

2009



innovium
Media Properties

2009
Second Quarter Report



2009 SECOND QUARTER REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW

Innovium Media Properties Corp.'s ("Innovium" or the "Company") Management is presented with many investment opportunities over the course of any given year. Each opportunity is evaluated based on its own merits with only a select few becoming the beneficiaries of Innovium's capital. Innovium's interests lie in "leading-edge" ideas with strong management and an achievable business plan. The investee company must be prepared to continuously re-assess its own business model and to tailor it to the ongoing needs of its target clients and markets.

Innovium's investment focus bears much risk and uncertainty. There is no guarantee, despite the best efforts of those involved, that these opportunities will mature into successful enterprises. There is no certainty that Innovium will be rewarded for the risk it takes in providing capital and oversight. There is no assurance that the market will recognize the intrinsic value of these investments and reflect that insight in Innovium's share price.

During the second quarter of 2009, Innovium continued to manage its investment portfolio, with a focus on Seed Media Group ("Seed"), advancing funds when required and appropriate, and helped to review and re-assess strategy and business directions. On a regular basis, Innovium provides its investments with counsel on regulatory and governance matters. All of these activities were, and are, designed to create value in Innovium's investee companies.

While Management has always sought to reduce costs and minimize expenses, the current economic environment has caused Management to be extra vigilant. This environment has actually presented some opportunities to reduce costs from suppliers. While not necessarily material in nature, Management believes that all monies saved can be better deployed towards the Company's investment focus.

Due to the nature of Innovium's business, there is nothing in the Company's operations that would suggest a general trend. The financial statements, while an accurate reflection of Innovium's financial position and operating results, do not reflect the potential value inherent in the Company's investments. The following is a discussion of the material factors influencing the operating results and financial condition of Innovium as at, and for, the period ended June 30, 2009 with comparatives as at, and for, the quarter ended June 30, 2008 and year ended December 31, 2008. This document should be read in conjunction with the financial statements of the Company and notes thereto as at, and for, the year ended December 31, 2008. All figures are in Canadian dollars unless otherwise specified.

LIQUIDITY AND CAPITAL RESOURCES

Selected Financial Information

(in thousands of Canadian dollars, except ratios and shares issued and outstanding)

	June 30, 2009	Dec. 31, 2008	Change
Cash and cash equivalents	54	731	- 93%
Short-term investments	57	113	- 50%
Venture investments ⁽¹⁾	13,048	11,631	+ 12%
Total assets	13,357	12,701	+ 5%
Term loans	1,290	--	+ 100%
Total liabilities	1,292	11	+ 116%
Working capital	172	910	- 81%
Current ratio ⁽²⁾	87.0 : 1	83.7 : 1	--
Shareholders' equity	12,065	12,690	- 5%
Shares issued and outstanding	88,112,214	88,112,214	--

⁽¹⁾ Venture investments include accrued interest and dividends on related debt instruments and preferred shares.

⁽²⁾ The Current Ratio is defined as current assets divided by current liabilities.

Total cash and cash equivalents at June 30, 2009 were \$54,000 compared to \$731,000 at December 31, 2008. Short-term investments are made up exclusively of a guaranteed investment certificate (“GIC”) with a principal balance at June 30, 2009 of \$57,000 (\$110,000 at December 31, 2008). This GIC is included in “short-term investments” as it has an original maturity date greater than 90 days at the date of purchase.

Investing Activities

In the first quarter of 2009, investors in Seed, of which Innovium is one, agreed to increase, to \$7 million, the line of credit extended to Seed. Innovium advanced an additional US\$870,000 under the Seed Line of Credit and converted US\$31,250 of accounts receivable into the Seed Line of Credit.

In the second quarter of 2009, Innovium advanced an additional US\$100,000 under the Seed Line of Credit and US\$200,000 in the form of a secured 18% Bridge Loan, convertible into Seed equity at a 10% discount, to the price of a subsequent equity financing.

In the second quarter of 2009, the Company recorded a foreign exchange loss of \$1,038,000 on its Seed investment resulting in a net foreign exchange loss of \$602,000 for the six months ended June 30, 2009.

Financing Activities

In February 2009, Innovium raised \$700,000 in the form of a 3-year term loan bearing interest at 12% per annum. The Company has the option of repaying this loan in full, without penalty, at any time after August 27, 2009. The holder of this loan received 1.4 million warrants, each exercisable to acquire one common share at a price of \$0.10 per share for the first year the loan is outstanding and at \$0.15 per share for the second and third years that the loan is outstanding. Subsequent to quarter end, the terms of the warrants were amended such that each is exercisable to acquire one common share at a price of \$0.10 per share for the entirety of their existence. The warrants expire at maturity or 30 days from the earlier debt repayment date.

In the second quarter of 2009, the Company raised \$360,000 in the form of 3-year term loans bearing interest at 12% per annum. The Company has the option of repaying these loans in full, without penalty, at any time after December 4, 2009. The holders of these loans received 720,000 warrants, each having a three year life and exercisable to acquire one common share at a price of \$0.10 per share. The warrants expire at maturity or 30 days from the earlier debt repayment date.

In compliance with GAAP, the value of the 2.12 million warrants granted as part of these financings (\$83,000) was accounted for as an increase in contributed surplus, with the balance presented as long-term loans payable. The discount arising on issue of the loan is being amortized as interest expense over the life of the loans.

Late in June 2009, Innovium received \$275,000 in the form of a 3-year term note bearing interest at 12% per annum. Subsequent to quarter-end an additional \$125,000 was received as part of this loan.

Share Capital and Outstanding Share Data

Innovium did not complete any equity financings during the first six months of 2009 or 2008. However, during the first half of 2008, 4,463,333 warrants and 5,555,000 options were exercised resulting in total proceeds of \$890,400.

As at August 17, 2009, the Company had 88,262,214 common shares issued and outstanding.

During the first six months of 2009, 2,120,000 warrants were issued as part of term loan financings (see Financing Activities above). Each warrant has a three year life and is exercisable to acquire one common share at a price of \$0.10 per share. The breakdown of the 2,120,000 warrants outstanding at June 30, 2009 is as follows:

Expiry Date	Number of Warrants	Exercise Price
February 27, 2012	1,400,000	\$0.10
June 4, 2012	720,000	\$0.10

As at August 17, 2009, Innovium had 11,335,000 stock options outstanding allowing the holders to purchase shares of Innovium at prices ranging from \$0.10 to \$0.22 per share. Subsequent to quarter end, 2,000,000 stock options were granted Directors, Officers and employees of the Company resulting in stock option expense of \$72,000 with a corresponding increase to contributed surplus.

RESULTS OF OPERATIONS

Selected Financial Information

(in thousands of Canadian dollars, except per share amounts)

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Interest and dividend income	302	163	604	305
Unrealized (losses) gains on investments	(1,038)	(30)	(602)	184
Gains on investments	--	4,313	--	4,313
General and administrative	341	902	701	1,122
Net earnings (loss)	(1,087)	3,524	(708)	3,738
Net earnings (loss) per share	(0.01)	0.04	(0.01)	0.04

There was no agri-products revenue in 2009. Due to the accelerated payment of future agri-product revenue stream, which amount included payments due from February through May 2008, Management stopped accruing agri-product revenues after January 2008, resulting in \$60,000 being recognized as agri-products payments revenue in the first quarter of 2008.

Interest and dividend income increased by 85% in the second quarter of 2009 compared to the second quarter of 2008 (an increase of 46% six months versus six months), attributable to the number of interest-bearing and dividend-bearing advances Innovium has made to Seed vis-à-vis comparable advances as of one year earlier.

In the second quarter of 2009, the Company recorded an unrealized foreign exchange (“forex”) loss of \$1,038,000 (unrealized forex loss of \$30,000 for the second quarter of 2008) on its investment in Seed as a result of fluctuations in the US dollar / Canadian dollar exchange rate. The forex loss was \$602,000 for the first six months of 2009 versus a \$184,000 forex gain in the similar period of 2008.

Compared to the second quarter of 2008, the Company experienced a 62% decrease in general and administrative costs in the second quarter of 2009 (a 38% decrease for the first six months of 2009 compared to the same period in 2008). The second quarter of 2008 had been characterized by the recognition of \$444,000 of stock option expenses and \$100,000 of consultants fees related to the receipt of the accelerated payment of the future agri-product revenue stream.

Innovium had a 2009 second quarter net loss of \$1,087,000 compared to net earnings of \$3,524,000 in the second quarter of 2008 (a loss of \$708,000 for the first six months of 2009 compared to earnings of \$3,738,000 for the same period in 2009). The large net earnings in 2008 were primarily attributable to the \$4.3 million gain on the accelerated receipt of Innovium’s agri-products revenue stream. For the three months ended June 30, 2009, the Company recorded a negative operating cash flow, after changes in non-cash working capital items, of \$378,000 compared to a negative operating cash flow of \$121,000 for the second three months of 2008 (negative operating cash flow of \$655,000 for the first six months of 2009 compared to a negative cash flow of \$510,000 for the first six months of 2008).

RELATED PARTY TRANSACTIONS

The Company reimbursed shareholders for shared office space and administrative services paid on Innovium's behalf. These payments were at rates believed by Management to be at market, and totalled \$58,500 in the second quarter of 2009 (Q2 2008 - \$58,500). These payments totalled \$117,000 in the first half of 2009 (first six months of 2008 - \$117,000).

CONTRACTUAL OBLIGATIONS

The Company has entered into the following lease commitments for its office space:

Balance of 2009	\$	44
2010		89
2011		89
2012		89
2013		89
Thereafter		74
		<hr/>
		\$ 474

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in Note 1 to the audited financial statements for the year ended December 31, 2008, included in the annual report. The preparation of the financial statements in conformity with generally accepted accounting principals ("GAAP") in Canada requires management to make certain estimates and assumptions, some of which may relate to matters which are uncertain, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Management attempts to base these estimates on known facts, industry trends, general economic realities and the realities of today's business environment. Because, by definition, the unknown is less predictable than the known, actual results could differ from those estimates. As more information becomes known, these estimates and assumptions could change and thus could have a material impact on the Company's financial condition and results of operations in the future.

The most significant estimate and assumptions used in preparing the financial statements are in respect of venture investments. Venture investments represent 98% of Innovium's asset balance at June 30, 2009 (98% at March 31, 2009 and 92% at December 31, 2008). CICA Accounting Guideline 18, "Investment Companies", requires investment companies to account for their investments at fair value. A significant degree of judgment is required to determine amounts recorded in the financial statements for venture investments. The process for establishing the valuation for investments reflects uncertainties and significant judgmental factors. At the end of each financial reporting period, the Company's Management determines the valuation of investments based on the criteria below and reflects such valuations in the financial statements.

(i) Publicly traded investments

1. Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on bid prices at the balance sheet date or the bid price on the last day the security traded if there were no trades at the balance sheet date.
2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. In accordance with International Private Equity

- Options and warrants are fair valued using the Modified Black-Scholes option/warrant pricing model. In accordance with IPEVCV Guidelines, a 25% discount is applied to all unlisted warrants and options, due to their decreased marketability.

(ii) Privately-held investments

- Securities in privately-held companies are initially recorded at cost and subsequently valued at fair value. Fair value is adjusted upward or downward when supported by persuasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher or lower than the Company's carrying value. Adjustments to carrying value are also made when there is evidence of a change in the fair value as indicated by the assessment of the financial condition of the investment based on corporate assets, operational results, forecasts and other developments.
- Options and warrants are valued at fair value using the Modified Black-Scholes option/warrant pricing model. At the time of a significant subsequent equity financing by an unrelated investor at a transaction price higher or lower than the Company's exercise price, the fair value of these options and warrants is then reassessed using the Modified Black-Scholes option/warrant pricing model. Adjustments to carrying value are also made when there is evidence of a change in the fair value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition. In accordance with IPEVCV Guidelines, a 25% discount is applied to all unlisted warrants and options, due to their decreased marketability.

The resulting carrying values may differ from values that would be realized had a ready market existed. The amounts at which Innovium's privately held investments could be disposed of currently may differ from the carrying value assigned as a substantial period of time may have elapsed since the latest third party equity financing. The amounts at which Innovium's publicly traded investments could be disposed of currently may differ from carrying value based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors, such as premiums paid for large blocks or discounts due to illiquidity.

ACCOUNTING CHANGES

As of January 1, 2008 the Company adopted CICA Handbook Section 1535, Capital Disclosures, CICA Handbook Section 3862 and amendments, Financial Instruments - Disclosures, and CICA Handbook Section 3863, Financial Instruments - Presentation. Since the Company does not have any items of other comprehensive income, there has been no material impact on net income, total assets or shareholders' equity for 2009 and 2008 as a result of adoption of these standards.

At March 31, 2009, the Company had developed a plan to meet the reporting deadlines published by the CICA for changeover to International Financial Reporting Standards ("IFRS"). The changeover plan includes an assessment of the qualitative and quantitative impact of IFRS to the financial statements of the Company and the continued monitoring of changes to IFRS which impact the Company.

At June 30, 2009, Innovium has determined that upon adoption of IFRS, the Company may be required to equity account or consolidate certain of its investments rather than continue with its current accounting policies outlined in the notes to the financial statements. The requirement to equity account or consolidate its investments would have a material impact on measurement, presentation and disclosure in the financial statements. Fair value accounting and the potential equity accounting or consolidation of investments is an industry-wide issue and an evolving area of accounting, which the Company will continue to monitor. Aside from this matter, the Company expects that the impact of IFRS on the financial statements will result in additional disclosures and potentially different presentation of certain items in the financial statements.

OUTLOOK

The venture capital sector is often highly rewarding, but with that reward comes considerable risk. For every success there are likely to be many enterprises that fail to live up to expectations. In spite of the occasional setback, Innovium evaluates these experiences and applies the lessons learned to its future investment activities. Early stage investors are, by their very nature, optimists, and Innovium is no exception. Innovium believes in the future of its investees and, by extension, the future of Innovium.

The lack of quarterly agri-products revenue may require Innovium to seek out other sources of revenue. In 2008, with a reduced revenue stream, cash needs were met through the exercise of stock options and warrants, as well as cash received from the accelerated payment of future agri-products revenue stream. In 2009, Innovium has been able to access debt financing which has been used to increase its investment in Seed and meet its own working capital needs. Management continues to be confident in being able to raise capital as needed. In the future, cash inflows may be the result of other sources of revenues not yet codified, such as bridging or new royalty opportunities. Innovium will look to redeploy its cash resources into Seed, and look for new ventures or other opportunities. Innovium may also continue to raise additional funds through private placements for investment and general working capital purposes.

Innovium is one of a handful of substantial shareholders in Seed and each of these shareholders/entities is called upon, from time-to-time, for equity, bridge loans, operating lines, financial insight, etc. In the experience of Innovium's Management group this is one of the most difficult times to source capital of any sort. This is true for big-caps, small-caps, micro-caps, and is relatively sector insensitive. As a result, Seed, while continuing to expand its product lines and grow its business, has been attentive regarding its expenditures and carefully monitors its cash needs.

Innovium will continue to operate with a moderate overhead structure, maintaining a minimum number of management and staff. Directors receive no annual remuneration but are reimbursed for out-of-pocket expenditures incurred in the performance of their directorial responsibilities. Outside technical consultants and accounting personnel are contracted on an "as needed" basis.

Management will continue to divide its time and effort between diligently monitoring its current investments and identifying and sourcing new opportunities for future investment. Management plans to increasingly focus its attention on sourcing those opportunities that reflect Innovium's investment criteria, capitalize on Management's and its Board of Director's expertise and have the greatest ability to enhance shareholder value.

RISK

The Company's financial statements have been prepared on a "going concern" basis in accordance with Canadian GAAP. The "going concern" basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The ability of the Company to continue as a "going concern" and to realize its assets and discharge its liabilities is dependent on the ability of the Company to raise additional capital or realize on its investments. The financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

The future of the Company is based on the successful investment in opportunities. The success of this strategy is dependent on many components:

- a) being able to identify such opportunities;
- b) having sufficient management time to monitor and evaluate them;
- c) being able to acquire them on a timely and affordable basis;

- d) having sufficient capital to fund their commercialization;
- e) having sufficient management and/or other expertise to implement commercialization;
- f) having appropriate exit opportunities for the investment.

The Company's investments in Seed are made in United States dollars, resulting in exposure to changes in the value of the United States dollar against the Canadian dollar. In the past, in order to mitigate foreign exchange risk, the Company has from time-to-time entered into forward foreign exchange contracts to hedge its foreign currency exposure. While no such contracts are currently in place, Innovium may consider entering into similar contracts in the future.

Innovium typically invests at an early enough stage where significant amounts of capital are not necessarily required but where responsiveness, flexibility, timeliness and networks represent a significant value added. The Company faces competition from its rivals, which include the relatively small divisions of large investment companies and banks that are significantly larger than Innovium. However, Management believes it has the flexibility and resources to compete with these companies in its targeted markets.

Management strongly believes that "quality investments" will make the difference in this endeavour. Due to the nature of its business, Innovium will always be exposed to the risks inherent in any investment portfolio. The Company manages this risk through thoughtful planning, strict investment criteria, due diligence of investment opportunities, high-quality co-investors, and, if appropriate, active, but non-operational, involvement with its investments.

You may find additional information on Innovium at www.sedar.com.

August 21, 2009

INNOVIUM MEDIA PROPERTIES CORP.

INTERIM (UNAUDITED) BALANCE SHEETS

As at June 30, 2009 and December 31, 2008

Expressed in thousands of Canadian dollars

	June 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 54	\$ 731
Accounts receivable and other assets	63	77
Short-term investments	57	113
	174	921
Venture investments (<i>Note 3</i>)	13,048	11,631
Capital assets, net	135	149
	\$ 13,357	\$ 12,701
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2	\$ 11
Term loans (<i>Note 4</i>)	1,290	---
Shareholders' equity		
Share capital	25,372	25,372
Contributed surplus	922	839
Deficit	(14,229)	(13,521)
	12,065	12,690
	\$ 13,357	\$ 12,701

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

INNOVIUM MEDIA PROPERTIES CORP.

INTERIM (UNAUDITED) STATEMENTS OF OPERATIONS AND DEFICIT

For the periods ended June 30, 2009 and 2008

Expressed in thousands of Canadian dollars, except per share amounts

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Interest and dividend income	\$ 302	\$ 163	\$ 604	\$ 305
Unrealized gains (losses) on investments	(1,038)	(30)	(602)	184
Gains on investments	--	4,313	--	4,313
Agri-products revenue	--	--	--	60
Other income	--	4	--	17
	(736)	4,450	2	4,879
Expenses				
General and administrative	341	902	701	1,122
Depreciation and amortization	7	7	14	15
Foreign exchange loss (gain)	3	17	(5)	4
	351	926	710	1,141
Earnings (loss) before income taxes	(1,087)	3,524	(708)	3,738
Income taxes	--	--	--	--
Net earnings (loss)	\$ (1,087)	\$ 3,524	\$ (708)	\$ 3,738
Deficit, beginning of period	(13,142)	(18,753)	(13,521)	(18,967)
Deficit, end of period	\$(14,229)	\$(15,229)	\$(14,229)	\$(15,229)
Basic and diluted earnings (loss) per share (Note 6)	\$ (0.01)	\$ 0.04	\$ (0.01)	\$ 0.04

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

INNOVIUM MEDIA PROPERTIES CORP.

INTERIM (UNAUDITED) STATEMENTS OF CASH FLOWS

For the periods ended June 30, 2009 and 2008

Expressed in thousands of Canadian dollars

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net earnings (loss) for the period	\$ (1,087)	\$ 3,524	\$ (708)	\$ 3,738
Items not affecting cash:				
Unrealized (gains) losses on investments	1,038	30	602	(184)
Realized gains on investments	--	(4,313)	--	(4,313)
Accrued interest and dividends from investments	(300)	(155)	(606)	(298)
Accrued interest on notes payable	25	--	32	--
Amortization related to notes payable	5	--	6	--
Depreciation of capital assets	7	7	14	15
Stock option expense	--	444	--	444
	(312)	(463)	(660)	(598)
Net change in non-cash working capital items:				
Accounts receivable and other assets	(30)	370	14	205
Accounts payable and accrued liabilities	(36)	(28)	(9)	(117)
	(378)	(121)	(655)	(510)
FINANCING ACTIVITIES				
Issue of common shares, net of share issue costs	--	18	--	446
Term loans (<i>Note 4</i>)	635	--	1,335	--
	635	18	1,335	446
INVESTING ACTIVITIES				
Sale of investments	40	4,313	153	4,426
Purchase of investments	(341)	(912)	(1,510)	(1,174)
	(301)	3,401	(1,357)	3,252
Increase (decrease) in cash and cash equivalents	(44)	3,298	(677)	3,188
Cash and cash equivalents, beginning of period	98	109	731	219
Cash and cash equivalents, end of period	\$ 54	\$ 3,407	\$ 54	\$ 3,407

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

INNOVIUM MEDIA PROPERTIES CORP.

NOTES TO INTERIM (UNAUDITED) FINANCIAL STATEMENTS

June 30, 2009 and 2008

Expressed in Canadian dollars unless otherwise indicated

Innovium Media Properties Corp. (“Innovium” or the “Company”) is incorporated under the laws of Canada. Innovium invests in prospective media opportunities possessing both proprietary/patented ideas or technologies and a strong management team.

1. INTERIM CONSOLIDATED FINANCIAL STATEMENT PREPARATION

The disclosures in these interim financial statements do not meet all disclosure requirements of Canadian generally accepted accounting principles (“GAAP”) for annual financial statements. These interim financial statements should be read in conjunction with the annual financial statements of the Company and the notes thereto.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared by the Company in accordance with Canadian GAAP used for the annual financial statements for the year ended December 31, 2008. There have been no changes to the Company's accounting policies since December 31, 2008.

3. VENTURE INVESTMENTS

In the first quarter of 2009, investors in Seed Media Group (“Seed”), of which Innovium is one, agreed to increase, to \$7 million, the line of credit extended to Seed. Innovium advanced an additional US\$870,000 under the Seed Line of Credit and converted US\$31,250 of accounts receivable into the Seed Line of Credit.

In the second quarter of 2009, Innovium advanced an additional US\$100,000 under the Seed Line of Credit and US\$200,000 in the form of a secured 18% Bridge Loan, convertible into Seed equity at a 10% discount, at any time prior to maturity, to the price of a subsequent equity financing.

In the second quarter of 2009, the Company recorded a foreign exchange loss of \$1,038,000 on its Seed investment resulting in a net foreign exchange loss of \$602,000 for the six month's ended June 30, 2009.

4. TERM LOANS

In February 2009, Innovium raised \$700,000 in the form of a 3-year term loan bearing interest at 12% per annum. The Company has the option of repaying this loan in full, without penalty, at any time after August 27, 2009. The holder of this loan received 1.4 million warrants, each exercisable to acquire one common share at a price of \$0.10 per share for the first year the loan is outstanding and at \$0.15 per share for the second and third years that the loan is outstanding. Subsequent to quarter end, the terms of the warrants were amended such that each is exercisable to acquire one common share at a price of \$0.10 per share for the entirety of their existence. The warrants expire at maturity or 30 days from the earlier debt repayment date.

In the second quarter of 2009, the Company raised \$360,000 in the form of 3-year term loans bearing interest at 12% per annum. The Company has the option of repaying these loans in full, without penalty, at any time after December 4, 2009. The holders of these loans received 720,000 warrants, each having a three year life and exercisable to acquire one common share at a price of \$0.10 per share. The warrants expire at maturity or 30 days from the earlier debt repayment date.

In compliance with GAAP, the value of the 2.12 million warrants granted as part of these financings (\$83,000) was accounted for as an increase in contributed surplus, with the balance presented as long-term loans payable. The discount arising on issue of the loan is being amortized as interest expense over the life of the loans.

In June 2009, Innovium received \$275,000 in the form of a 3-year term note bearing interest at 12% per annum. Subsequent to quarter-end an additional \$125,000 was received as part of this loan.

5. SHARE CAPITAL

In June 2009, warrants to acquire 3,698,000 Innovium common shares, at a price of \$0.12 per share, expired unexercised.

During the first six months of 2009, 2,120,000 warrants were issued as part of term loan financings (see Note 4 above). Each warrant has a three year life and is exercisable to acquire one common share at a price of \$0.10 per share.

Subsequent to quarter-end, 2,000,000 stock options were granted Directors, Officers and employees of the Company resulting in stock option expense of \$72,000 with a corresponding increase to contributed surplus.

6. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period (net of share purchase loans). Diluted earnings per share reflect the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method. For the quarter ended June 30, 2009, the inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share had an anti-dilutive effect on loss per share and, therefore, were excluded from the computation. The weighted average number of shares outstanding used in the computation of basic and diluted earnings per share for the quarter and six months ended June 30, 2009 was 88,112,214. The weighted average number of shares outstanding used in the computation of basic and diluted earnings per share for the quarter ended June 30, 2008 were 87,969,796 and 88,041,734, respectively and for the six months ended June 30, 2008 were 86,240,016 and 86,276,587, respectively.

7. CAPITAL RISK MANAGEMENT

The Company includes cash, debt and equity, comprised of issued common shares, notes, contributed surplus and deficit, in the definition of capital.

The Company's primary objectives with respect to its capital management are to ensure that it has sufficient cash resources to: (a) fund ongoing operations; (b) support existing investments; and (c) finance the identification and evaluation of potential investments. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or debt instruments, or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended June 30, 2009.

8. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk and currency risk) and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by Innovium's Management under the direction of the Board of Directors. Management identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market risk:

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Innovium's interest rate risk on its GIC and cash balances is insignificant. Innovium's loan receivable or payable are, and have historically been, subject to fixed rates of interest, consequently the Company's exposure to interest rate risk is, and has historically been, insignificant. The sensitivity to interest rate fluctuations of Innovium's private debt investments is not considered by Management to be significant as the investments are private in nature and the stated interest is but one input used in determining the valuation.

Currency risk:

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is Innovium's functional currency. Innovium is exposed to the risk that the value of cash, securities, investments and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Company's investment in Seed is a US dollar-based investment, which fair value fluctuates based on the Canadian dollar/US dollar exchange rate at any given time.

At June 30, 2009, the Company had no cash and cash equivalents denominated in US dollars (December 31, 2008 - \$678,000), and none of the Company's accounts receivable were denominated in US dollars (December 31, 2008 - \$nil). In the past, Innovium has entered into hedging contracts in order to eliminate uncertainty re foreign exchange fluctuations. The Company continually reviews its risk and may engage in future hedging if deemed appropriate.

The table below indicates Management's best estimate, as at June 30, 2009, of the effect on the Company's balance sheet to a change in the Canadian/US dollar exchange rate with all other variables held constant:

Asset	Change in foreign exchange rate	Affect on assets
Cash	+/- 10 %	+/- \$nil
Investment in Seed	+/- 10 %	+/- \$1,302,800

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Management is also actively involved in the review and approval of planned expenditures.

As at June 30, 2009, the Company had current liabilities of \$2,000 due within 12 months and had current assets of \$174,000 to meet its current obligations. Innovium has historically maintained a small cash balance and has arranged financing, as needed, for investment or general working capital needs.

(c) Credit risk:

Credit risk is the risk that the entity to which Innovium has advanced funds will fail to discharge the obligation or commitment it has entered into with the Company. Innovium has made loans to its investee companies and continuously evaluates the collectability of these amounts as part of its valuation analysis.



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