

M  **DIAGRIF**

INTERACTIVE TECHNOLOGIES

MANAGEMENT DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2009

Management Discussion and Analysis

FOR THE PERIOD ENDED JUNE 30, 2009

The following Management Discussion and Analysis (“MD&A”), which has been prepared as of August 4, 2009, of the financial condition and results of operations of Mediagrif Interactive Technologies Inc. (“Mediagrif” or the “Company”) should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes thereto for the period ended June 30, 2009 as well as the Company MD&A, audited consolidated financial statements and accompanying notes thereto for the year ended March 31, 2009. This discussion and analysis compares performance for the quarters ended June 30, 2009 and 2008. The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). Unless indicated otherwise, all amounts are in Canadian dollars.

In addition to providing an earnings measure in accordance with GAAP, the Company’s statement of earnings shows earnings from operations and earnings before interest, taxes, depreciation and amortization (“EBITDA”) as supplementary earnings measures. The Company sometimes refers to the free cash flow measure in its documents. Free cash flow is defined as cash flows from operating activities less the acquisition of premises and equipment, intangible assets and other assets presented in investing activities. Earnings from operations, EBITDA and free cash flow are not intended to be measures that should be regarded as an alternative to other financial operating performances prepared in accordance with Canadian GAAP. Those measures do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Earnings from operations and EBITDA are provided to assist investors in determining the Company’s ability to generate profitability from its operations and to evaluate its financial performance. Free cash flow is provided to investors in determining the Company’s ability to generate cash flows to finance its growth.

■ PROFILE

Mediagrif has been delivering e-commerce solutions for businesses around the globe since 1996. Its e-business networks operate as dedicated Web platforms within specific business sectors, enabling trade between corporate buyers and suppliers and helping them to find, purchase and sell products, to exchange information and to access business opportunities with greater speed and efficiency. The international client base of Mediagrif includes small and medium businesses, large companies as well as government agencies. The Company currently provides solutions for businesses involved in electronics components, computer equipment, telecommunication, medical equipment, truck and heavy equipment, aftermarket automotive parts, wine and spirits, jewelry, e-tendering, e-publishing government business intelligence, and construction. Mediagrif's services are delivered by an experienced team of 350 employees. Mediagrif (TSX: MDF) has its head office in Longueuil and offices in Ottawa (Canada) and in the metropolitan areas of Tampa, Atlanta, Washington, San Diego, Albany (United States), and Shenzhen (China).

■ HIGHLIGHTS

In the third and fourth quarters of fiscal 2009, significant changes were made to the Company's Board of Directors and senior management team. Following these changes, the new team conducted a strategic and operational review of Mediagrif's business activities in order to reestablish positive operational margins in all Mediagrif's business networks through headcount adjustments, office closures and employee relocation. The principal highlights of the quarter are as follows:

- Revenues of \$11.7 million compared to \$12.0 million for the same quarter last year, an insignificant decrease considering the unfavorable economic conditions.
- Earnings from operations of \$1.9 million for the quarter ended June 30, 2009 compared to \$0.5 million for the same quarter last year.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) of \$2.6 million for the quarter ended June 30, 2009, an increase of 15.5%, compared to \$2.3 million for the same quarter last year.
- Cash and cash equivalents reached \$25.5 million compared to \$25.2 million on June 30, 2008 and \$27.7 million on March 31, 2009, which took into consideration severance payments following the headcount reduction.

■ SELECTED FINANCIAL INFORMATION

	Q1 - 2010	Q1 - 2009
	\$	\$
CONSOLIDATED STATEMENT OF EARNINGS (LOSS) ⁽¹⁾		
REVENUES	11,693	11,978
GROSS MARGIN	9,061	9,079
OPERATING EXPENSES		
General and administrative	2,699	3,117
Sales and marketing	2,316	2,630
Technology	1,929	2,242
Amortization of acquired intangible assets	172	448
Stock-based compensation	67	142
TOTAL OPERATING EXPENSES	7,183	8,579
EARNINGS FROM OPERATIONS	1,878	500
EBITDA	2,632	2,280
NET EARNINGS (LOSS)	(193)	325
Basic net earnings (loss) per share	(0.01)	0.02
Diluted net earnings (loss) per share	(0.01)	0.02
Weighted average number of shares outstanding (basic)	13,973,262	14,534,500
Weighted average number of shares outstanding (diluted)	13,973,262	14,534,500
Number of stock options outstanding as at August 4, 2009	13,966,866	
Number of common shares outstanding as at August 4, 2010	668,400	
CONSOLIDATED BALANCE SHEET		
Cash and cash equivalents	25,469	25,196
Long-term assets	39,107	45,579
Total assets	79,390	84,772
Total liabilities	18,775	21,899
Shareholders' equity	60,615	62,873
CONSOLIDATED STATEMENTS OF CASH FLOWS		
Cash flow used by operating activities	(2,460)	(374)
Cash flow used for capital expenditures	(383)	(839)
Cash flow used by financing activities	(31)	(643)
RECONCILIATION OF EBITDA AND NET EARNINGS		
NET EARNINGS (LOSS)	(193)	325
Interest income	(14)	(160)
Other income	98	84
Income taxes	1,002	333
Amortization of fixed assets	515	1,190
Amortization of acquired intangible assets	172	448
Stock-based compensation	67	142
Foreign exchange loss (gain)	985	(82)
EBITDA	2,632	2,280

⁽¹⁾ Canadian dollars in thousands, except per share amount.

We have restated the 2009 figures to account for recent accounting changes described in the "Changes to accounting policies" section.

■ OPERATIONAL REVIEW

We have retroactively restated the 2009 figures to account for a recent change in accounting standards relating to goodwill and intangible assets. The change is effective April 1, 2009 for the Company. More details can be found in the “Changes to Accounting Policies” section.

REVENUES

Revenues for the quarter ended June 30, 2009 decreased by \$0.3 million compared to the same quarter last year, from \$12.0 million to \$11.7 million.

Our business networks BidNet, MERX, Carrus, pipeline, Construction Bidboard and Global Wine & Spirits operate in markets less affected by the difficult economic conditions and are showing healthy organic growth. However, our networks Power Source On-Line, The Broker Forum and Polygon are faced by the economic slowdown in their respective markets and their revenues are decreasing.

The variation of the Canadian dollar compared to the American dollar generated a positive impact of \$0.4 million. Thus during the quarter, 59% of the revenues were earned in US dollars compared to 64% during the same quarter last year. Consequently, on a constant currency basis, total revenues decreased by \$0.6 million.

GROSS MARGIN

Gross margin as a percentage of revenue increased to 77.5% during the quarter ended June 30, 2009, compared to 75.8% for the same quarter last year. The increase is mainly explained by the lower cost of revenues following the headcount reduction.

OPERATING EXPENSES

For the quarter ended June 30, 2009, total operating expenses decreased to \$7.2 million compared to \$8.6 million for the same quarter last year. The decrease in the operating expenses is explained by the following items:

- General and administrative expenses decreased to \$2.7 million compared to \$3.1 million for the same quarter last year. This decrease is mainly due to the general headcount reduction throughout the Company and certain office closures in the US during the last quarter of the year ended March 31, 2009.
- Sales and marketing expenses decreased to \$2.3 million this quarter compared to \$2.6 million for the same quarter last year mainly due to the general headcount reduction throughout the Company and lower representation expenses.
- Technology expenses decreased to \$1.9 million this quarter compared to \$2.2 million for the same quarter last year. This decrease is mainly due to lower salaries expenses and a decrease of the amortization expenses.
- The amortization of acquired intangible assets decreased from \$0.5 million for the same quarter last year to \$0.2 million this quarter due to the impairment done during the last quarter of the year ended March 31, 2009.
- Stock-based compensation expense decreased slightly to \$67,000 compared to \$142,000 for the same quarter last year, mainly due to a lower number of outstanding stock options.

EARNINGS FROM OPERATIONS

For the quarter ended June 30, 2009, earnings from operations reached \$1.9 million compared to \$0.5 million for the same quarter last year. This increase is mainly due to lower salary expenses following last year's headcount reduction.

OTHER INCOME

For the quarter ended June 30, 2009, other income (expenses) amounted to (\$1.1 million) compared to \$0.2 million for the same quarter last year. This decrease is mainly due to a foreign exchange loss of \$1.0 million on our US dollar assets compared to a gain of \$0.1 million for the same quarter last year.

PROVISION FOR INCOME TAXES

The provision for income taxes amounted to \$1.0 million for the quarter ended June 30, 2009, representing a 123.9% effective tax rate, compared to a 50.6% effective tax rate for the same quarter last year. The weighted statutory tax rate is 30.9%.

The effective tax rate is high this quarter due to non-deductible foreign exchange losses and to the revaluation of our US dollar future income taxes assets. For the same quarter last year, the effective tax rate was impacted by non-deductible expenses from foreign entities and stock-based compensation.

EARNINGS (LOSS) PER SHARE

The basic loss per share amounted to \$0.01 compared to earnings of \$0.02 for the same quarter last year. The weighted average number of common shares outstanding for the quarters ended June 30, 2009 and 2008 were \$14.0 million and \$14.5 million respectively.

QUARTERLY PERFORMANCE

Selected quarterly financial information for the eight most recently completed quarters as of June 30, 2009 is disclosed below:

	2008			2009				2010
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
Revenues	12,102	12,242	12,133	11,978	11,886	12,236	11,840	11,693
Earnings (loss) from operations	1,183	629	(329)	500	895	(1,353)	(7,799)	1,878
EBITDA	2,916	2,550	1,502	2,280	2,635	452	(192)	2,632
Net earnings (loss)	868	590	(318)	325	811	2,622	(5,051)	(193)
Basic EPS (LPS)	0.05	0.04	(0.02)	0.02	0.06	0.18	(0.35)	(0.01)
Diluted EPS (LPS)	0.05	0.04	(0.02)	0.02	0.06	0.18	(0.35)	(0.01)

We have restated the 2009 quarterly figures to account for recent accounting changes described in the " Changes to accounting policies " section. The 2008 figures were not restated.

2010 QUARTERS

- » Earnings from operations increased significantly compared to the same quarter last year. This increase is mainly due to lower headcount and to the decrease in related salary expenses.

2009 QUARTERS

- » Earnings from operations decreased in the first and second quarters of the year mainly due to the Market Velocity Inc. and epipeline Inc. acquisitions realized in the second quarter of 2008.
- » During the third quarter, \$1.7 million was recorded as severance expenses and \$0.4 million as the write-off of capitalized acquisition costs for an unrealized acquisition. Net earnings were positively impacted by a reversal of a tax income reserve of \$2.1 million.
- » The net earnings of the fourth quarter were negatively impacted by severance expenses of \$2.4 million, the impairment of long-lived assets of \$6.6 million and the loss on the disposition of Centerac DMCC of \$0.2 million.

2008 QUARTERS

- » The second quarter included revenues and expenses relating to Market Velocity Inc. acquired July 11, 2007.
- » Operating expenses increased in the third quarter of the year mainly due to Market Velocity Inc. and epipeline Inc. acquisitions.
- » Due to the announced reorganization in March 2008, severance expenses were recorded and had negative impacts on financial results.

■ LIQUIDITY AND FINANCIAL RESOURCES

Since our inception, we have financed our operations, acquisitions, capital expenditures and repurchase of common shares for cancellation through cash flows from operating activities. Over the coming years, we expect to maintain our policy and holding our excess cash in order to fund new business opportunities.

As of June 30, 2009, our cash and cash equivalents reached \$25.5 million, an increase from \$25.2 million as of June 30, 2008 and a decrease from \$27.7 million as of March 31, 2009. This decrease is partially due to severances that were recorded as expenses during the year ended March 31, 2009.

OPERATING ACTIVITIES

For the quarter ended June 30, 2009, net cash used by operating activities amounted to \$2.5 million compared to \$0.4 million for the same quarter last year, mainly because of negative change in non-cash working capital items.

INVESTING ACTIVITIES

For the quarter ended June 30, 2009, net cash used by investing activities amounted to \$0.4 million compared to \$0.8 million for the same quarter last year used for the purchase of premises and equipment and intangibles.

FINANCING ACTIVITIES

For the quarter ended June 30, 2009, net cash used by financing activities amounted to \$31,306 for the purchase of 7,192 common shares for cancellation.

For the quarter ended June 30, 2008 net cash used by financing activities amounted to \$0.6 million for the purchase for cancellation of 208,874 common shares for a cash consideration of \$0.8 million, which was slightly offset by an issuance of long-term debt of \$0.2 million.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to certain financial risks. The Company does not hold financial instruments for speculative purposes but only to reduce the volatility of its results from its exposure to these risks. The nature and the extent of the risks arising from the financial instruments and their related risk management are described in note 16 of the Company's audited consolidated financial statements of March 31, 2009. In the first quarter of 2010, there has been no material change to the nature of risks arising from financial instruments, related risk management and classification of financial instruments. Furthermore, there was no change in the methodology used in determining the fair value of the financial instruments that are measured at fair value in the Company's consolidated balance sheet.

■ RELATED PARTY TRANSACTIONS

All related party transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration agreed upon by the parties. Our revenues with joint venture are coming from our partnership between Global Wine & Spirits and the Société des alcools du Québec. During the same quarter last year, revenues with joint ventures also included amortization of gains on licenses, which derive from the creation of Polygon DMCC. For the quarter ended June 30, 2009, revenues earned from joint ventures amounted to \$0.2 million compared to \$0.3 million for the same quarter last year.

During the quarter ended June 30, 2009 the Company paid an amount of \$130,000 to a corporate shareholder having a significant influence over the Company. The corporate shareholder provides management services to the Company, namely the services of Claude Roy, President and Chief Executive Officer of the Company. The transaction was in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

■ OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Company finances certain of its activities off-balance sheet through leases. These arrangements and their impact on our results of operations and financial position are described in note 10 of the consolidated financial statements for the year ended March 31, 2009 and have not changed significantly since.

■ RISKS AND UNCERTAINTIES

The Company is confident of its long-term prospects. However, in order to ensure that its strategy and growth objectives are met, the Company seeks to diminish the risks and uncertainties created by potentially unfavorable situations in its industry sector or its liquidity. The risks that the Company faces are technological, operational or financial in nature or are inherent to its business activities or its acquisition strategies. The description of these risks and uncertainties has not changed compared to those described in the MD&A of the year ended March 31, 2009.

■ ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP and follow the same accounting policies and methods used in the preparation of the Company's audited consolidated financial statements of March 31, 2009 except for the item described below in the "Changes to accounting policies" section. See note 2 of the Company's audited consolidated financial statements for the year ended March 31, 2009 for more information on major accounting policies used in the preparation of the financial statements.

Some of the Company's accounting policies require significant estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of management's judgment. Actual results could differ from those estimates, and any such differences may be material to the Company's financial statements.

The key assumptions and basis for estimates that management has made under GAAP, and their impact on the amounts reported in the interim consolidated financial statements and the accompanying notes thereto, remain substantially unchanged from those described in the MD&A for the year ended March 31, 2009.

■ CHANGES TO ACCOUNTING POLICIES

GOODWILL AND INTANGIBLE ASSETS

On April 1, 2009, the Company adopted Section 3064 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, "Goodwill and Intangible Assets" which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". The new Section establishes standards for the recognition, costing, presentation and required information related to goodwill after its initial recognition. It also establishes the standard for when internally developed intangible assets satisfy recognition criteria as an asset.

The adoption of the new accounting standards resulted, in these interim financial statements, in a cumulative charge of \$76,437 to retained earnings on April 1, 2008 and \$20,937 on April 1, 2009. The transitional adjustment also resulted in the following changes to the Company's consolidated balance sheet: i) a decrease of \$98,653 in other assets on April 1, 2008, and of \$27,028 on April 1, 2009; ii) a decrease of \$22,216 in long-term future income tax liability on April 1, 2008, and an increase of \$6,091 in long-term future income tax asset on April 1, 2009. In addition, the Company was impacted by a \$21,627 decrease to the amortization of other assets for the quarter ended June 30, 2008, and a \$6,020 increase of the provision for income taxes for the same period. These changes relate to pre-operating expenditures that were incurred and capitalized during previous business acquisitions, that are no longer capitalized under the new accounting standards. These standards have no impact on the basic and diluted earnings per share for the quarters ended June 30, 2009 and 2008.

■ FUTURE ACCOUNTING CHANGES

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) IMPLEMENTATION

The Company is currently evaluating the impact and potential effect that could result from preparing the Company's consolidated financial statements in accordance with IFRS given that the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian standards and interpretations for publicly accountable companies. The adoption of IFRS will have an impact on the Company's reported consolidated financial statements for fiscal year 2012. The Company is currently performing a high-level accounting diagnostic by identifying differences between IFRS and accounting policies and procedures currently adopted by the Company. Next steps will be to evaluate the impact of adopting IFRS 1, "First Time Adoption of International Financial Reporting Standards", to design and plan for the implementation, to identify possible accounting, information system and business solutions, and to provide appropriate training to finance personnel and senior executives.

■ FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to the risks and uncertainties that affect us. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

■ CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Financial Officer, have designed disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) to provide reasonable assurance that material information related to the Company is made known to the Audit Committee and the Board of Directors and information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time period specified in securities legislation. They have also evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) and have concluded that such disclosures controls and procedures are effective for the fiscal year ended March 31, 2009. As of June 30, 2009, there has been no change in the Company's disclosure controls and procedures and those controls and procedures are therefore considered to be effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, with the participation of the Chief Financial Officer, have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. As of March 30, 2009, they have evaluated the effectiveness of the Company's internal control over financial reporting and have concluded that such controls were effective. As of June 30, 2009, there has been

no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

■ ADDITIONAL INFORMATION

This report has been prepared as of August 4, 2009.

Additional information relating to the Company, including the annual information form, is available on SEDAR at www.sedar.com.

MARKET AND TICKER SYMBOL

The common shares of Mediagrif trade on the Toronto Stock Exchange under the ticker symbol MDF.

HEAD OFFICE

1010, De Sérigny Street, Suite 800, Longueuil, Québec, Canada J4K 5G7

Tel: 450 677-8797 Fax: 450 677-4612

www.mediagrif.com

BOARD OF DIRECTORS

Claude Roy

Québec, Canada

Chairman of the Board and Chief Executive Officer of the Company

Founder and Chief Executive Officer of Logibec Groupe Informatique Ltd.

Marc P. Brunet

Québec, Canada

Chief Financial Officer

Logibec Groupe Informatique Ltd.

Patrice Commune

Québec, Canada

President

Presagis Canada Inc.

André Courtemanche

Québec, Canada

President and Chief Executive Officer

VIAVAR Capital Inc.

Michel Dubé

Québec, Canada

Consultant

Savaria Corporation

Gilles Laurin

Québec, Canada

Chartered accountant

Advisor and director of corporations

Jean-François Sabourin

Québec, Canada
President and Chief Executive Officer
FinRad Inc.

TRANSFER AGENT

Computershare Investor Services Inc.
1500 University Street, Suite 700, Montréal, Québec, Canada H3A 3S8
Tel: 514 982-7888 Fax: 514 982-7580
www.computershare.com

AUDITORS

PricewaterhouseCoopers LLP

FINANCIAL INSTITUTION

Royal Bank of Canada