

Unaudited Interim Consolidated Financial Statements

Pixman Nomadic Media Inc.

December 31, 2007

These financial statements have not been reviewed by the entity's external auditors.

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Pixman Nomadic Media Inc.Incorporated under the *Canada Business Corporations Act***INTERIM CONSOLIDATED BALANCE SHEETS [unaudited]***[see Description of the Business and Going Concern Uncertainty – note 1]*

	December 31, 2007 \$	June 30, 2007 \$
		[note 2]
ASSETS		
Current		
Cash and cash equivalents	—	114,653
Short-term investments	—	600,000
Accounts receivable	693,803	784,642
Investment tax credits receivable	55,883	55,883
Current portion of investment in sales type leases <i>[note 4]</i>	66,341	50,947
Inventory	80,710	50,286
Prepaid expenses	146,636	150,475
Total current assets	1,043,373	1,806,886
Investment in sales-type leases <i>[note 4]</i>	—	14,142
Property and equipment, net	749,324	653,516
Intangible assets, net	428,479	429,622
	2,221,176	2,904,166
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	60,924	—
Accounts payable and accrued liabilities	1,092,247	662,341
Due to related parties <i>[note 7]</i>	300,000	2,023
Deferred revenue	25,020	304,163
Current portion of capital lease obligations	13,534	14,704
Current portion of long-term debt <i>[note 5]</i>	178,976	—
Total current liabilities	1,670,701	983,231
Capital lease obligations	51,174	57,930
Change in fair value of foreign currency imbedded derivatives <i>[note 3]</i>	60,704	—
Long-term debt <i>[note 5]</i>	—	—
Total liabilities	1,782,579	1,041,161
Shareholders' equity		
Share capital <i>[note 6]</i>	6,617,745	6,617,745
Contributed surplus <i>[note 6]</i>	580,051	438,910
Deficit	(6,759,199)	(5,193,650)
Total shareholders' equity (deficiency)	438,597	1,863,005
	2,221,176	2,904,166

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

On behalf of the Board

[signed]
Daniel Langlois
Director[signed]
Jake Michael Chadwick
Director

Pixman Nomadic Media Inc.

**INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE OPERATIONS AND DEFICIT [unaudited]**

[see Description of the Business and Going Concern Uncertainty – note 1]

	Three months ended December 31,		Six months ended December 31,	
	2007	2006	2007	2006
REVENUES				
Nomadic Media Services revenue	\$ 403,072	\$ 182,658	\$ 1,036,878	\$ 373,150
Finance income – sales-type leases	9,611	—	21,922	—
Licensing and other revenue	87,055	79,704	133,842	221,061
Interest revenue	—	—	10,830	—
	499,738	262,362	1,203,472	594,211
OPERATING EXPENSES				
Selling, marketing and operations	579,827	410,604	1,219,782	799,439
General and administrative	622,858	671,988	1,183,935	848,760
Research and development, net	87,547	40,168	155,401	73,398
Amortization of intangible assets	25,904	19,064	49,545	38,128
Amortization of property & equipment	55,264	28,158	99,691	55,988
Unrealized loss of foreign currency Imbedded derivatives <i>[note 3]</i>	12,496	—	30,536	—
Short-term financing interest and bank charges	11,899	264,388	16,303	289,503
Interest on long-term debt and Convertible debentures	10,830	14,069	10,830	25,110
Gain on sale of property and equipment	(19,614)	—	(19,614)	—
Foreign currency (gain)/loss	(9,972)	(2,049)	(7,556)	20,444
Net loss and comprehensive loss	(877,301)	(1,184,028)	(1,535,381)	(1,556,559)
Transitional adjustment <i>[note 3]</i>	—	—	(30,168)	—
Deficit – Beginning of period	(5,881,898)	(2,452,148)	(5,193,650)	(2,079,617)
Deficit – End of period	\$(6,759,199)	\$(3,636,176)	\$(6,759,199)	\$(3,636,176)
Basic and diluted net loss per common share	(0.03)	(0.06)	(0.05)	(0.08)
Weighted average number of common shares outstanding during the period	33,137,500	20,353,669	33,137,500	19,301,832

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

Pixman Nomadic Media Inc.

**INTERIM CONSOLIDATED STATEMENTS OF CASH
FLOWS [unaudited]**

[see Description of the Business and Going Concern Uncertainty – note 1]

	Three months ended December 31,		Six months ended December 31,	
	2007	2006	2007	2006
OPERATING ACTIVITIES				
Net loss	\$(877,301)	\$(1,184,028)	\$(1,535,381)	\$(1,556,559)
Non-cash items:				
Amortization of property & equipment	55,264	28,158	99,691	55,988
Stock-based compensation	61,166	98,985	141,141	98,985
Amortization of intangible assets	25,904	19,064	49,545	38,128
Change in fair value of foreign currency imbedded derivatives	12,496	—	30,536	—
Net changes in non-cash operating items	19,809	200,600	212,994	224,047
Cash flows related to operating activities	(702,662)	(837,221)	(1,001,474)	(1,139,411)
INVESTING ACTIVITIES				
Purchase of property & equipment	(20,390)	(3,602)	(195,499)	(28,906)
Cash acquired <i>[note 1]</i>	—	4,133,648	—	4,133,648
Increase in temporary investments	—	(2,825,000)	600,000	(2,825,000)
Investment in leases – principle payments	12,505	—	(1,252)	—
Purchase of patents, trademarks & licenses	(4,069)	—	(48,402)	(11,498)
Cash flows related to investing activities	(11,954)	1,305,046	354,847	1,268,244
FINANCING ACTIVITIES				
(Decrease)/Increase in bank indebtedness	60,924	—	60,924	—
Advance from related parties <i>[note 7]</i>	300,000	—	300,000	—
Exercise of stock options <i>[note 6]</i>	—	52,500	—	52,500
Share issuance costs	—	(4,840)	—	(4,840)
Increase/(Decrease) in capital lease obligations	(4,510)	—	(7,926)	(5,038)
Increase/(Decrease) in long-term debt	178,976	(40,189)	178,976	(62,231)
Cash flows related to financing activities	535,390	7,471	531,974	(19,609)
Increase (decrease) in cash and cash equivalents	(179,226)	475,296	(114,653)	109,224
Cash and cash equivalents, beginning of period	179,226	110,213	114,653	476,285
Cash and cash equivalents, end of period	—	585,509	—	585,509

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

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2007

**1. DESCRIPTION OF THE BUSINESS AND GOING CONCERN
UNCERTAINTY**

Pixman Capital Inc. ["Pixman"] was incorporated under the *Canada Business Corporations Act* on April 12, 2006. Pixman was classified as a Capital Pool Company as defined in Policy 2.4 [the "CPC Policy"] of the TSX Venture Exchange Inc. [the "Exchange"] Corporate Finance Manual. On July 20, 2006, Pixman completed an initial public offering ["IPO"] in which 5,333,333 shares were issued at \$0.30 per share for gross proceeds of \$1,600,000 and listed on the Exchange under the symbol "PMN-p.v". On December 18, 2006, Pixman completed its Qualifying Transaction with the shareholders of Pixman Corporation [the "Corporation"] pursuant to which Pixman acquired all the issued and outstanding shares and warrants of the Corporation. This transaction was accounted for as a reverse takeover [the "Reverse Takeover"] which does not constitute a business combination and as such these consolidated interim financial statements have been prepared as a continuation of the Corporation's business. Also on December 18, 2006, Pixman, the Corporation's legal parent, changed its name from Pixman Capital Inc. to Pixman Nomadic Media Inc.

The Corporation specializes in offering nomadic media solutions ["Pixman Systems"] that enable advertisers, advertising agencies and content owners to reach their audiences in a new, dynamic and efficient manner. In North America and Europe and increasingly in other parts of the world, the Corporation operates and resells through partners "turn-key" nomadic media services which includes event planning, Pixman System deployment, creative content development and event reporting ["Nomadic Media Services"]. Outside North America and Europe, revenue is earned from sales, leases and licensing for the use of the Pixman Systems ["Licensing"].

The Corporation has incurred significant losses since its inception and had an accumulated deficit of \$6,759,199 as at December 31, 2007. The Corporation's committed cash obligations and expected level of expenses for the next year exceed the committed sources of funds available, including cash and cash equivalents and short-term investments. To date, the Corporation has financed its cash requirements primarily from operating revenues, advances from shareholders, share and debt issuances, bank indebtedness, and government assistance. The Corporation is currently pursuing financing alternatives including near-term equity. The Corporation's ability to continue as a going concern is dependent on successful resolution of the financing initiative and its ability in the very near term to reduce operating expenses, to obtain new business, to achieve positive cash flows and ultimately to achieve profitability. The outcome of these matters is dependent upon factors outside of the Corporation's control. As a result, there is significant uncertainty as to whether the Corporation will have the ability to continue as a going concern.

These unaudited interim consolidated financial statements (the "Financial Statements") have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements on a going concern basis, which presumes the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. These Financial Statements do not include any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Corporation not be successful in its efforts.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited balance sheet as at December 31, 2007 and the unaudited consolidated statements of comprehensive operations, deficit and cash flows for the three and six months ended December 31, 2007 and 2006 reflect all adjustments which, in the opinion of management, are necessary to present a fair statement of the results of the interim periods presented. The results of operations and cash flows for any quarter are not necessarily indicative of the results or cash flows for an entire year. These Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the most recent annual audited financial statements of the Corporation as at and for the year ended June 30, 2007, thereto filed with the various Securities Commissions in Canada on October 29, 2007. These can be found at www.sedar.com.

Except as described in note 3 below, the accounting policies and methods followed in the preparation of these unaudited interim consolidated financial statements are the same as those used in the audited consolidated financial statements for the year ended June 30, 2007.

3. CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants (“CICA”) recently released the following Handbook Sections: 3855, *Financial Instruments – Recognition and Measurement*; 1530, *Comprehensive Income*; 3251, *Equity*; 3865, *Hedges*; 3861, *Financial Instruments – Disclosure and Presentation*, and 1506, *Accounting Changes*. The Corporation adopted these sections on July 1, 2007. The impact of the adoption of these Sections on the Corporation’s interim consolidated financial statements is presented below.

Financial Instruments – Recognition and Measurement

Under Section 3855, all financial assets are classified as *held for trading*, *held-to-maturity investments*, *loans and receivables* or *available-for-sale*; all financial liabilities must be classified as *held for trading* or as *other financial liabilities*. All financial instruments are recorded initially on the consolidated balance sheet at fair value. After initial recognition, financial instruments should be measured at their fair value, except for held-to-maturity investments, loans and receivables, and other liabilities, which should be measured at amortized cost using the effective interest method. Gains or losses resulting from changes in the fair values of financial assets classified as held for trading are included in net income in the period in which they arise. Gains or losses resulting from unrealized changes in the fair values of available-for-sale financial assets are recognized in other comprehensive income until the financial instrument is derecognized and the cumulative gain or loss is then recognized in net income. An other than temporary loss in the value of an available-for-sale financial asset requires a write-down to its fair value through an impairment loss recognized in net income.

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2007

3. CHANGES IN ACCOUNTING POLICIES (Cont'd)

The Corporation has classified its cash and cash equivalents as *held for trading*, and its accounts receivable and investments in sales-type leases as *loans and receivables*.

Accounts payable and accrued liabilities, due to related parties, capital lease obligations and bank indebtedness have been classified as *other financial liabilities*.

Section 3855 also requires that embedded derivatives be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Corporation has determined that certain of its operating and sales-type leases contain foreign currency embedded derivatives. Following the transitional provisions of Section 3855, the fair value of these foreign currency embedded derivatives on July 1, 2007 resulted in the recognition of a liability of \$30,168 and an increase to the opening July 1, 2007 deficit. As at December 31, 2007, the change in the fair value of the embedded foreign currency derivatives resulted in an unrealized foreign exchange loss of \$30,536 recognized in the net loss of the period. The fair value of the embedded foreign currency derivatives was based on published forward rates.

Comprehensive income (loss) and equity

Section 1530 establishes standards for reporting comprehensive income (loss) and as a result of the adoption of this new Section, the cumulative amount, i.e. accumulated other comprehensive income (loss), is presented separately under shareholders' equity in the consolidated balance sheets and a reconciliation of the accumulated other comprehensive income (loss) as well as the comprehensive income (loss) for the period are presented in the interim consolidated statements of shareholders' equity. The Corporation has not recognized any other comprehensive income in its interim consolidated financial statements.

Hedges

Section 3865 establishes standards for when and how hedge accounting may be applied. Hedging is an activity designed to modify an entity's exposure to one or more risks. Hedge accounting modifies the basis for recognizing the gains, losses, revenue and expenses associated with a hedged item or a hedging item in an entity's income statement. It ensures that off-setting gains, losses, revenue and expenses are recognized in the same period. The adoption of this Section had no impact on the Corporation's consolidated results of operations or financial position.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

3. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Recent Accounting Pronouncements

Inventories

In June 2007, the CICA issued a new accounting standard, Section 3031, *Inventories*, which replaces the existing standard for inventories, Section 3030. The main features of the new section are as follows:

- Measurement of inventories at the lower of cost and net realizable value;
- Consistent use of either first-in, first-out or a weighted average cost formula to measure cost; and
- Reversal of previous write-downs to net realizable value when there is a subsequent increase to the value of inventories.

The new Section is effective for the Corporation beginning January 1, 2008. The Corporation is currently assessing the impact on the financial statements.

Section 3862, *Financial Instruments – Disclosure*, describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, *Financial Instruments – Presentation* establishes standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861, *Financial Instruments – Disclosure and Presentation*. The Corporation does not expect that the adoption of this new section will have a significant effect on its unaudited interim consolidated financial statements.

Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The Corporation is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

These new standards have to be applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities shall be recognized as an adjustment to the opening balance of retained earnings or accumulated other comprehensive income, depending on the classification of existing assets or liabilities. The impact of the adoption of the new standards, except as noted above, did not have a material impact on the financial position or results of operations during the three- and six-month periods ended December 31, 2007.

Pixman Nomadic Media Inc.

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4. INVESTMENT IN SALES-TYPE LEASES

Total minimum lease payments to be received under sales-type leases are as follows:

	December 31, 2007 (unaudited) \$	June 30, 2007 (audited) \$
Gross lease payments to be received	75,790	115,358
Less: Unearned interest income	24,791	50,269
	50,999	65,089
Less: Current portion	50,999	50,947
	—	14,142

The principal amount included in the minimum lease payments receivable are as follows:

	\$
Fiscal 2008	31,287
Fiscal 2009	19,712
	50,999

5. LOAN FACILITY

The Corporation has a loan facility [the “facility”] from a Canadian chartered bank. The facility includes: [a] an operating loan in the form of an account overdraft of up to \$200,000 at the bank’s Canadian prime rate of interest plus 1.25%; [b] a \$200,000 term loan repayable over 18 months from drawdown carrying either a variable interest rate of the bank’s prime rate of interest plus 2% or the bank’s fixed rate at the time of drawdown [at the Corporation’s option]. As at December 31, 2007 the Corporation had a total of \$178,976 outstanding on the term loan.

The facility is collateralized by all the assets of the Corporation including subsidiaries through a number of different commercial pledges, including a first ranking movable hypothec in the amount of \$500,000 over the universality of the Corporation’s current and future assets. The operating loan is also guaranteed to a maximum of 65% by Investissement Quebec. The facility contains certain financial and non-financial covenants one of which the Corporation was not in compliance with as at December 31, 2007. On February 20, 2008 the Corporation obtained a waiver of non-compliance from the bank valid through March 31, 2008. Due to the short term nature of the waiver, the entire balance owing has been presented as current [note 10].

Pixman Nomadic Media Inc.

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
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6. SHARE CAPITAL

Authorized

Unlimited number of common shares.

Issued and outstanding

Common shares	Number of shares	\$
Balance as at December 31, 2007	33,137,500	6,617,745

[a] Share Capital Transactions

There were no common shares issued during the three and six month periods ended December 31, 2007 [2006 – 25,137,500] *[note 1]*.

[b] Stock Option Plan

On September 28, 2006 the Board of Directors of the Corporation adopted a stock option plan [the “Plan”] for directors, senior officers, employees and consultants. Pursuant to the Plan, the Board of Directors may at any time and from time to time, reserve and grant options to Eligible Persons [as defined in the Plan] to purchase in the aggregate such number of common shares of the Corporation as shall not exceed 10%, net of any options exercised, expired or cancelled, of the total number of common shares of the Corporation issued and outstanding as at the time of the stock option grant. Options may not be granted with a strike price less than the market value of the shares at the grant date. The life of the options is 60 months and vesting will be determined by the Board of Directors at the grant date.

As of December 31, 2007, 2,522,498 [2006 – 1,624,648] securities are issued under the Plan and 791,252 options are available for grant.

Pixman Nomadic Media Inc.

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2007

6. SHARE CAPITAL [Cont'd]

Stock option activity during the six month periods ended December 31, 2007 and 2006 and their weighted average exercise prices are as follows:

	2007		2006	
	#	\$	#	\$
Balance, beginning of the period	2,479,831	0.36	800,000	0.30
Granted	576,000	0.24	1,357,981	0.34
Balance, end of the period	3,055,831	0.34	2,157,981	0.34
Options exercisable	1,840,415	0.34	533,333	0.30

The stock-based compensation expense for the six month period ended December 31, 2007 was \$141,141 [2006 – \$98,985].

[c] Warrants

Changes in the issued and outstanding common share purchase warrants for the six month periods ended December 31, 2007 and 2006 were as follows:

	2007		2006	
	#	\$	#	\$
Balance, beginning of period	6,046,406	0.40	—	—
Granted	—	—	6,046,406	0.40
Balance, end of period	6,046,406	0.40	6,046,406	0.40
Warrants exercisable	6,046,406	0.40	6,046,406	0.40

Included in the balance of warrants outstanding as at December 31, 2007 and 2006 are 602,656 warrants to purchase units of the Corporation, which if exercised would result in the issue of 602,656 common shares and 301,328 half warrants to purchase one common share.

Pixman Nomadic Media Inc.

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
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6. SHARE CAPITAL [Cont'd]

[d] Contributed surplus

The following sets out the changes to contributed surplus during the six month period ended December 31:

	December 31, 2007 (unaudited) \$	June 30, 2007 (audited) \$
Balance, beginning of the period	438,910	1,863
Fair value warrants – financing cost	—	249,955
Amortization of stock-based compensation	141,141	188,955
Stock options exercised	—	(1,863)
Balance, end of the period	580,051	438,910

7. RELATED PARTY TRANSACTIONS

The Corporation acquired a R&D software license from a company controlled by a director, officer and significant indirect shareholder during the year ended June 30, 2007. The Corporation paid additional amounts of \$34,700 during the six month period ended December 31, 2007 [2006 – \$nil] for this license which is reflected as investment in license in intangible assets.

On December 12, 2007 the Corporation announced that it had entered into a loan agreement with a company controlled by the same director, officer and significant shareholder of the Corporation (the “Lender”) whereby the Lender made a loan in the principal amount of \$300,000 to the Corporation. The loan bears annual interest at the prime rate plus 2%, calculated monthly and not in advance. Pursuant to the loan agreement the Corporation will repay the principal outstanding amount of the loan, together with accrued and unpaid interest and all costs and expenses in respect thereof, on demand by the Lender but no earlier than March 31, 2008. The loan is being used by the Corporation for working capital and general corporate purposes. On February 20, 2008 the Corporation and the Lender signed a subordination agreement in favor of the Corporation’s bank [note 10].

Pixman Nomadic Media Inc.

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
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8. SEGMENTED DISCLOSURE

The Corporation has two reportable segments: Nomadic Media Services and Licensing. The Nomadic Media Services segment provides and resells turn-key services around the world including event planning, Pixman System deployment and content development to customers seeking to promote brands, companies and products. The Licensing segment designs, manufactures, licenses and sells or leases Pixman Systems. The accounting policies of the segments are the same as those described in note 2. Inter-segment transactions are not significant.

For the three months ended December 31, 2007:

	Nomadic Media Services	Licensing	Corporate	Total
	\$	\$	\$	\$
Revenue	403,072	96,666	—	499,738
Selling, marketing and operation expenses	570,699	9,128	—	579,827
General and administrative expenses	—	—	622,858	622,858
Research and development expenses, net	—	—	87,547	87,547
Amortization	37,391	5,648	38,129	81,168
Short-term financing interest and bank charges	—	—	11,899	11,899
Interest on long-term debt	—	—	10,830	10,830
Unrealized loss on foreign currency imbedded derivatives	—	12,496	—	12,496
Gain on sale of property and equipment	—	(19,614)	—	(19,614)
Foreign exchange loss/(gain)	—	—	(9,972)	(9,972)
Net comprehensive income (loss)	(205,018)	89,008	(761,291)	(877,301)

Pixman Nomadic Media Inc.

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
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8. SEGMENTED DISCLOSURE [Cont'd]

For the three months ended December 31, 2006:

	Nomadic Media Services	Licensing	Corporate	Total
	\$	\$	\$	\$
Revenue	182,658	79,704	—	262,362
Selling, marketing and operation expenses	380,759	70,013	(40,168)	410,604
General and administrative expenses	—	—	671,988	671,988
Research and development expenses, net	—	—	40,168	40,168
Amortization	13,530	10,000	23,692	47,222
Short-term financing interest and bank charges	—	—	264,388	264,388
Interest on long-term debt and convertible debentures	—	—	14,069	14,069
Foreign exchange loss	—	—	(2,049)	(2,049)
Net income (loss)	(211,631)	(309)	(972,088)	(1,184,028)

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**NOTES TO UNAUDITED INTERIM CONSOLIDATED
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8. SEGMENTED DISCLOSURE [Cont'd]

For the six months ended December 31, 2007:

	Nomadic Media Services	Licensing	Corporate	Total
	\$	\$	\$	\$
Revenue	1,036,878	155,764	10,830	1,203,472
Selling, marketing and operation expenses	1,180,278	39,504	—	1,219,782
General and administrative expenses:	—	—	1,183,935	1,183,935
Research and development expenses, net	—	—	155,401	155,401
Amortization	62,654	12,282	74,300	149,236
Short-term financing interest and bank charges	—	—	16,303	16,303
Interest on long-term debt	—	—	10,830	10,830
Unrealized loss on foreign currency imbedded derivatives	—	30,536	—	30,536
Gain on sale of property and equipment	—	(19,614)	—	(19,614)
Foreign exchange loss/(gain)	—	—	(7,556)	(7,556)
Net comprehensive income (loss)	(206,054)	93,056	(1,422,383)	(1,535,381)

Pixman Nomadic Media Inc.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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8. SEGMENTED DISCLOSURE [Cont'd]

For the six months ended December 31, 2006:

	Nomadic Media Services	Licensing	Corporate	Total
	\$	\$	\$	\$
Revenue	373,150	221,061	—	594,211
Selling, marketing and operation expenses	712,264	127,343	(40,168)	799,439
General and administrative expenses	—	—	848,760	848,760
Research and development expenses, net	—	—	73,398	73,398
Amortization	28,625	18,435	47,056	94,116
Short-term financing interest and bank charges	—	—	289,503	289,503
Interest on long-term debt and convertible debentures	—	—	25,110	25,110
Foreign exchange loss	—	—	20,444	20,444
Net income (loss)	(367,739)	75,283	(1,264,103)	(1,556,559)

9. FINANCIAL INSTRUMENTS

Fair value

The fair value of short-term financial assets and liabilities approximates their carrying value due to their short-term nature.

The fair value of investments in sales-type leases approximates their carrying value as they bear interest rates commensurate with their inherent risks.

The fair value of the advances from parent company and convertible debentures could not be determined since it is practically impossible to find financial instruments on the market with substantially the same characteristics.

The fair value of variable-rate long-term debt approximates its carrying value since it bears interest at rates that vary with the market. The fair value of the capital lease obligations calculated at the present value of future contractual payments of principal and interest and discounted at the current

**NOTES TO UNAUDITED INTERIM CONSOLIDATED
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9. FINANCIAL INSTRUMENTS [Cont'd]

market rate of interest available to the Corporation for debt instruments with similar terms and maturity approximates their carrying value.

10. SUBSEQUENT EVENTS

[a] On February 20, 2008 the Corporation and a related party signed a subordination agreement in favor of the Corporation's bank *[note 7]*.

[b] On February 20, 2008 the Corporation received a waiver letter from the Corporation's bank regarding non-compliance with a certain covenant related to its banking facility valid through March 31, 2008 *[note 5]*.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.