



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	1,194,564	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 \$.

	TOTAL	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:

	<u>2009</u>	<u>2008</u>
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	<u>(79,906)</u>	<u>(62,737)</u>
Total accounts receivable, net	\$ <u>3,952,274</u>	\$ <u>3,268,524</u>

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)

Patrick Pierra

President, Content and co-Chief Executive Officer

(Signed)

Athanasios Vorias

Chief Financial Officer