis, Adjusted EBITDA increased by 185% compared to Q3 2009.

Changes in accounting policies

Goodwill and intangible assets

On January 1, 2009, the Company adopted CICA Accounting Handbook Section 3064 "Goodwill and Intangible Assets", which replaces "Goodwill and Other Intangible Assets", Section 3062, and "Research and Development Costs", Section 3450. The new standard strengthens standards for the recognition and measurement of intangible assets at initial recognition, including internally generated intangible assets. This new standard had no material impact on the Company's financial statements for the year ended December 31, 2009.

Future accounting policies

International Financial Reporting Standards (IFRS)

The Accounting Standards Board of Canada announced that accounting standards in Canada are to converge with IFRS. The changeover date from current Canadian GAAP to IFRS has been established as January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company is currently developing its IFRS conversion plan with priority being placed on those standards likely to have a significant impact. The Company's analysis will include identifying the differences between IFRS and the Company's current accounting policies, assessing the impact of the difference, and where necessary, analyzing the various policies that it could elect to adopt.

Financial Instruments

Risk Management Policies

The Company conducts transactions in foreign currencies and is exposed to foreign exchange risks. The Company is also exposed to interest rate risk due to the nature of its financial instruments. Risk management is the responsibility of management and the Company did not use derivative financial instruments for the purpose of speculation.

Credit Risk

The Company grants credit to its clients in the normal course of business. On a continued basis, the Company carries out credit assessments of its clients and maintains allowances for potential bad debts. The Company generally does not require collateral. Advertisers place advertisement through advertising agencies, thus an advertising agency may represent several clients. As at December 31, 2009, the Company does not have a significant exposure to any individual client.

The following table sets out details of the age of receivables that are outstanding and the related allowance for doubtful accounts:

	2009	2008
Current	**$ 1,347,347**	$ 964,843
31-90 days	**1,833,620**	1,822,777
91-150 days	**497,327**	368,726
Over 150 days	**353,886**	174,915
Less: allowance for doubtful accounts	**(79,906)**	(62,737)
Total accounts receivable, net	**$ 3,952,274**	$ 3,268,524

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of income within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statements of income.

Cash and cash equivalents and short-term investments (except for an amount of $2,343 as at December 31, 2009) are held at a Canadian chartered bank.

Liquidity Risk

Liquidity risks arise from an excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at December 31, 2009, the Company was holding cash and cash equivalents of $468,658. In addition, the Company has the credit facilities of $700,000 in place with a Canadian Chartered bank.

Interest Rate Risk

The Company is exposed to interest risk relating to shareholders' advances in the event of fluctuation of the prime rate of the Bank of Canada. As at December 31, 2009, the Company had $559,728 of interest bearing shareholders' advances ($986,486 as at December 31, 2008). A variation of 1% of the prime rate would not have a significant impact on the Company's results for the years ended December 31, 2009 and 2008.

Foreign Currency Risk

Foreign exchange risks for royalties payable are not significant because these royalties are calculated in Canadian dollars. The foreign exchange risks are limited to accounts payable in Euros and American dollars. Increase or decrease of 1% of the exchange rate will not have a significant impact on net income. As at December 31, 2009, accounts payable include an amount of US$14,999 (CA$15,763) and an amount of EUR25,954 (CA$38,931) and accounts receivable include an amount of US$36,888 (CA$38,769). As at December 31, 2008, cash and cash equivalents include an amount of US$30,428 (CA$37,262) and accounts payable include an amount of EUR36,287 (CA$59,246).

Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. The Company has determined that the fair value of its current financial assets and liabilities corresponds to their respective carrying amounts as at the balance sheet dates because of their short-term maturity. The fair value of the advances from shareholders approximates their carrying amounts because they bear interest at rates similar to market rates. As at December 31 2008, the long-term investments are classified as financial instrument available-for-sale and are recorded at cost since the fair value of this financial asset is not available.

Subsequent events

a) In February 2010, the Company renegotiated its line of credit of $700,000. This line of credit will now bear interest at the bank's prime rate plus 1.6%. All other terms remain the same.

b) In February 2010, the Company also granted stock options to buy 2,000,000 common shares of the Company at an exercise price of $0.175 to an employee. Up to half of these options are subject to cancellation before June 30, 2011 if certain financial targets for the Company are not met for the year ending December 31, 2010. These options are issued pursuant to the Company's employee stock option plan and can be exercised until February 14, 2015.

Internal controls

Based on management's knowledge of the Corporation's disclosure controls and procedures, the Co-Chief Executive Officer and the Chief Financial Officer have concluded from an evaluation they have performed that the Corporation disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that the Corporation files or submits under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified in those rules and forms. No change that materially affected or are reasonably likely to materially affect internal control over financial reporting were disclosed by others within the Corporation or identified by management during the year ended December 31, 2009.

Risks and uncertainties

Default risks of major customers

At some point in time, some advertisers or advertising agencies may end up in bankruptcy or cease operations. Should they cease operations or seek bankruptcy protection, the Corporation's revenues and liquidity would be negatively impacted.

Variations related to the overall economic situation

The large majority of the revenues of the Corporation come from advertising. The amount of advertising expenditures is directly related to the overall economic situation and they tend to overemphasize changes in this situation. The ongoing economic uncertainty could result in a contraction of Internet advertising spending, which would have a negative impact on the Corporation's revenues.

Dependence on main represented sites

The majority of the Corporation's advertising revenues are registered on sites which do not belong to the Corporation but with which publishers' it has commercial representation agreements. Arriving and departing represented sites in the BV! Media network and the evolution of the business relationship of the Corporation with the publishers it represents could have an impact on the Corporation's revenues or profitability. However, this risk is mitigated as no third-party publisher represented more than 10% of all revenues of the Corporation in 2009.

Uncertainty about possible advertising–related privacy legislation and regulation

The Corporation uses behavioural targeting as a key differentiator in display advertising sales. Behavioural targeting allows targeting of users based their past online navigation patterns. While behavioural targeting technology does not use personally identifiable information (PII), the usage of behavioural targeting may be subject, in the future, to tougher regulatory or industry standards, which could limit its use by the Corporation. The Corporation mitigates this risk by applying high standards in protecting customer privacy and by allowing users to opt-out of behavioural targeting.

High volatility of the share price

Because of the very low volume of its transactions on the market, the Corporation's share price is subject to very high volatility.

Number of outstanding shares

As at December 31, 2009, 60,467,265 common shares of the Corporation were issued and outstanding.

Shareholders' equity

Shareholders' equity was $ 6,839,709 as at December 31, 2009, compared to $6,348,364 as at December 31, 2008. The increase is due to the positive net earnings registered over the year.

Outlook

While the economic outlook remains cloudy, management expects to continue to report positive EBITDA in the following quarters.

Forward looking statement

Some statements made in this annual report, particularly with respect to the Company's expectations, constitute forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties related to competition, financial markets, access to capital, and changes in the general and sectoral economic development. These risks may result in the actual future results of the Corporation being significantly different from the ones which are expected.

SEDAR

Additional information on the Corporation can be found on SEDAR (www.sedar.com), including the notice for the annual meeting of shareholders

April 21, 2010

(Signed)	(Signed)
Patrick Pierra	**Athanasios Vorias**
President, Content and co-Chief Executive Officer	Chief Financial Officer

Demers Beaulne, S.E.N.C.R.L./L.L.P
1100, boulevard René-Lévesque Ouest, 20e étage
Montréal (Québec) Canada H3B 4N4
t 514.878.9631 f 514.874.0319
www.demersbeaulne.com

AUDITORS' REPORT

To the Shareholders of
BV! Media Inc.

We have audited the balance sheets of **BV! Media Inc.** as at December 31, 2009 and 2008 and the statements of earnings and comprehensive income, retained earnings and contributed surplus 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 audit.

We conducted our audit 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 the Company 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.

Demers Beaulne, LLP [1]

Chartered Accountants

Montreal, March 17, 2010

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(1) CA auditor permit nº 20481

BV! MEDIA INC.

STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
REVENUES		
Advertising and content	**$ 11,029,896**	$ 5,695,683
Others (Note 6)	**133,349**	34,309
	11,163,245	5,729,992
COST OF SALES	**5,522,249**	2,622,051
GROSS PROFIT	**5,640,996**	3,107,941
OPERATING EXPENSES (Note 6)	**4,917,399**	3,731,145
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**723,597**	(623,204)
INCOME TAXES (Note 12)		
Current (recovered)	**293,892**	(33,439)
Future	**-**	(242,052)
	293,892	(275,491)
EARNINGS (LOSS) BEFORE NON-CONTROLLING INTEREST	**429,705**	(347,713)
NON-CONTROLLING INTEREST	**-**	32,660
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME	**$ 429,705**	$ (315,053)
EARNINGS PER SHARE (Note 14)		
Basic and diluted earnings (loss) per share	**$ 0.01**	$ (0.01)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF RETAINED EARNINGS AND CONTRIBUTED SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
RETAINED EARNINGS - BEGINNING OF YEAR	**$ 258,002**	$ 573,055
Net earnings (loss)	**429,705**	(315,053)
RETAINED EARNINGS - END OF YEAR	**$ 687,707**	$ 258,002
CONTRIBUTED SURPLUS - BEGINNING OF YEAR	**$ 114,575**	$ 74,941
Stock options exercised	**(735)**	(25,203)
Shares issuance (Note 13)	**(15,600)**	-
Shares and stock options granted	**60,883**	64,837
CONTRIBUTED SURPLUS – END OF YEAR	**$ 159,123**	$ 114,575

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS
AS AT DECEMBER 31, 2009 AND 2008

	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	$ **468,658**	$ 146,205
Short-term investments (Note 7)	**-**	300,000
Accounts receivable	**3,952,274**	3,268,524
Receivable from shareholders	**-**	150,825
Prepaid expenses and other	**128,841**	51,941
	4,549,773	3,917,495
LONG-TERM INVESTMENTS (Note 7)	**-**	5,509
FIXED ASSETS (Note 8)	**193,422**	202,254
INTANGIBLE ASSETS (Note 9)	**2,142,534**	2,512,471
GOODWILL	**2,807,201**	2,807,201
	$ **9,692,930**	$ 9,444,930
CURRENT LIABILITIES		
Bank indebtedness (Note 10)	$ **-**	$ 64,795
Accounts payable and accrued liabilities	**1,595,390**	1,651,079
Income taxes	**287,238**	31,561
Current portion of advances from shareholders (Note 11)	**337,053**	255,933
Deferred revenues	**132,546**	77,974
Future income taxes (Note 12)	**40,739**	17,668
	2,392,966	2,099,010
ADVANCES FROM SHAREHOLDERS (Note 11)	**222,675**	730,553
FUTURE INCOME TAXES (Note 12)	**237,580**	260,651
	2,853,221	3,090,214
NON-CONTROLLING INTEREST	**-**	6,352
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	**5,992,879**	5,975,787
Retained earnings	**687,707**	258,002
Contributed surplus	**159,123**	114,575
	6,839,709	6,348,364
	$ **9,692,930**	$ 9,444,930

The accompanying notes are an integral part of these financial statements.

APPROVED BY THE BOARD

(s) Patrick Pierra, Director (s) Athanasios Vorias, Director

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING ACTIVITIES		
Net earnings (loss)	**$ 429,705**	$ (315,053)
Items not affecting cash:		
Depreciation of fixed assets	**71,012**	41,117
Impairment of fixed assets	**28,163**	-
Amortization of intangible assets	**357,975**	194,210
Impairment of intangible assets	**3,849**	556,542
Write-down of long-term investments	**2,589**	29,491
Loss on disposal of long-term investments	**5,160**	-
Future income taxes	**-**	(242,052)
Non-controlling interest	**-**	(32,660)
Stock-based compensation cost	**60,883**	64,837
	959,336	296,432
Net change in non-cash operating working capital items	**(505,019)**	(207,908)
	454,317	88,524
FINANCING ACTIVITIES		
Advances from shareholders	**(275,933)**	2,453
Issuance of common shares	**757**	36,250
	(275,176)	38,703
INVESTING ACTIVITIES		
Disposals of short-term investments	**300,000**	965,000
Acquisitions of fixed assets	**(90,343)**	(44,030)
Acquisitions of intangible assets	**-**	(685,468)
Transactions costs	**-**	(189,542)
Other	**(1,550)**	(38,314)
	208,107	7,646
INCREASE IN CASH AND CASH EQUIVALENTS	**387,248**	134,873
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**81,410**	(53,463)
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 468,658**	$ 81,410

Cash and cash equivalents include cash and bank indebtedness.

The accompanying notes are an integral part of these financial statements.

1. INCORPORATION AND NATURE OF BUSINESS ACTIVITIES

BV! Media Inc. (formerly Branchez-Vous! Inc.) was incorporated on April 7, 2000 under the Canada Business Corporations Act. The Company consists of a media business deriving most of its revenues from advertising sales.

The financial statements for the year ended December 31, 2008, include the financial statements of the Company and its subsidiaries, 4306112 Canada Inc., NetWorldMedia Inc. and TonClip.com Inc.

On January 1st, 2009, the Company and its subsidiaries, 4306112 Canada Inc. and NetWorldMedia Inc., were amalgamated. The operations of the amalgamated companies were continued under the name Branchez-vous! Inc. The amalgamation was accounted for using the continuity-of-interests method maintaining the carrying amount of the assets and liabilities of the combined entities.

On January 1st, 2009, the Company sold 32 shares (32% of voting shares) of its subsidiary TonClip.com Inc. for an amount of $1,250. As a result of the completion of this transaction, TonClip.com Inc. is no longer a subsidiary. All assets and liabilities related to this subsidiary, which were not significant, were derecognized. The Company retains an investment of 19% of the shares in TonClip.com Inc., which was written-down as at December 31, 2009.

On May 27, 2009, at the Annual General and Special Meeting of Shareholders, the Company shareholders approved an amendment authorizing the Company to change its name from Branchez-Vous! Inc. to BV! Media Inc. Articles of amendment were filed and accepted on May 28, 2009, changing the name to BV! Media Inc. Coincident with the name change, the Company also updated its trading symbol on the TSX Venture Exchange to BVM.

2. ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the year. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash consists of cash balances with banks and bank indebtedness. Cash equivalents are short-term, highly liquid investments that are easily convertible to known amounts of cash and which are subject to an insignificant risk of value change. Cash equivalents include term deposits with maturities of three months or less from the date of acquisition.

REVENUES

Revenues are recorded in the period in which the services are rendered and when there is reasonable expectation of collection. Payments received prior to rendering of services are recorded as deferred revenues.

2. ACCOUNTING POLICIES (Continued)

REVENUES (Continued)

The Company's different revenue streams are recognized as follows:

Pay-per-click advertising revenue is recognized when Internet consumers click on the advertisement displayed on the Web site they are consulting. Clients often deposit funds to provision their pay-per-click campaigns. Management validates what is delivered on a monthly basis for each client and records the portion of the deposits that are not spent as deferred revenues.

Display (banner) advertising revenue is recognized when the banner advertisements are displayed on the Web sites. The display of banners (impressions) is predetermined in advance for each client campaign along with the invoicing schedule. Every month, management validates that the impressions are delivered according to schedule. If impressions are under delivered, management lowers the invoice amounts or defers its recognition of revenue.

Professional fees for Internet advertising consulting are divided into two categories: set up fees and management fees. Set up fees are recorded in the month the services are rendered. Management fees are charged on the delivery of the advertising services rendered over the duration of the contract.

Interest income is recognized as earned and is recorded in other revenues.

EARNINGS PER SHARE

Basic earnings per share are determined using the weighted average number of common shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of common shares outstanding during the year, plus the effects of dilutive securities such as stock options. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive securities had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the average market value during the year.

NON-MONETARY TRANSACTIONS

In the normal course of operations, the Company advertises on its various sites in exchange for services. Income is recorded on the basis of the fair value of the services rendered.

FIXED ASSETS

Fixed assets are depreciated using the following methods and rates:

	Methods	Rates
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Production equipment	Declining balance	20%
Leasehold improvements	Straight-line	5 years

2. ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS

Intangible assets that are subject to amortization are amortized using the following methods and rates:

	Methods	Rates
Client relationships	Straight-line	2 to 15 years
Non-compete clause	Straight-line	2 years
Software	Declining balance	30%
Web sites	Straight-line	4 years

Trademarks have been considered to have an indefinite useful life and therefore, are not amortized. Trademarks are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. The impairment test consists of a comparison of the fair value of the trademarks with its carrying amount. When the carrying amount of the trademarks exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. The fair value is calculated based on evaluations of future discounted cash flows.

GOODWILL

Goodwill, which represents the excess of the cost of an acquired subsidiary over the net of the amounts assigned to assets acquired and liabilities assumed, is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The goodwill of a reporting unit and any potential impairment is identified by comparing the carrying amount of the reporting unit with its fair value. When the carrying amount exceeds the fair value, an impairment loss should be recognized in an amount equal to the excess. The fair value of a reporting unit is calculated on a discounted cash flow basis.

As at December 31, 2009 and 2008, the goodwill was tested for impairment and no impairment loss was recognized.

STOCK OPTION PLAN

The Company has a stock option plan, which is described in Note 13. The Company uses the fair value method to account for stock-based compensation cost for stock options granted to its employees, directors and consultants. Under this method, the fair value for stock options is established at the time of grant using the Black & Scholes model. The compensation cost is recorded over the vesting period with a corresponding increase in contributed surplus. Any consideration paid on exercise of stock options is credited to capital stock.

INCOME TAXES

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amounts and tax values of the assets and liabilities using enacted tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

2. ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF LONG-LIVED ASSETS

Fixed assets and intangible assets that are subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss should be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The fair value is calculated based on market prices, when available, or calculated based on valuation techniques such as evaluations of discounted cash flows.

FOREIGN CURRENCY TRANSLATION

Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in net earnings.

FINANCIAL INSTRUMENTS

Section 3855, Financial Instruments - Recognition and Measurement, requires that financial assets and financial liabilities, including derivative financial instruments, be recognized in the balance sheet when the entity becomes a party to the contractual provisions of the financial instrument. When all financial instruments within the scope of Section 3855, including embedded derivatives that are not closely related to the host contract, are recognized initially, they should be measured at their fair value, except for specific related party transactions. The subsequent measurement of the financial instruments depends on their classification: financial assets and liabilities held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other than held for trading financial liabilities.

Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are measured at fair value at each balance sheet date. Gain or loss arising from a change in the fair value is recognized in net income for the period in which it arises.

Held-to-maturity investments

Held-to-maturity investments are measured at amortized cost using the effective interest method. Interest revenues are included in net income.

2. ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Loans and receivables, and other than held for trading financial liabilities

Loans and receivables, and other than held for trading financial liabilities are measured at amortized cost using the effective interest method. Interest revenues or expenses are included in net income.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value at each balance sheet date. Gain or loss arising from a change in the fair value is recognized in other comprehensive income for the period in which it arises. When the financial asset is derecognized, the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income for the period.

Classification

Cash and cash equivalents	Held for trading
Short-term investments	Held for trading[(1)]
Accounts receivable	Loans and receivables
Receivable from shareholders	Loans and receivables
Long-term investments	Available-for-sale
Bank indebtedness	Other than held for trading
Accounts payable and accrued liabilities	Other than held for trading
Advances from shareholders	Other than held for trading

(1) Financial assets designated as held for trading.

Comprehensive income

Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income includes net income and other comprehensive income. Other comprehensive income includes essentially gains and losses, net of income taxes, arising from a change in the fair value of available-for-sale financial assets.

Transaction costs

For a financial asset or financial liability classified as held for trading, all transaction costs are recognized immediately in net income. For a financial asset or financial liability classified as other than as held for trading, all transactions costs directly attributable to the acquisition or the issuance of a financial asset or financial liability are added to the fair value of the instrument and recorded in the net income using the effective interest method.

3. CHANGE IN ACCOUNTING POLICIES

On January 1, 2009, the Company adopted CICA Accounting Handbook Section 3064 “Goodwill and Intangible Assets”, which replaces “Goodwill and Other Intangible Assets”, Section 3062, and “Research and Development Costs”, Section 3450. The new standard strengthens standards for the recognition and measurement of intangible assets at initial recognition, including internally generated intangible assets. This new standard had no material impact on the Company’s financial statements for the year ended December 31, 2009.

4. FUTURE ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board of Canada announced that accounting standards in Canada are to converge with IFRS. The changeover date from current Canadian GAAP to IFRS has been established as January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company is currently assessing the future impact of these new standards on its financial statements.

5. BUSINESS ACQUISITION

In 2008, the Company acquired all issued and outstanding shares of 4306112 Canada Inc., a privately-held Montreal-based holding company whose main holding was NetWorldMedia Inc., an Internet advertising and media company. Total consideration is $4,361,336, paid at closing through the issuance of 30,000,000 common shares at a price of $0.144 per share plus transaction costs of $189,542. As per the purchase agreement, a non-interest-bearing amount of $150,825 has been recorded as a purchase price adjustment receivable.

This acquisition was accounted for under the purchase method of accounting with the results of operations of the acquired business being included in the accompanying financials statements since the date of acquisition, October 31, 2008.

The allocation of the purchase price was based on the fair value of identifiable assets, including intangible assets acquired and liabilities assumed at the effective date of the acquisition, and other information available at those dates, and the difference being allocated to goodwill.

5. BUSINESS ACQUISITION (Continued)

The allocation of the purchase price in respect to the acquisition of 4306112 Canada Inc. is summarized as follows:

ASSETS	
Accounts receivable	$ 1,539,398
R&D credits receivable	133,860
Equipment	123,331
Software	268,000
Non-compete clause	104,000
Client relationships	1,730,000
Goodwill	2,807,201
	6,705,790
LIABILITIES	
Bank indebtedness	38,314
Accounts payable and liabilities	516,095
Income taxes	80,194
Deferred revenues	96,122
Sales taxes payable	109,325
Shareholders' advances	984,033
Future income taxes	520,371
	2,344,454
NET ASSETS ACQUIRED	$ 4,361,336
CONSIDERATION	
Transaction costs	$ 189,542
Receivable from shareholders	(150,825)
Share issuance	4,322,619
	$ 4,361,336

6. ADDITIONAL INFORMATION

a) Other revenues include interest incomes totalling $8,251 ($24,740 in 2008).

b) Operating expenses include the following items:

	2009	2008
Depreciation of fixed assets	**$ 71,012**	$ 41,117
Impairment of fixed assets	**28,163**	-
Amortization of intangible assets	**357,975**	194,210
Impairment of intangible assets	**3,849**	556,542
Loss on disposal of long-term investments	**5,160**	-
Write-down of long-term investments	**2,589**	29,491

Non-monetary transactions are summarized as follows:

	2009	2008
Revenues	**$ 123,521**	$ 129,750
Operating expenses	**123,521**	129,750

7. SHORT-TERM AND LONG-TERM INVESTMENTS

The short-term investments, as at December 31, 2008, are recorded at fair value and consist of $300,000 invested in Guaranteed Investment Certificates. These investments were redeemed during 2009.

The long-term investments, as at December 31, 2009 and 2008, represent investments in private companies and are recorded at cost.

As at December 31, 2009, a write-down of $2,589 was recorded on two of the Company’s long-term investments as management believes the carrying amount will not be recoverable. Estimates of future cash flows were used to test the recoverability of these long-term investments. During the year, the Company additionally disposed of its investments in two companies and recorded a loss of $5,160 on disposal.

8. FIXED ASSETS

	2009		
	Cost	Accumulated amortization	**Net amount**
Office equipment	$ 82,240	$ 58,266	**$ 23,974**
Computer equipment	405,347	237,699	**167,648**
Production equipment	11,747	9,947	**1,800**
	$ 499,334	$ 305,912	**$ 193,422**

8. FIXED ASSETS (Continued)

	2008		
	Cost	Accumulated amortization	Net amount
Office equipment	$ 77,945	$ 52,452	$ 25,493
Computer equipment	319,300	176,823	142,477
Production equipment	17,566	8,042	9,524
Leasehold improvements	43,502	18,742	24,760
	$ 458,313	$ 256,059	$ 202,254

On March 1, 2009, the Company moved into a larger office space to accommodate all of its new employees. As a result of the move, the Company recorded an impairment loss of $22,343 on its leasehold improvements.

During the year, the Company additionally discontinued use of certain production equipment and recorded an impairment loss of $5,819 as at December 31, 2009 to reflect the equipments' estimated resale value.

9. INTANGIBLE ASSETS

	2009		
	Cost	Accumulated amortization	**Net amount**
Client relationships	$ 1,730,000	$ 247,294	**$ 1,482,706**
Non-compete clause	104,000	60,667	**43,333**
Trademarks	397,141	-	**397,141**
Software	360,613	169,259	**191,354**
Web sites	104,671	76,671	**28,000**
	$ 2,696,425	$ 553,891	**$ 2,142,534**

	2008		
	Cost	Accumulated amortization	Net amount
Client relationships	$ 1,730,000	$ 35,327	$ 1,694,673
Non-compete clause	104,000	8,667	95,333
Trademarks	407,206	-	407,206
Software	360,613	87,251	273,362
Web sites	128,365	86,468	41,897
	$ 2,730,184	$ 217,713	$ 2,512,471

9. INTANGIBLE ASSETS (Continued)

On March 1, 2008, the Company acquired the Fanatique.ca sports Web site and the HumourQuebec.com humour Web site for a consideration of $290,000, of which $225,000 was paid in cash and $65,000 in common shares of the Company. Including transactions cost, $298,104 were accounted as follows: $72,000 for Web sites and $226,104 for trademarks. These acquisitions were not accounted for as business combinations.

On April 1, 2008, the Company acquired several Web sites for $600,000, of which $300,000 were paid in cash and $300,000 in common shares of the Company. The main acquired assets included the Matin.qc.ca (Matinternet), a general news Web site, and Showbizz.net, an entertainment news Web site. Including transaction costs, $610,996 were accounted as follows: $60,000 for Web sites and $550,996 for trademarks. These acquisitions were not accounted for as business combinations.

On May 1, 2008, the Company acquired the LeCinema.ca Web site for a cash amount varying between $100,000 and $150,000, depending on the financial performance of the site during the year following the acquisition. Management estimates the total cost of LeCinema.ca to be $115,000. Including transaction costs, $116,509 were accounted as follows: $30,000 for Web site and $86,509 for trademarks. This acquisition was not accounted for as a business combination.

In the year ended December 31, 2008, the Company recorded an impairment loss of $24,546 for the Web site and trademark in the Company's former subsidiary TonClip.com Inc., as management believes the carrying amount will not be recoverable.

As at December 31, 2008, the Company additionally recorded an impairment loss on intangible assets of $508,412 as management believed the carrying amount will not be recoverable. This consisted of an impairment of $490,557 for Web sites acquired in 2008, Fanatique.ca, HumourQuebec.com, Matin.qc.ca, Showbizz.net and LeCinema.ca and an impairment loss of $17,855 for Materre.ca. Estimates of future cash flows were used to test the recoverability of the intangible assets.

10. BANK INDEBTEDNESS

The Company has an authorized line of credit of $700,000 bearing interest at the bank's prime rate plus 1%, secured by a movable hypothec on the accounts receivable.

The loan agreement provides for certain covenants including provisions relating to the maintenance of certain financial ratios, which were respected as at December 31, 2009 and 2008.

11. ADVANCES FROM SHAREHOLDERS

	2009	2008
Shareholder's advances, bearing interest at prime rate plus 2%, payable on demand, interest payable monthly	**$ -**	$ 155,933
Shareholder's advances, bearing interest at prime rate plus 2%, payable by August 5, 2009, interest payable monthly	**-**	100,000
Shareholder's advances, non-interest-bearing until January 1, 2010, then bearing interest rate at prime rate plus 1%, payable on January 1, 2011, interest payable monthly	**222,675**	373,500
Shareholders' advances, non-interest-bearing until January 1, 2010, then bearing interest at prime rate plus 1%, payable on January 1, 2010, interest payable monthly	**337,053**	357,053
	559,728	986,486
Current portion of advances from shareholders	**(337,053)**	(255,933)
	$ 222,675	$ 730,553

These advances cannot be repaid without the consent of the bank.

12. INCOME TAXES

The reconciliation between the Company's statutory and effective income tax rates is as follows:

	2009	2008
Income taxes calculated using combined Canadian statutory tax rates (recovered)	**$ 223,591**	$ (192,570)
Stock-based compensation cost	**18,813**	20,035
Non-deductible expenses	**7,943**	66,367
Tax benefits not recognized in previous years	**-**	(171,044)
Other elements	**43,545**	1,721
Current income taxes (recovered)	**$ 293,892**	$ (275,491)

12. INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to future income tax asset and liability are as follows:

	2009	2008
Future income tax asset		
Fixed assets	**$ 9,523**	$ 68,047
Other	**6,708**	-
	$ 16,231	$ 68,047
Future income tax liability		
Intangible assets	**$ (294,550)**	$ (346,366)
Classified in the financial statements as:		
Current future income tax liability	**$ (40,739)**	$ (17,668)
Long-term future income tax liability	**(237,580)**	(260,651)

13. CAPITAL STOCK

Authorized, an unlimited number:

Common shares, voting and participating;

Preferred shares, issuable in one or more series, having the rights, privileges, restrictions and conditions as determined by the Board of Directors prior to their issuance.

Issued:

	2009		2008	
	Number of shares	**$**	Number of shares	$
Common shares:				
Balance - beginning of year	**60,361,015**	**5,975,787**	29,375,117	1,226,715
Exercise of stock options	**6,250**	**1,492**	240,000	61,453
Share issuance	**100,000**	**15,600**	30,745,898	4,687,619
Balance - end of year	**60,467,265**	**5,992,879**	60,361,015	5,975,787

13. CAPITAL STOCK (Continued)

During the year, the Company issued 100,000 common shares to an employee in an ancillary transaction related to the purchase of NetWorldMedia Inc. Stock-based compensation costs with respect to these shares amounted to $9,230 ($6,370 in 2008).

In October 2008, 500,000 options to purchase NetworldMedia Inc.'s shares were cancelled in exchange for an agreement to issue 300,000 shares of the Company. These shares were granted over three years of a continuous employment and are issued per tranche of 50,000 shares per six month period.

In 2008, the Company issued 30,000,000 common shares in exchange of all issued and outstanding shares of 4306112 Canada Inc. (Note 5). The Company also issued 745,898 shares for the acquisition of several Web sites (Note 9).

Stock option plan

The Company has a stock option plan in order to grant stock options to officers, directors, employees and consultants providing ongoing services to the Company. Under the terms of the plan, which is administrated by the Board of Directors, these options vest over a period of four years and expire after a period of five years. The maximum number of common shares that can be issued under the plan is limited to 6,046,726 (6,036,101 in 2008), representing 10% of the issued and outstanding common shares.

During the year, the Company did not grant any new stock options (1,908,000 in 2008).

The following table summarizes information on stock options:

	2009		2008	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance - beginning of year	**2,711,600**	**0.1832**	1,422,400	0.2675
Granted	**-**	**-**	1,908,000	0.1100
Exercised	**(6,250)**	**0.1212**	(240,000)	0.1510
Cancelled	**(1,720,550)**	**0.2096**	(88,800)	0.1516
Expired	**-**	**-**	(290,000)	0.1500
Balance - end of year	**984,800**	**0.1374**	2,711,600	0.1832

13. CAPITAL STOCK (Continued)

The tables below summarize information on exercisable stock options:

As at December 31, 2009:

Outstanding options	**Weighted average remaining contractual life (months)**	**Weighted average exercise price**	**Exercisable options**
		$	
684,000	**47**	**0.11**	**185,250**
28,800	**32**	**0.60**	**16,800**
72,000	**24**	**0.15**	**54,000**
200,000	**16**	**0.16**	**183,333**
984,800	**39**	**0.1374**	**439,383**

As at December 31, 2008:

Outstanding options	Weighted average remaining contractual life (months)	Weighted average exercise price	Exercisable options
		$	
1,908,000	59	0.11	-
335,000	28	0.16	208,333
139,800	36	0.15	67,400
28,800	44	0.60	2,400
300,000	45	0.65	18,750
2,711,600	52	0.1832	296,883

Stock-based compensation expense for options

The average fair value of stock options, at the time of grant, granted in 2008 is $0.11 per option. The fair value of each option granted was established using the Black & Scholes model and based on the following assumptions:

Risk-free interest rate	2%
Expected life	5 years
Expected volatility in the market price of the share	2.0
Expected dividend yield	0.00%

Compensation costs with respect to these options amounted to $51,653 for the current year and were included in operating expenses ($58,467 in 2008).

14. EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators used for the computation of the basic and diluted earnings per share:

	2009	2008
Net earnings (loss)	**$ 429,705**	$ (315,053)
Weighted average number of shares outstanding - basic	**60,396,580**	35,176,862
Effect of dilutive securities	**354,604**	-
Weighted average number of shares outstanding - diluted	**60,751,184**	35,176,862
Basic and diluted earnings (loss) per share	**$ 0,01**	$ (0,01)

For the year ended December 31, 2009, 28,800 stock options were excluded from the computation of diluted earnings per share since they were not “in the money” (328,800 in 2008). For the year ended December 31, 2008, the potentially diluted loss per share was the same as the basic loss per share since the effect of the outstanding stock options would have been anti-dilutive.

15. COMMITMENTS

The Company has the following commitments under lease obligations and for services with respect to Web sites:

2010	$ 514,490
2011	163,276
2012	116,185
2013	105,102
2014	102,102

16. CASH FLOWS

Cash flows from operating activities include the following:

	2009	2008
Income taxes paid	**$ 38,215**	$ 15,194

During the year, the Company has offset advances receivable and payable to shareholders for an amount of $150,825.

17. FINANCIAL INSTRUMENTS

RISK MANAGEMENT POLICIES

The Company conducts transactions in foreign currencies and is exposed to foreign exchange risks. The Company is also exposed to interest rate risk due to the nature of its financial instruments. Risk management is the responsibility of management and the Company did not use derivative financial instruments for the purpose of speculation.

CREDIT RISK

The Company grants credit to its clients in the normal course of business. On a continued basis, the Company carries out credit assessments of its clients and maintains allowances for potential bad debts. The Company generally does not require collateral. Advertisers place advertisement through advertising agencies, thus an advertising agency may represent several clients. As at December 31, 2009, the Company does not have a significant exposure to any individual client.

The following table sets out details of the age of receivables that are outstanding and the related allowance for doubtful accounts:

	2009	2008
Current	**$ 1,347,347**	$ 964,843
31-90 days	**1,833,620**	1,822,777
91-150 days	**497,327**	368,726
Over 150 days	**353,886**	174,915
Less: allowance for doubtful accounts	**(79,906)**	(62,737)
Total accounts receivable, net	**$ 3,952,274**	$ 3,268,524

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of income within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statements of income.

Cash and cash equivalents and short-term investments (except for an amount of $2,343 as at December 31, 2009) are held at a Canadian chartered bank.

17. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK

Liquidity risks arise from an excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents.

As at December 31, 2009, the Company is holding cash and cash equivalents of $468,658. In addition, the Company has the credit facilities described in Note 10.

INTEREST RATE RISK

The Company is exposed to interest risk relating to shareholders' advances in the event of fluctuation of the prime rate of the Bank of Canada. As at December 31, 2009, the Company has $559,728 of interest bearing shareholders' advances ($986,486 as at December 31, 2008). A variation of 1% of the prime rate would not have a significant impact on the Company's results for the years ended December 31, 2009 and 2008. These shareholders advances are described in Note 11.

FOREIGN CURRENCY RISK

Foreign exchange risks for royalties payable are not significant because these royalties are calculated in Canadian dollars. The foreign exchange risks are limited to accounts payable in Euros and American dollars. Increase or decrease of 1% of the exchange rate will not have a significant impact on net income.

As at December 31, 2009, accounts payable include an amount of US$14,999 (CA$15,763) and an amount of EUR25,954 (CA$38,931) and accounts receivable include an amount of US$36,888 (CA$38,769).

As at December 31, 2008, cash and cash equivalents include an amount of US$30,428 (CA$37,262) and accounts payable include an amount of EUR36,287 (CA$59,246).

FAIR VALUE

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms.

The Company has determined that the fair value of its current financial assets and liabilities corresponds to their respective carrying amounts as at the balance sheet dates because of their short-term maturity.

The fair value of the advances from shareholders approximates their carrying amounts because they bear interest at rates similar to market rates.

As at December 31 2008, the long-term investments are classified as financial instrument available-for-sale and are recorded at cost since the fair value of this financial asset is not available.

18. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue growth organically or via strategic acquisitions, to ensure the externally imposed capital requirements relating to its credit facilities are met, to provide services to its customers and to provide returns to shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt.

As at December 31, 2009, total managed capital is $7,062,384 ($7,085,269 in 2008) and consists of shareholders' equity of $6,839,709 ($6,354,716 in 2008) and long-term debt of $222,675 ($730,553 in 2008). The long-term debt is owed to the previous shareholders of 4306112 Canada Inc.

The Company manages its capital structure in a manner that ensures operation cash flow together with cash on its balance sheet is greater than interest expense and principal repayments required to be paid. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including proposals on acquisitions or other major investment or divestiture, reimbursement of shareholder advances as well as capital and operation budgets.

According to the credit agreement conditions, the Company is subjected to certain restrictive clauses with regard to the maintenance of financial ratios on an annual basis at the end of the fiscal year. These financial ratios were respected as at December 31, 2009 and 2008.

19. SEGMENT DISCLOSURE

For the year ended December 31, 2009, revenues from one client represent approximately $1,655,000 ($863,000 in 2008) of the Company's total revenues.

20. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2009, the Company incurred legal fee expenses for $21,412 ($92,445 in 2008) with a firm of which one of the partners is also a director of the Company. These transactions were carried out in the normal course of business and are recorded at the exchange value.

21. SUBSEQUENT EVENTS

a) In February 2010, the Company renegotiated its line of credit of $700,000. This line of credit will now bear interest at the bank's prime rate plus 1.6%. All other terms remain the same.

b) In February 2010, the Company also granted stock options to buy 2,000,000 common shares of the Company at an exercise price of $0.175 to an employee. Up to half of these options are subject to cancellation before June 30, 2011 if certain financial targets for the Company are not met for the year ending December 31, 2010. These options are issued pursuant to the Company's employee stock option plan and can be exercised until February 14, 2015.

BV! Media

BOARD OF DIRECTORS

DIRECTOR FUN	CTION
André Bisson	Chairman of the board; Chair of the Audit committee; member of the Nomination, Compensation and Corporate governance committee
Gino Coutu	President, Ad Network and Co-Chief Executive Officer
Martine Guimond	Secretary; member of the Audit committee; member of the Nomination, Compensation and Corporate governance committee
Jean-Pascal Lion	Director
Patrick Pierra	President, Content and Co-Chief Executive Officer
Harold Sharon	Chair of the Nomination, Compensation and Corporate governance committee; member of the Audit committee
Athanasios Vorias	Chief Financial Officer

MANAGEMENT

Gino Coutu: President, Ad Network and Co-Chief Executive Officer
Patrick Pierra: President, Content and Co-Chief Executive Officer
Athanasios Vorias: Chief Financial Officer
Lior Amar: Chief Technology Officer
Cathy Fernandes: Vice President, Sales and Marketing

MAIN PLACE OF BUSINESS

260 Queen Street
Montreal, QC, H3C 2N8 Canada
Phone: 514-337-9065
www.bvmedia.ca

Stock listing : TSX Venture exchange; symbol: BVM

Transfert agent : Computershare Investor Services inc.

Auditors : Demers Beaulne

Information :
Phone: 514.337.9065 ext. 223 - E-mail: tvorias@bvmedia.ca

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