

Matrikon™ releases record results for the first quarter of fiscal 2010 and declares \$0.03 quarterly dividend

Highlights

- Record revenue of \$25.45 million in Q1-10, representing growth of 30% compared to Q1-09 revenue of \$19.58 million
- Record consulting revenue of \$13.19 million in Q1-10 compared to \$12.15 million in Q1-09
- Q1-10 net income of \$2.77 million or \$0.09 per share compared to \$2.76 million or \$0.09 per share in Q1-09
- Several significant recent wins, including both high value consulting and industry applications, along with a growing pipeline, indicate strategy is bearing results and are expected to fuel growth throughout the year
- Board of directors declares quarterly dividend of \$0.03 per common share

Edmonton, Alberta – January 11, 2010

Matrikon Inc. (TSX:MTK), a leading provider of solutions for industrial intelligence, today reported financial results for the first quarter of fiscal year 2010 which ended November 30, 2009.

Matrikon president and CEO Nizar J. Somji commented on the quarter: "Riding on the momentum from activity that started to pick up late in Q4-09, our first quarter places us back on track. Some of our recently announced contract wins resulted in record consulting and equipment revenue and strong software revenue in the quarter. We expect that as we continue to execute these contracts and close other opportunities in our pipeline, we will continue to grow our top line and profitability throughout this fiscal year and beyond.

"These record results demonstrate the turning point we have reached as a company; we have built a sustainable business model based on high value consulting engagements and our integrated industry solutions. As a long-term business strategy, we expected it to bear fruit in the last fiscal year. However, the global economic downturn set things back by a year. Our results are now back on track and we expect projects of the magnitude we have announced recently to become the new norm rather than one-off occurrences as we continue to execute our strategy."

Revenue for the first quarter was a record \$25.45 million compared to \$19.58 million in Q1-09 and \$17.62 million in Q4-09. Net income in the first quarter was \$2.77 million or \$0.09 per share compared to \$2.76 million or \$0.09 per share in Q1-09 and \$0.49 million or \$0.01 per share in Q4-09.

Matrikon's board of directors declared a quarterly dividend of \$0.03 per common share to all shareholders of record on January 20, 2010, payable on January 29, 2010. The dividend is an eligible dividend for Canadian tax purposes.

Additional Highlights:

- Consulting revenue increased by \$1.04 million over Q1-09 and by \$2.32 million compared to Q4-09 as a result of new project wins which led to improved utilization and a 6% increase in average daily rate compared to Q1-09 and 18% compared to Q4-09.
- Record Equipment revenue: Equipment revenue was a record \$5.63 million in Q1-10 as we delivered a significant portion of the equipment (third party hardware and software) on our major industrial security project. We continue to work on the consulting components of this project. With a lower margin than other revenue lines, this significant increase in equipment revenue shifted our revenue mix and impacted both gross and net margin.
- Subsequent to the quarter, we won and announced a US\$15.7 million contract to build a remote oil field monitoring program for a Middle East oil company based on Matrikon's Well Performance Monitor industry application. Also subsequent to the quarter, we announced a €4.2 million contract win with

Statoil to deliver Well Performance Monitor to 35 offshore assets on the Norwegian Continental Shelf. These recent wins, along with ongoing work with other global clients, establish Matrikon as the vendor of choice for intelligent field solutions.

- During the quarter, we received additional change orders totaling US\$2.13 million on the US\$14.61 million contract to deliver the network foundation for cyber security for a major United States electricity producer. We also entered a corporate license agreement for our Control Performance Monitor and Alarm Manager products with a major European chemicals company. The contract is worth approximately €1.36 million in software and services.
- Products revenue (comprised of software license and support revenue) increased 4% compared to Q1-09 and 14% compared to Q4-09. Off-the-shelf product sales grew 38% and support revenue increased 4% compared to Q1-09. The new corporate license agreement with the major European chemicals company mentioned above comprised the majority of this increase. Industry application sales, which were depressed throughout the latter half of FY-09 due to economic conditions, have begun to gain traction again. While revenue from industry applications was minimal in the quarter, we expect it to pick up significantly as we begin to implement recently won projects.
- Gross margin was 54% in Q1-10, compared to 61% in Q1-09 and 54% in Q4-09. Gross margin was significantly impacted by elevated equipment revenue in Q1-10, which has a lower gross margin than other revenue lines. The impact was a 7 percent point reduction, compared to a typical gross margin impact of 1 to 2 percent. Combined overhead expenses in Q1-10 were \$9.58 million compared to \$9.32 million in Q1-09 and \$8.92 million in Q4-09. Sales and marketing expenses were up 27% from Q1-09, as we continue to invest in sales and marketing to drive top-line growth.

MD&A and Financial Statements

The MD&A and Financial Statements for the current quarter can be found on Matrikon's website at <http://www.matrikon.com/about/corporate/investors/financial/q-reports.aspx> or by contacting Nicole Sayler at 1-877-628-7456 extension 4010.

Conference Call and Webcast

Matrikon President and CEO, Nizar J. Somji and CFO Jonathan Chia will hold a conference call to discuss first quarter results on Tuesday, January 12, 2010 at 8:30am EST (6:30am MST). To participate live, call 647-427-7450 in the Toronto area and 1-888-231-8191 in all other areas.

A replay will be available until midnight EST, February 7, 2010. To access the playback service, please dial 416-849-0833 in Toronto or 1-800-642-1687 in all other areas. The passcode is 44764484.

The conference call will also be webcast and podcast (live and archived) at:

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=2904880>

About Matrikon

Matrikon (www.matrikon.com) provides industrial software solutions to process control industries, empowering their clients to achieve operational excellence. Matrikon products transform production data into knowledge and action that enable users to maximize performance while managing risk. With offices throughout North America, Australia, Europe and the Middle East and a client base that includes industry leaders in a wide range of process industries, Matrikon's reach is global. Empowering excellence since 1988, Matrikon is traded on the Toronto Stock Exchange under the symbol MTK.

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Matrikon is a registered trademark of Matrikon Inc.

Forward Looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our communications often include written or oral forward-looking statements. This new release, our MD&A, and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements are made pursuant to the “safe harbor” provisions of applicable Canadian securities legislation. These statements represent Matrikon’s intentions, plans, expectations and beliefs and are based on our experience and our assessment of historical and future trends and the application of key assumptions relating to future events and circumstances. These statements may include, but are not limited to, comments about: our objectives and priorities for 2010 and beyond, our strategies, expectations for our financial condition, the outlook for our operations, and external factors that may impact results, including global economies and industry trends.

Forward-looking statements require assumptions and involve risks and uncertainties related to our business and the general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from the targets, expectations, estimates or intentions expressed in the forward-looking statements. We caution readers of this news release and our MD&A not to place undue reliance on our forward-looking statements. The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic conditions in the countries in which we operate; currency fluctuations; market demand for our products and services; our ability to execute projects and deliver solutions; our ability to execute our strategic plans and to complete and integrate acquisitions; the degree of competition in the geographic and business areas in which we operate; our ability to attract and retain qualified employees and contain payroll costs; our ability to contain expenses; technological changes and research and development; the length of the sales cycle required to close larger solution contracts; availability of financial resources to carry out our strategy; our ability to protect our intellectual and intangible properties; legal claims; critical accounting estimates; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; and disruptions to public infrastructure, such as transportation, communications, power or water supply. We caution that this list is not exhaustive of all possible factors.

Other factors could adversely affect our results. For more information, please see the discussion on the principal risks that could affect our results on pages 45 – 48 of Matrikon’s 2009 Annual Report.

The assumptions in this news release and MD&A pertaining to: our positive outlook for the remainder of 2010, our belief that business opportunities remain strong, and our expected effective tax rate to be in the range of 27% to 32% include: global economic and political stability at current levels, that certain opportunities in our pipeline will materialize as contracts, that our clients will continue to invest in initiatives that support efficiency and reduce costs, foreign exchange rates do not fluctuate excessively, and that we will continue to be able to inspire, motivate and maintain our employee base at a sufficient level to deliver on our objectives.

When relying on forward-looking statements to make decisions with respect to Matrikon, investors should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Unless required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the company or on its behalf.

Management's Discussion and Analysis

January 11, 2010

The following Management's Discussion & Analysis should be read in conjunction with the financial statements and notes to the consolidated financial statements for the quarter ended November 30, 2009 and the Management's Discussion & Analysis and notes to the consolidated financial statements appearing in the Annual Report for the fiscal year ended August 31, 2009.

Matrikon's Board of Directors, on the recommendation of the Audit Committee, approved the content of this MD&A on January 11, 2010.

All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

Non-GAAP Measures

We refer to terms that are not specifically defined in the CICA Handbook and do not have any standardized meaning prescribed by GAAP. These non-GAAP measures may not be comparable to similar measures presented by other companies.

We believe that these non-GAAP measures are useful in assisting investors in understanding components of our financial results. The non-GAAP terms that we refer to in this analysis are defined below.

Gross margin is our total revenue minus the cost of sales, divided by the total revenue, and is expressed as a percentage. This measure is used to indicate the relative efficiency with which we earn revenue. Gross margin is a percentage based on two GAAP measures and as such has no quantitative reconciliation. Gross margin within our segmented reporting includes intercompany revenue/expenses as part of total revenue.

Net margin is our total net income (loss) divided by total revenue and is expressed as a percentage. This measure is used to indicate the relative efficiency with which we earn net income. Net margin is a percentage based on two GAAP measures and as such has no quantitative reconciliation.

Utilization or utilization rate measures the billable time for each employee against the total available time, based on a standard 260 work days per year and is expressed as a percentage. Utilization is used to demonstrate capacity to increase output rate in our Solutions business without adding resources. Utilization is a measure of working capacity and not a financial measure and therefore has no reconciliation to GAAP.

Average daily rate is consulting revenue divided by billable people multiplied by utilization rate divided by working days available in the period described. This measure is used by management to monitor overall project profitability and as an indication of progress in the transition of our business to higher margin engagements based on Matrikon technology. Average daily rate is based on non-financial measures and has no reconciliation to GAAP.

Other Information

Additional information about Matrikon, including our annual information form, information circular and quarterly reports, is available on SEDAR at www.sedar.com and in the investor relations section of our website at www.matrikon.com/investors.

Comparative Figures

We have reclassified certain figures for FY-09 and Q1-09 to reflect the financial presentation adopted in the current quarter.

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Strategic Progress Update

Note: This section is forward-looking by nature. It is qualified entirely by the Forward-Looking Statements disclaimer at the beginning of this MD&A. It is also qualified by the principal risks that could affect our business (see pages 45 – 48 of our 2009 Annual Report).

Each year, we present a set of performance indicators to communicate our priorities and serve as a benchmark to measure our progress against our strategy. The following table shows our progress on the performance indicators and objectives we set for 2010.

2010 Objectives	On Track?	3 Month Results
Grow top line while maintaining profitability	✓	<ul style="list-style-type: none"> Revenue increased 44% to \$25.45 million in Q1-10 compared to Q4-09 Net income increased 466% compared to Q4-09 as a result of record Solutions revenue
Continue building Matrikon Suite applications on the Intuition platform	In Progress	<ul style="list-style-type: none"> Intuition integration with Matrikon Suite applications continues
Revenue from licenses & support at 35-40% of total revenue	In Progress	<ul style="list-style-type: none"> Software license and support revenue was 25% of total revenue in Q1-10 (significant equipment revenue skewed Q1- 10 results)
Continue to sell and deploy industry applications	In Progress	<ul style="list-style-type: none"> Well Performance Monitor: one new corporate client Mobile Equipment Monitor: one new pilot site

Items of Note in Q1-10

- Record Consulting revenue:** In Q1-10, we achieved record consulting revenue of \$13.19 million compared to \$12.15 in Q1-09 million and \$10.87 million in Q4-09 as a result of higher utilization in our North America region and increased average daily rates globally. Average daily rate increases are a result of our shifting focus to high value consulting engagements and integrated industry application development.
- Record Equipment revenue:** Equipment revenue was a record \$5.63 million in Q1-10 as we delivered a significant portion of the equipment (third party hardware and software) on our major industrial security project. We continue to work on the consulting components of this project. With a lower margin than other revenue lines, this significant increase in equipment revenue shifted our revenue mix and impacted both gross and net margins.
- Significant contracts:** During the quarter we received change orders, adding US\$2.13 million to the US\$14.61 million contract to deliver the network foundation for cyber security for a major United States electricity producer. We also entered a corporate license agreement for our Control Performance Monitor and Alarm Manager products with a major European chemicals company. The contract is worth approximately €1.36 million in software and consulting. Subsequent to the quarter, we won and announced a US\$15.7 million contract to build a remote oil field monitoring program for a Middle East oil company based on Matrikon's Well Performance Monitor industry application. Also subsequent to the quarter, we announced a €4.2 million contract win with Statoil to deliver Well Performance Monitor to 35 offshore assets on the Norwegian Continental Shelf. These recent wins, along with ongoing work with other global clients, establish Matrikon as the vendor of choice for intelligent field solutions.
- Costs in line with expectations:** Overhead expenses represented 38% of our revenue, compared to 48% in Q1-09 and 51% in Q4-09.

- **Foreign exchange:** In Q1-09, the Canadian dollar gained strength compared to the US dollar, which resulted in a \$0.21 million loss, compared to a \$1.14 million gain in Q1-09 and a \$0.005 million gain in Q4-09.
- **Gross margin:** Gross margin was 54% in Q1-10, compared to 61% in Q1-09 and 54% in Q4-09. Gross margin was significantly impacted by elevated equipment revenue in Q1-10, which has a lower gross margin than other revenue lines. The impact was a 7 percent point reduction to gross margin, compared to a typical gross margin impact of 1-2 percent points.

Summary of Results

3 Months Ended (CAD \$000s)	30-Nov-09 (Q1-10) % revenue		30-Nov-08 (Q1-09) % revenue		31-Aug-09 (Q4-09) % revenue		Q1-10 vs Q1-09	Q1-10 vs Q4-09
Total Revenue	\$25,450	100%	\$19,579	100%	\$17,622	100%	30%	44%
Consulting fees	13,190	52%	12,152	62%	10,866	61%	9%	21%
<i>Margin on consulting fees</i>	<i>44%</i>		<i>45%</i>		<i>34%</i>			
Equipment sales	5,632	22%	1,016	5%	993	6%	454%	467%
<i>Margin on equipment sales</i>	<i>31%</i>		<i>25%</i>		<i>22%</i>			
Total Solutions revenue	18,822	74%	13,168	67%	11,859	67%	43%	59%
Software license fees	3,738	14%	3,693	19%	3,041	17%	1%	23%
<i>Margin on software license fees</i>	<i>99%</i>		<i>97%</i>		<i>99%</i>			
Support	2,729	11%	2,521	13%	2,653	15%	8%	3%
<i>Margin on support</i>	<i>89%</i>		<i>98%</i>		<i>88%</i>			
Total Products revenue	6,467	25%	6,214	32%	5,694	32%	4%	14%
Interest income	161	1%	197	1%	69	1%	(18%)	133%
<i>Consulting headcount</i>	<i>295</i>		<i>275</i>		<i>269</i>		<i>7%</i>	<i>10%</i>
<i>Gross margin</i>	<i>54%</i>		<i>61%</i>		<i>54%</i>			
Total Expenses	9,579	38%	9,324	48%	8,919	51%	3%	7%
Consulting	1,299	5%	1,668	9%	1,653	9%	(22%)	(21%)
Sales & marketing	2,329	9%	1,836	9%	2,007	11%	27%	16%
Research & development	1,560	6%	1,410	7%	1,235	7%	11%	26%
General & administrative	3,822	15%	3,716	19%	3,360	19%	3%	14%
<i>Operations headcount</i>	<i>275</i>		<i>270</i>		<i>254</i>		<i>2%</i>	<i>8%</i>
Stock-based compensation	92	0%	318	2%	369	2%	(71%)	(75%)
Amortization	477	2%	376	2%	295	2%	27%	62%
Foreign exchange translation gain (loss)	(208)	-1%	1,144	6%	5	0%	(118%)	(4260%)
Net income	2,768	11%	2,757	14%	489	3%	0%	466%
Earnings per share - basic	0.09		0.09		0.02		0%	350%
Earnings per share - diluted	0.09		0.09		0.02		0%	350%
Weighted average shares outstanding (000s)	31,298		30,949		30,936		1%	1%
Total assets	67,269		64,454		62,119		4%	8%
Total long term liabilities	500		134		129		273%	288%
Deferred revenue	6,670		8,573		8,292		(22%)	(20%)
Contracts in progress	7,049		6,070		6,894		16%	2%

Note: This section is forward-looking by nature. It is qualified entirely by the Forward-Looking Statements disclaimer at the beginning of this MD&A. It is also qualified by the principal risks that could affect our business (see page 45 – 48 of our 2009 Annual Report).

Revenue

Total Solutions revenue (comprised of Consulting and Equipment revenue) increased by \$5.65 million compared to Q1-09 and by \$6.96 million compared to Q4-09. This increase is primarily attributed to strong equipment revenue as the majority of the third party hardware and software associated with our cyber security project was

delivered in the quarter. Equipment revenues are ancillary to our business and will continue to fluctuate period-by-period. Our consulting fees were a record \$13.19 million, an increase of 9% or \$1.04 million over Q1-09 and 21% or \$2.32 million compared to Q4-09. This increase is a result of additions to consulting staff along with higher utilization rates and increases in average daily rates of 6% compared to Q1-09 and 18% compared to Q4-09.

The increase in our consulting fees is mainly attributed to our North American region as our Network Security business unit began executing on two large contracts won in Q4-09.

Total Products revenue (comprised of Software License and Support revenue) increased by 4% compared to Q1-09 and 14% compared to Q4-09. Off-the-shelf product sales increased by 38%. We entered a corporate license agreement with a major European chemicals company for Control Performance Monitor and Alarm Manager in the quarter, which contributed to this increase. Industry application sales, which were depressed throughout the latter half of FY-09 due to economic conditions, have begun to regain traction. While revenue from industry applications was minimal in the quarter, with recent large wins, we expect this revenue stream to grow throughout FY2010 as we execute these projects and close other opportunities in our pipeline. Support revenue grew by 8% compared to Q1-09 and by 3% compared to Q4-09.

Gross Margin

Gross margin in Q1-10 was 54%, compared to 61% in Q1-09 and 54% in Q4-09. Gross margin in Q1-10 was heavily influenced by exceptionally strong equipment sales of \$5.63 million, which represented 22% of revenue. Equipment sales typically make up approximately 7% of revenue. The impact was a 7 percent point reduction, compared to a typical gross margin impact of 1 to 2 percent points.

Quarterly gross margin of 54% was comprised of 99% gross margin on software license revenue, 89% on support revenue, 44% on consulting revenue and 31% on equipment revenue.

Overhead Expenses

Combined overhead expenses in Q1-10 were \$9.58 million (38% of revenue) compared to \$9.32 million (48% of revenue) in Q1-09 and \$8.92 million (51% of revenue) in Q4-09. Overhead expenses in Q1-10 included slightly higher amortization expense, salaries and general office expenses.

Despite a slight increase in headcount, consulting G&A decreased compared Q1-09 and Q4-09 due to a reduction in travel, general employee expenses and office expenses.

We have continued our investment in sales and marketing to support top line growth. We increased sales and marketing headcount by 12 compared to Q1-09 and 10 compared to Q4-09. Sales and marketing costs increased by 27% compared to Q1-09 and 16% compared to Q4-09 due to added staff and related rent allocations.

Research and development increased 11% compared to Q1-09 and 26% compared to Q4-09. During Q1-09, a Canadian Scientific Research and Experimental Development ("SR&ED") claim from a prior year was approved, resulting in an incremental reduction of R&D expenses of \$0.50 million. Excluding SR&ED credits, R&D expenses decreased 17% compared to Q1-09 as a result of a 13% decrease in headcount and the non-recurring start up costs associated with Matrikon SoftDel India last year. Compared to Q4-09, R&D expenses decreased 4% due to a decrease in professional fees, offset by an increase in salaries.

General and administrative expenses had a small increase of 3% compared to Q1-09, but increased by 14% compared to Q4-09 as a result of increased general office expenses and professional fees.

Net Income

With record net income of \$2.77 million, we achieved a strong net margin of 11% in Q1-10, compared to 3% in Q4-09 and 14% in Q1-09.

The following factors contributed positively to the Q1-10 net margin:

- Record total revenue as we continue to shift our business model to high value consulting engagements. This shift, evidenced by several recent large project wins, contributed to improvements in utilization and average daily rate, strong consulting revenue margins of 44% and overhead expenses that are in-line with our target range as a percentage of revenue.

- Continued growth in high margin support revenue in the quarter.
- Recovery of income tax credits associated with research and development programs in Canada and the United Kingdom.
- Decreases in stock-based compensation expenses compared to Q1-09 and Q4-09 as the majority of Restricted Share Units (RSUs) have vested.

These positive influences to net income were offset by the significant increase in lower margin equipment revenue and a foreign exchange loss of \$0.21 million as the Canadian dollar strengthened against the US dollar. Other income which includes interest income relating to cash and cash equivalents and gains relating to the sale of assets also decreased 108% to an expense of \$0.01 million in comparison to income of \$0.14 million in Q1-09.

The following tables show the percentage of revenue by the various currencies in which we do business, and the period-end exchange rates.

	% Billings by Currency (3 Months Ended)			Period End Exchange Rate for \$1.00 CAN		
	Q1-10	Q1-09	Q4-09	Q1-10	Q1-09	Q4-09
Australian Dollar	31%	21%	26%	0.9638	0.8129	0.9190
British Pound	10%	11%	20%	1.7538	1.9071	1.7772
Canadian Dollar	7%	18%	20%	1.0000	1.0000	1.0000
Euro	5%	2%	2%	1.5926	1.5747	1.5625
United States Dollar	46%	47%	32%	1.0620	1.2402	1.0920
Other Currencies	0%	1%	0%	-	-	-

Comprehensive Income

Other comprehensive income accounts for currency translation related to our self-sustaining foreign operations and resulted in a foreign currency gain of \$0.25 million in the quarter as the Australian dollar gained strength against the Canadian dollar, while the British pound and the Euro remained consistent with the prior period.

Segment Results

We report four strategic business segments based on how we monitor and assess performance internally: North America; Asia-Pacific; Europe, Middle East & Africa (EMEA); and Products. A fifth segment, Corporate, captures corporate expenses. External revenue represents sales derived from arms-length customers. Intercompany revenues and expenses represent the product commissions that are payable to the region that owns the intellectual property and fees for borrowed consulting labor.

3 Months Ended November 30, 2009	North America	Asia- Pacific	EMEA	Products	Corporate	Total
CAN\$ (000s)						
External revenue	12,537	5,435	5,425	2,053	-	25,450
Intercompany revenue (cost of sales)	(473)	(177)	(1,133)	1,783	-	-
% of revenue	49%	21%	21%	8%	-	100%
Gross profit	5,605	2,245	2,717	3,226	-	13,793
Gross margin	46%	43%	63%	84%		54%
Expenses	(1,659)	(1,833)	(1,452)	(2,144)	(2,491)	(9,579)
Other income (loss) & foreign exchange gain (loss)	(3)	(12)	15	-	(219)	(219)
Income (loss) before taxes	3,943	400	1,280	1,082	(2,710)	3,995
Employees at November 30, 2009	146	138	127	107	52	570

3 Months Ended November 30, 2008 CAN\$ (000s)	North America	Asia- Pacific	EMEA	Products	Corporate	Total
External revenue	8,103	4,918	4,552	2,006	-	19,579
Intercompany revenue (expenses)	(877)	(194)	(496)	1,567	-	-
% of revenue	41%	25%	23%	10%	-	100%
Gross profit	3,960	2,197	2,643	3,067	-	11,867
Gross margin	55%	47%	65%	86%	-	61%
Expenses	(1,770)	(1,633)	(1,615)	(1,922)	(2,384)	(9,324)
Other income (loss) & foreign exchange gain (loss)	(162)	125	161	-	1,155	1,279
Income (loss) before taxes	2,028	689	1,189	1,145	(1,229)	3,822
Employees at November 30, 2008	144	137	84	113	67	545

North America: External revenue in the North America segment made up 49% of the global revenue in Q1-10, compared to 41% in Q1-09 and 32% in Q4-09. Revenue increased 55% compared to Q1-09 and 123% compared to Q4-09.

In Q1-10 we began execution on the large contracts with the power and utility companies won in Q4-09 which has resulted in record Solutions (consulting & equipment) revenue. The increase in revenue is primarily attributed to equipment sales of \$4.84 million. Consulting fees also increased 6% compared to Q1-09 and 47% compared to Q4-09 as a result of increased utilization of 4% compared to Q1-09 and 15% compared to Q4-09. Average daily rate also increased 4% compared to Q1-09 and 13% compared to Q4-09.

Software revenue increased by 13% compared to Q1-09 and 11% compared to Q4-09, due to strong sales of our off-the-shelf products.

Gross margin was lower at 46% compared to 55% in Q1-09 and 48% in Q4-09 as equipment sales made up 39% of the sales mix. The lower gross margin was offset by lower direct salaries as we are now utilizing the bench strength from our Professional Development Excellence program for which we began investment in Q3-09. Gross margins also decreased slightly compared to Q4-09 as commissions expense increased.

Overhead expenses have remained consistent with prior quarters.

Asia-Pacific: First quarter results were positively impacted by the strengthening of the Australian dollar compared to the Canadian dollar (0.9190 at August 31, 2009 compared to 0.9638 at November 30, 2009) as external revenue increased 8% from Q4-09. In natural currency, revenue decreased by 6% compared to Q1-09 and remained consistent with Q4-09.

In natural currency, consulting revenue remained consistent compared to Q1-09 and Q4-09. Utilization increased 4% compared to Q1-09 and 15% compared to Q4-09, while the daily average rate increased 12%. On September 1, 2009, we completed the acquisition of IAC, which contributed AUD\$0.48 million in consulting revenue.

Gross margin declined compared to Q1-09 as software revenue declined 41%, while all other costs of sales remained consistent with prior periods.

Overhead expenses remained consistent compared to prior periods in natural currency as we integrated the IAC business with existing Asia-Pacific operations; however, in Canadian dollars, overhead expenses increased 12% compared to Q1-09 and 13% compared to Q4-09 due to currency fluctuations.

EMEA: EMEA's external revenue increased 19% compared to Q1-09 and 18% compared to Q4-09. In natural currencies, external revenue increased 7% and 10%, respectively.

Strong software sales in Germany contributed to this revenue growth following a corporate license agreement with a major chemical company. Sales of off-the-shelf software increased by 187% compared to Q1-09 and 195% compared to Q4-09.

Consulting margin declined by 11 percent points compared to Q1-09 and was consistent with Q4-09. Consulting revenue remained consistent throughout EMEA in natural currencies.

Overhead expenses declined 10% compared to Q1-09 and increased by 12% compared to Q4-09 due to lower salary expenses, and non-recurring employee and professional expenses related to relocation costs to support growth in the Middle East.

Products: External revenue in the Products segment represents direct software license and support sales and implementation services executed by the Products group. Intercompany revenue represents the software license and support fees paid by the other segments.

External revenue increased 2% compared to Q1-09, but was down 13% compared to Q4-09. Total revenue, including intercompany revenue, increased 7% compared to Q1-09 and 6% compared to Q4-09 as a result of increased software license sales in North America and EMEA, particularly off-the-shelf products.

Overhead expenses increased 12% compared to Q1-09 as result of increases in marketing investments and rent. Compared to Q4-09, overhead expenses decreased 8% as a result of a decrease in headcount.

In Q1-10, off-the-shelf software license revenue increased 38% compared to Q1-09 and 19% compared to Q4-09.

Corporate: The Corporate segment includes all shared corporate services (including executive management, finance, information technology and human resources) that are not allocated to other segments. In addition, the Corporate segment includes stock-based compensation, other income or expenses, foreign exchange translation gains and losses and amortization. Expenses in this segment fluctuate period by period based on corporate activity and foreign exchange rate fluctuations.

Corporate expenses increased 4% compared to Q1-09 and 15% compared to Q4-09. Corporate expenses in the comparative periods were reduced by SR&ED tax credits, which are recorded as an expense recovery in the quarter they are received. Excluding SR&ED credits, overhead expenses decreased 13% compared to Q1-09 and by 2% compared to Q4-09. Headcount since Q1-09 has decreased by 22%, contributing to the reduction in expenses.

The Corporate segment was impacted by a shift in foreign exchange in Q1-10, which resulted in a translation loss of \$0.21 million, compared to a gain of \$1.14 million in Q1-09 and a gain of \$0.005 million in Q4-09.

While amortization increased slightly, the increase was more than offset by a significant reduction in stock-based compensation expense as historic stock option programs near the end of their vesting periods.

Quarterly Results

The following table presents a summary of our unaudited consolidated operating results for the past eight quarters. This information should be read in conjunction with the applicable interim financial statements, notes to the financial statements and management's discussion and analysis.

CAN \$000s except per share amounts	FY 08			FY 09				FY 10
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	19,444	20,536	20,162	19,579	19,661	16,376	17,622	25,450
Gross profit	10,533	11,533	11,903	11,867	11,635	8,107	9,446	13,793
Gross margin	54%	56%	59%	61%	59%	50%	54%	54%
Operating income (loss)	2,617	3,103	2,842	2,543	1,943	(1,770)	528	4,214
Net income (loss)	1,809	2,467	2,583	2,757	2,027	(2,959)	489	2,768
Net margin	9%	12%	13%	14%	10%	-18%	3%	11%
Shares outstanding (000s)	30,440	30,548	30,636	30,949	30,968	30,932	30,936	31,298
Diluted shares outstanding (000s)	31,340	31,467	31,494	31,649	31,622	30,932	31,302	31,524
EPS (loss) - basic	0.06	0.08	0.09	0.09	0.07	(0.10)	0.02	0.09
EPS (loss) - diluted	0.06	0.08	0.08	0.09	0.06	(0.10)	0.02	0.09
Headcount	501	506	521	545	542	559	523	570

Management has not noted any change to the seasonality of our business as reported in the 2009 annual MD&A.

Liquidity & Capital Resources

At (CAN \$000s except ratios)	30-Nov-09	30-Nov-08	31-Aug-09	09 % Change	09 % Change
Cash & equivalents	5,165	10,551	8,734	(41%)	(51%)
Accounts receivable	29,287	25,067	23,456	25%	17%
Trade receivables	22,133	19,690	15,790	40%	12%
Average collection period (trade receivables)	88 days	81 days	92 days	-4 days	7 days
Contracts in progress	7,049	6,070	6,894	2%	16%
Deferred revenue	6,670	8,573	8,292	(20%)	(22%)
Current liabilities	21,417	19,763	18,328	17%	8%
Cash flow from operations	(932)	(554)	1,180	179%	(68%)

Note: This section is forward-looking by nature. It is qualified entirely by the Forward-Looking Statements disclaimer at the beginning of this MD&A. It is also qualified by the principal risks that could affect our business (see pages 45 – 48 of our 2009 Annual Report).

The rolling 12-month average collection period (on trade receivables) was 88 days at the end of Q1-10, an improvement of 4 days compared to the end of Q4-09. This improvement is the result of a continued focus on collections. The average collection period at the end of Q1-10 is 7 days longer compared to the end of Q1-09. This is a result of increased revenues and the trend toward longer payment cycles that many of our clients adopted during the global economic slowdown.

Current liabilities increased to \$21.42 million at the end of Q1-10, compared to \$19.76 million at the end of Q1-09 and \$18.33 million at the end of Q4-09. Compared to Q1-09, this increase is a result of increases in accounts payable of \$2.16 million as a direct result of the activity with our large projects and our dividends payable. These increases are offset by a decrease in deferred revenue of \$1.90 million. Deferred revenue at the end of the Q1-10 includes \$4.58 million in extended support revenue, compared to \$4.21 million in Q1-09 and \$2.09 million in unearned software license, services and equipment revenue, compared to \$4.36 million in Q1-09.

Cash used in operations was \$0.93 million in Q1-10, compared to cash provided by operations of \$1.18 million in Q4-09 and cash used in operations of \$0.55 million in Q1-09. The decrease over the prior quarters is a result of the significant increase in accounts receivable.

Our overall cash position declined \$3.57 million compared to Q4-09, primarily as a result of the two business acquisitions we completed in the first quarter of 2010. We purchased IAC for \$1.81 million and acquired the remaining shares of Matrikon-SoftDel India Pvt Ltd. for \$0.53 million.

Our effective income tax rate was 30.7% in Q1-10 compared to 27.9% in Q1-09. This is within our expected range of 27% to 32%.

Management believes that we have the capital resources and liquidity necessary to meet our commitments, support our operations and finance our current growth strategies.

Acquisitions

Acquisitions completed subsequent to August 31, 2009 are accounted for under the acquisition method of accounting, unless otherwise stated, and the results of earnings since the respective dates of acquisition are included in the consolidated statements of income.

On September 1, 2009, we acquired all of the issued and outstanding shares of Integration Automation and Control Pty Ltd. (IAC), an automation and information systems service company located in Newcastle, Australia, for consideration of \$1.81 million in cash. The acquisition of IAC further establishes Matrikon's automation and information systems expertise within Hunter Valley's coal industry.

On November 11, 2009, we acquired the remaining 51% of the issued and outstanding shares of Matrikon-SoftDel India Pvt Ltd. (MSPL), a joint entity based in Pune, India, for consideration of \$0.53 million in cash.

Matrikon Industrial Solutions India Private Ltd. provides us with a steady supply of qualified engineers to further optimize operational efficiencies and growth opportunities. We have assessed the acquisition of MSPL, being renamed to Matrikon Industrial Solutions India Private Ltd., as an equity transaction. The transaction resulted in the elimination of previously reported non-controlling interest of \$0.04 million and a reduction in equity of \$0.48 million.

Off Balance Sheet Arrangements

Matrikon is a lessee under several operating type leases for office space, office equipment and motor vehicles and is also a party to research funding arrangements with educational institutions in Canada and Australia. The future cash flow impacts of these arrangements are summarized in the table below. Matrikon is not party to any undisclosed off balance sheet arrangements.

At Nov 30, 2009	Payment Due				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Operating lease obligations (CAN \$000s)	5,974	2,451	3,233	290	-
Other long term obligations (CAN \$000s)	100	100	-	-	-
Foreign exchange forward contracts (US \$000s)	-	-	-	-	-
Total contractual obligations	6,074	2,551	3,233	290	-

Normal Course Issuer Bid

Matrikon announced a normal course issuer bid on January 14, 2009. Under the bid, Matrikon may acquire up to 1,547,595 common shares, representing 5% of current issued and outstanding shares as at January 14, 2009. The bid commenced January 16, 2009 and will end January 15, 2010.

During the three months period ended November 30, 2009, we did not repurchase any of our common shares.

Share Data

Matrikon is listed on the Toronto Stock Exchange under the trading symbol "MTK". As at January 8, 2010 there were 31,302,236 common shares of the corporation issued and outstanding and 197,550 options and 483,054 restricted share units outstanding, each convertible into one common share upon exercise or exchange.

Critical Accounting Estimates

These interim financial statements were prepared with the same critical accounting estimates and methods as fiscal year 2009 (please see pages 42 – 44 of Matrikon's annual MD&A for the fiscal year ended August 31, 2009 dated November 6, 2009 for a discussion of these estimates), along with the adoption of the CICA Handbook section:

- 1582 – Business Combinations
- 1601 – Consolidated Financial Statements
- 1602 – Non-Controlling Interests
- 3251 – Equity
- 1506 – Accounting Changes
- 3855 – Financial Instruments – Recognition and Measurement

Recent Accounting Pronouncements Issued and Not Applied

Comprehensive Revaluation of Assets and Liabilities

In August 2009, the CICA amended Handbook Section 1625, "Comprehensive Revaluation of Assets and Liabilities" as a result of issuing Section 1582, "Business Combinations," Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-Controlling Interests" in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted provided that section 1582 is also adopted. We are currently evaluating the impact of the amendments to the standard.

Financial Instruments - Disclosure

In June 2009, the CICA amended Handbook Section 3862, "Financial Instruments – Disclosures," to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements relating to the fiscal years ending after September 30, 2009. We are currently evaluating the impact of the amendments to the standard.

Convergence with International Financial Reporting Standards

Canada's Accounting Standards Board ratified a strategic plan that will result in GAAP, as currently used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years commencing on or after January 1, 2011, specifically September 1, 2011 for our company.

In addressing the impact and implementation of IFRS, we have completed preliminary planning and scoping and are currently working with external consultants to establish a detailed assessment of the conversion process. As of November 30, 2009, we have completed a high-level assessment of the major differences between Canadian GAAP and IFRS that is relevant to us, along with preliminary position papers on accounting policy choices. We currently understand that we will be affected by the following standards: IAS 16 (Property, Plant, and Equipment), IAS 21 (The Effects of Changes in Foreign Currency Exchange Rates), IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 2 (Stock-based Compensation, and Other Stock-based Payments), and IFRS 3 (Business Combinations).

We expect the implementation process and solutions development to be finalized before the end of fiscal 2010 in time to enable the recording of transactions under IFRS for comparative reporting purposes in 2012. At this time, we are not able to quantify the full financial reporting impact of the differences between Canadian GAAP and IFRS on our operations, except for the adoption of CICA Handbook section 1582. We will continue to assess the impact of the proposed standards on the consolidated financial statements and disclosure as additional information becomes available.

Risks Related to Our Business

There has been no significant change in our risk factors from those described in our 2009 Annual Report. Please see pages 45 – 48 of Matrikon's 2009 Annual Report.

Internal Control over Financial Reporting and Disclosure Controls

Management has evaluated whether there were changes in our Internal Controls over Financial Reporting (ICFR) during the three month period ended November 30, 2009 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

At August 31, 2009, we reported that we did not sufficiently design and maintain effective controls over the identification of projects that should be accounted for using Contract Accounting as defined by SOP 81-1. During Q1-10, we began to implement procedures that require certain contracts to be reviewed, prior to commencement, to identify projects that require contract accounting treatment. During the remainder of fiscal 2010, we will continue to take steps to remediate this weakness and monitor the effectiveness of the procedures management has put in place.

Please see pages 45 – 48 of Matrikon's 2009 Annual Report for a discussion of internal controls over financial reporting and disclosure controls.

Subsequent Events

Subsequent to the quarter, our Board of Directors declared a dividend of \$0.03 per common share payable on January 29, 2010 to shareholders of record as of January 20, 2010. The dividend is an eligible dividend for Canadian tax purposes.

About Matrikon

Founded in 1988, Matrikon is a growing international provider of integrated industrial intelligence solutions that enable our industrial customers to improve operating efficiency. Solutions include data acquisition and storage, data analysis for plant optimization, decision support systems, data connectivity and web delivered data presentation for improved collaboration.

Matrikon is one of the largest industrial solution integrators in North America with a client base diversified across a number of industries, including oil and gas, power, forestry pulp and paper, refining and petrochemicals and mining and mineral processing.

At November 30, 2009, Matrikon had 570 employees, including 98 in corporate and administrative services, 78 in sales and marketing, 101 in product development and support, and 293 in professional services (Solutions).

MATRIKON INC.

Interim Consolidated Balance Sheets
(Unaudited, thousands of Canadian dollars)

As at November 30, 2009 and August 31, 2009

	November 30, 2009	August 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,165	\$ 8,734
Accounts receivable	29,287	23,456
Contracts in progress	7,049	6,894
Future income taxes	245	492
Prepaid expenses	1,135	1,286
	<u>42,881</u>	<u>40,862</u>
Future income taxes	2,021	525
Property and equipment	4,251	4,253
Intangible assets	1,323	672
Goodwill	16,793	15,807
	<u>\$ 67,269</u>	<u>\$ 62,119</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,893	\$ 8,603
Deferred revenue	6,670	8,292
Income taxes payable	252	462
Future income taxes	2,663	971
Dividends payable	939	-
	<u>21,417</u>	<u>18,328</u>
Future income taxes	500	89
Shareholders' equity:		
Share capital (note 4(a))	32,936	31,735
Contributed surplus (note 4(f))	1,392	2,502
Accumulated other comprehensive income (loss)	146	(107)
Retained earnings	10,878	9,532
Non-controlling interest	-	40
	<u>45,352</u>	<u>43,702</u>
Subsequent event (note 7)		
	<u>\$ 67,269</u>	<u>\$ 62,119</u>

See accompanying notes to the interim consolidated financial statements.

MATRIKON INC.

Interim Consolidated Statements of Income

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

Three months ended November 30, 2009 and 2008

	2009	2008
Revenue:		
Consulting	\$ 13,190	\$ 12,152
Software license	3,738	3,693
Support	2,729	2,521
Equipment sales	5,632	1,016
Interest income	161	197
	<u>25,450</u>	<u>19,579</u>
Cost of sales	11,657	7,712
	<u>13,793</u>	<u>11,867</u>
Expenses:		
Consulting general and administrative	1,299	1,668
Sales and marketing	2,329	1,836
Research and development	1,560	1,410
General and administrative	3,822	3,716
Amortization	477	376
Stock-based compensation (notes 4(b) to 4(e))	92	318
	<u>9,579</u>	<u>9,324</u>
Income before the undernoted	4,214	2,543
Foreign currency translation (loss) gain	(208)	1,144
Other (expense) income	(11)	135
	<u>(219)</u>	<u>1,279</u>
Income before income taxes and non-controlling interest	3,995	3,822
Income taxes expense (reduction):		
Current	550	1,391
Future	676	(326)
	<u>1,226</u>	<u>1,065</u>
Income before non-controlling interest	2,769	2,757
Non-controlling interest	(1)	-
Net income	\$ 2,768	\$ 2,757
Earnings per share:		
Basic	\$ 0.09	\$ 0.09
Diluted	\$ 0.09	\$ 0.09
Weighted average number of shares outstanding (000's):		
Basic	31,298	30,949
Diluted	31,524	31,649

See accompanying notes to the interim consolidated financial statements.

MATRIKON INC.

Interim Consolidated Statements of Comprehensive Income
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

	2009		2008	
Net Income	\$	2,768	\$	2,757
Other comprehensive income (loss), net of income taxes:				
Unrealised gains (losses) on translation of self-sustaining foreign operations		253		(610)
Comprehensive income	\$	3,021	\$	2,147

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Accumulated Other Comprehensive Income (Loss)
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

	2009		2008	
Accumulated other comprehensive income (loss), beginning of period	\$	(107)	\$	129
Other comprehensive income (loss)		253		(610)
Accumulated other comprehensive income (loss), end of period	\$	146	\$	(481)

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Retained Earnings
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

	2009		2008	
Retained earnings, beginning of period	\$	9,532	\$	12,226
Purchase of non-controlling interest in consolidated variable interest entity (note 3)		(483)		-
Net income		2,768		2,757
Dividends		(939)		(3,095)
Retained earnings, end of period	\$	10,878	\$	11,888

See accompanying notes to the interim consolidated financial statements.

MATRIKON INC.

Interim Consolidated Statements of Cash Flows
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

	2009		2008
Operating activities:			
Net income	\$ 2,768	\$	2,757
Items not affecting cash:			
Future income taxes	676		(326)
Non-controlling interest	1		-
Unrealized foreign exchange (gain) loss	95		(1,476)
Amortization	477		376
Stock-based compensation	92		318
Loss on disposal of property and equipment	-		9
Interest income relating to the accretion of accounts receivable and contracts in progress	(161)		(197)
Interest expense relating to the accretion of accounts payable and accrued liabilities	65		124
Change in non-cash operating working capital	(4,944)		(2,139)
Cash used in operating activities	(931)		(554)
Investing activities:			
Business acquisitions, net of cash acquired (note 3)	(2,281)		-
Purchase of property and equipment	(426)		(688)
Change in non-cash working capital	20		115
Cash used in investing activities	(2,687)		(573)
Financing activities:			
Proceeds of share issue, net of share issue costs	-		4
Dividends paid in cash on common shares	-		(3,095)
Cash used in financing activities	-		(3,091)
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	49		(952)
Change in cash and cash equivalents	(3,569)		(5,170)
Cash and cash equivalents, beginning	8,734		15,721
Cash and cash equivalents, ending	\$ 5,165	\$	10,551
Supplementary cash flow disclosures:			
Income taxes paid	\$ 760	\$	1,174
Interest recovered	\$ 40	\$	121

See accompanying notes to the interim consolidated financial statements.

MATRIKON INC.

Notes to Interim Consolidated Financial Statements
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

1. Basis of presentation

The unaudited interim consolidated financial statements for the three months ended November 30, 2009 and 2008 have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended August 31, 2009, except for changes as described in note 2(a). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in our 2009 Annual Report.

In accordance with GAAP, we use estimates in preparing our consolidated financial statements. Our interim consolidated financial statements may employ a greater use of estimates than our annual consolidated financial statements.

2. Changes in significant accounting policies

a) Recently adopted Canadian accounting pronouncements:

Effective September 1, 2009, we adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Standards relating to goodwill and intangible assets, business combinations, consolidated financial statements, and non-controlling interests. These new standards have been adopted on a prospective basis, except where noted, with no restatement of prior period financial statements.

(i) Goodwill and Intangible Assets

Effective September 1, 2009, we adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs." This pronouncement further aligns Canadian GAAP with US GAAP and International Financial Reporting Standards (IFRS). Section 3064 establishes standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets subsequent to their initial recognition. Standards concerning goodwill are unchanged from the standards included in previous Section 3062. The new standards also provide guidance for the recognition of internally developed intangible assets, including assets produced from research and development activities, and ensuring the consistent treatment of all intangible assets, whether separately acquired or internally generated. Because our intangible assets and goodwill were all substantially acquired in business acquisitions, the adoption of Section 3064 did not have an effect on our financial position or on the results of our operations.

MATRIKON INC.

Notes to Interim Consolidated Financial Statements
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

2. Changes in significant accounting policies (continued)

(ii) Business Combinations

Effective September 1, 2009, we early adopted CICA Handbook Section 1582, "Business Combinations", which replaces Handbook Section 1581 - "Business Combinations". The new section establishes standards for the accounting of business combinations, and requires that all assets and liabilities of an acquired business be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also requires that acquisition related costs will be expensed as incurred, that restructuring charges will be expensed in periods after the acquisition date, and that non-controlling interests should be measured at fair value at the date of acquisition. This standard substantially harmonizes Canadian GAAP with IFRS and is to be applied prospectively to business combinations with acquisition dates on or after September 1, 2009. This new standard was applied to the acquisition of Integration Automation and Control Pty Ltd., and Matrikon SoftDEL India Private Ltd. (note 3).

(iii) Consolidated Financial Statements

Effective September 1, 2009, we early adopted CICA Handbook Section 1601, "Consolidated Financial Statements", which replaces Section 1600 "Consolidated Financial Statements". This Section harmonizes Canadian GAAP with IFRS, and carries forward existing Canadian guidance for preparing consolidated financial statements other than guidance for non-controlling interests. The adoption of this standard did not have a material impact on our interim consolidated financial statements.

(iv) Non-Controlling Interests

Effective September 1, 2009, we early adopted CICA Handbook Section 1602, "Non-Controlling Interests", which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This new standard was applied to the acquisition of Matrikon SoftDEL India Private Ltd. (note 3).

(v) Equity

In August 2009, the CICA amended presentation requirements of Handbook Section 3251, "Equity", as a result of issuing Section 1602, "Non-Controlling Interests". The amendments apply only to entities that have adopted Section 1602. We early adopted this standard effective September 1, 2009. This new standard was applied to the acquisition of Matrikon SoftDEL India Private Ltd. (note 3).

MATRIKON INC.

Notes to Interim Consolidated Financial Statements
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

2. Changes in significant accounting policies (continued)

(vi) Accounting changes

In June 2009, the CICA amended Handbook Section 1506, "Accounting Changes", to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. We have adopted Section 1506, effective September 1, 2009. The impact of the changes resulting from the adoption of Section 1506 is reflected in note 2 of the notes to the financial statements related to our adoption of Section 1582, Section 1601, Section 1602, and Section 3251.

(vii) Financial Instruments - Recognition and Measurement

In June 2009, the CICA amended Handbook Section 3855, "Financial Instruments - Recognition and Measurement", to clarify the application of the effective interest method after a debt instrument has been impaired. The Section has also been amended to clarify when an embedded prepayment option is separated from its host instrument for accounting purposes. The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after May 1, 2009 for the amendments relating to the effective interest method and on or after January 1, 2011 for the amendments relating to embedded prepayment options. The adoption of this standard did not have a material impact on our interim consolidated financial statements.

(b) Recent accounting pronouncements issued and not yet applied:

(i) Comprehensive Revaluation of Assets and Liabilities

In August 2009, the CICA amended Handbook Section 1625, "Comprehensive Revaluation of Assets and Liabilities" as a result of issuing Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests" in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted provided that section 1582 is also adopted. We are currently evaluating the impact of the amendments to the standard.

(ii) Financial Instruments - Disclosure

In June 2009, the CICA amended Handbook Section 3862, "Financial Instruments - Disclosures", to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements relating to the fiscal years ending after September 30, 2009. We are currently evaluating the impact of the amendments to the standard.

MATRIKON INC.

Notes to Interim Consolidated Financial Statements
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

2. Changes in significant accounting policies (continued)

(iii) Convergence with International Financial Reporting Standards

Canada's Accounting Standards Board ratified a strategic plan that will result in GAAP, as currently used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years commencing on or after January 1, 2011, specifically September 1, 2011 for our company.

In addressing the impact and implementation of IFRS, we have completed preliminary planning and scoping and are currently working with external consultants to establish a detailed assessment of the conversion process.

As of November 30, 2009, we have completed a high-level assessment of the major differences between Canadian GAAP and IFRS that is relevant to us, along with preliminary position papers on accounting policy choices. We currently understand that we will be affected by the following standards: IAS 16 (Property, Plant, and Equipment), IAS 21 (The Effects of Changes in Foreign Currency Exchange Rates), IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 2 (Stock-based Compensation, and Other Stock-based Payments), and IFRS 3 (Business Combinations).

We expect the implementation process and solutions development to be finalized before the end of fiscal 2010 in time to enable the recording of transactions under IFRS for comparative reporting purposes in fiscal 2012. At this time, we are not able to quantify the full financial reporting impact of the differences between Canadian GAAP and IFRS on our operations, except for the adoption of CICA Handbook section 1582, which is disclosed in Note 2(a(ii)). We will continue to assess the impact of the proposed standards on the consolidated financial statements and disclosure as additional information becomes available.

MATRIKON INC.

Notes to Interim Consolidated Financial Statements
(Unaudited, thousands of Canadian dollars)

Three months ended November 30, 2009 and 2008

3. Acquisitions

Acquisitions are accounted for under the acquisition method of accounting, unless otherwise stated, and the results of earnings since the respective dates of acquisition are included in the consolidated statements of income.

(a) Integration Automation and Control Pty Ltd.

On September 1, 2009, we acquired all of the issued and outstanding shares of Integration Automation and Control Pty Ltd. (IAC), an automation and information systems service company located in Newcastle, Australia, for preliminary consideration of \$1,807, composed entirely of cash. Goodwill arising on the acquisition of IAC is attributable to the establishment of Matrikon's automation and information systems expertise within Hunter Valley's coal industry, as well as increasing Matrikon's geographic presence in the area. The goodwill acquired is not deductible for tax purposes.

A portion of the purchase price is contingently refundable to us if revenue earned from any of the key clients of IAC fail to meet a pre-determined threshold. The fair value of this contingent amount has been assessed as \$nil at the acquisition date.

The following table summarizes the total purchase price consideration and the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. We are in the process of finalizing the valuation of the net assets acquired, including goodwill and intangible assets; thus, the allocation of the purchase price is subject to change.

Net assets acquired at assigned values:		
Cash	\$	51
Other current assets		897
Property and equipment		195
Intangible asset - Customer list		701
Intangible asset - Non-competition agreement		56
Goodwill		987
Current liabilities		(677)
Future income tax liability		(190)
Non-current liabilities		(213)
	\$	1,807

Included in other current assets are trade accounts receivable at their fair value of \$826. As at the acquisition date, these trade accounts receivable are expected to be fully collected.

Subsequent to the acquisition date of September 1, 2009, the operations of IAC have been fully integrated into Matrikon Pty Ltd., and as such the revenue and net income for IAC on a stand alone basis can not be determined.

MATRIKON INC.

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3. Acquisitions (continued)

(b) Matrikon-SoftDEL India Pvt. Ltd.

On November 11, 2009, we acquired the remaining 51% of the issued and outstanding shares of Matrikon-SoftDel India Pvt Ltd. (MSPL), a joint entity based in Pune, India, for preliminary consideration of \$525 CAD. We have assessed the acquisition of MSPL, now being renamed to Matrikon Industrial Solutions India Private Ltd., as an equity transaction, as there was no change of control of MSPL as a result of the transaction. Matrikon Industrial Solutions India Private Ltd., provides us with a steady supply of qualified engineers to further optimize operational efficiencies and growth opportunities. The transaction resulted in the elimination of previously reported non-controlling interest of \$42 and a charge to retained earnings of \$483.

4. Share capital

(a) Issued shares

Three months ended	2009		2008	
	Number of shares	\$ 000's	Number of shares	\$ 000's
Authorized in unlimited numbers:				
Common shares				
Issued				
Balance, beginning	30,948,770	\$31,735	30,686,917	\$30,633
Stock options exercised			1,500	4
Employee stock ownership plan	-	-		
Restricted share units	351,443	1,201	263,906	917
Balance, ending	31,300,213	\$32,936	30,952,323	\$31,554

MATRIKON INC.

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Three months ended November 30, 2009 and 2008

4. Share capital (continued)

(b) Stock options

The continuity of outstanding stock options, with expiry dates up to November 2011, are as follows:

Three months ended	2009		2008	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning	205,050	\$3.14	383,550	\$2.68
Exercised	-	-	(1,500)	1.65
Expired	(6,000)	2.25	(21,000)	1.65
Cancelled	-	-	(7,500)	3.70
Balance, ending	199,050	\$3.16	353,550	\$2.72
Options outstanding and exercisable	199,050	\$3.16	353,550	\$2.72

During the three months ended November 30, 2009, \$Nil (November 30, 2008 - \$2) has been reclassified from contributed surplus to share capital in relation to the exercise of stock options. We discontinued grants of stock options under the stock option plan in fiscal 2006.

(c) Employee stock ownership program

During the three months ended 2009, forfeitures of previously registered ESOP shares reduced stock-based compensation by \$Nil (November 30, 2008 - \$7).

We discontinued registration of common shares under the ESOP in fiscal 2007.

(d) Employee share purchase plan

Effective September 1, 2008, we commenced an employee share purchase plan (ESPP) where we contribute to the ESPP based on the amount of employee contributions made subject to maximum limits per employee. We account for such contributions as an expense in the period which the contributions are made. During the three months ended November 30, 2009, we recorded \$115 (November 30, 2008 - \$89) related to the ESPP.

MATRIKON INC.

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Three months ended November 30, 2009 and 2008

4. Share capital (continued)

(e) Normal course issuer bid

In January 2009, we commenced a normal course issuer bid (the Bid) to purchase our common shares. Pursuant to the Bid, we are entitled to acquire up to 1,547,595 common shares, representing not more than 5% of the 30,951,918 common shares issued and outstanding as at January 14, 2009. The Bid expires on January 15, 2010. Daily purchases will be limited to 23,679 common shares, other than block purchase exceptions until March 31, 2009 and thereafter shall be limited to 11,839 common shares, other than block purchase exceptions. The excess of the purchase price over the weighted average cost of shares purchased for cancellation will be charged to retained earnings.

During the three months period ended November 30, 2009, we did not repurchase any of our common shares.

(f) Restricted share units

We have a Restricted Share Unit (RSU) plan. Under the RSU plan, participants are eligible to receive common shares issued from treasury at a future date. The only performance condition under the RSU plan is that the employee, officer or director remains employed with Matrikon during the vesting period. The cost of the RSU is equal to fair market value at the date of grant. Compensation expense is recognized on a straight line basis over the RSU vesting period of three years. The following table summarizes the RSU's outstanding:

Three months ended	2009		2008	
	Number of RSUs	Weighted average fair value per unit	Number of RSUs	Weighted average fair value per unit
Balance, beginning of period	588,924	\$3.53	768,207	\$3.53
Granted	270,000	\$2.65	158,475	\$3.65
Vested	(351,443)	\$3.48	(263,906)	\$3.47
Forfeited	(19,744)	\$2.76	(18,813)	\$3.55
Balance, end of period	487,737	\$3.11	643,963	\$3.58

During the three months ending November 30, 2009, we recorded stock-based compensation of \$117 (November 30, 2008 - \$357) with a corresponding credit to contributed surplus relating to restricted share units (RSUs). In addition, \$1,201 (November 30, 2008 - \$916) has been reclassified from contributed surplus to share capital for RSUs vested in the year. Stock-based compensation was reduced by \$25 (November 30, 2008 - \$32) due to the forfeiture of RSUs. The maximum RSUs available under the RSU plan is currently 1,491,183.

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Notes to Interim Consolidated Financial Statements
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Three months ended November 30, 2009 and 2008

4. Share capital (continued)

(g) Contributed surplus

Three months ended	2009	2008
Balance, beginning of period	\$2,502	\$2,195
Stock options	-	(2)
ESOP (net of forfeitures)	-	(7)
RSUs (net of forfeitures)	(1,110)	(590)
Balance, end of period	\$1,392	\$1,596

5. Segmented information

We sell software and provide professional services in the area of continuous process industries throughout North America and internationally. We have five business segments that are primarily segmented based on geographic areas and revenue source, which is how we monitor and assess performance as well as make operating decisions. Operating segments are defined as components of Matrikon for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. Our reportable segments are North America, Asia-Pacific, EMEA (Europe, Middle East and Africa), Products, and Corporate.

Three months ended November 30, 2009	North America	Asia-Pacific	EMEA	Products	Corporate	Total
Total Assets	\$33,751	\$11,631	\$21,887	\$-	\$-	\$ 67,269
External revenue	\$12,537	\$5,435	\$5,425	\$2,053	\$-	\$25,450
Intercompany revenue (cost of sales)	(473)	(177)	(1,133)	1,783	-	-
Cost of sales	(6,459)	(3,013)	(1,575)	(610)	-	(11,657)
Expenses	5,605	2,245	2,717	3,226	-	13,793
Other income and foreign exchange (loss) gain	(1,659)	(1,833)	(1,452)	(2,144)	(2,491)	(9,579)
Income before income taxes	(3)	(12)	15	-	(219)	(219)
	\$ 3,943	\$400	\$1,280	\$1,082	\$(2,710)	\$3,995

MATRIKON INC.

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Three months ended November 30, 2009 and 2008

5. Segmented information (continued)

Three months ended November 30, 2008	North America	Asia-Pacific	EMEA	Products	Corporate	Total
Total Assets	\$30,558	\$10,165	\$23,731	\$-	\$-	\$64,454
Revenue	\$8,103	\$4,918	\$4,552	\$2,006	\$-	\$19,579
Intercompany revenue (cost of sales)	(877)	(194)	(496)	1,567	-	-
Cost of sales	(3,266)	(2,527)	(1,413)	(506)	-	(7,712)
Expenses	3,960	2,197	2,643	3,067	-	11,867
Other income and foreign exchange gain (loss)	(1,770)	(1,633)	(1,615)	(1,922)	(2,384)	(9,324)
Income before income taxes	(162)	125	161	-	1,155	1,279
Income before income taxes	\$2,028	\$689	\$1,189	\$1,145	\$(1,229)	\$3,822

We have a large number of clients in various industries and sectors of the economy. Revenue within the segments is not concentrated in any particular client with the exception of one entity that makes up approximately 52% of North America's revenue, and two entities which individually make up approximately 14% and 18% respectively of EMEA's revenue.

6. Seasonality

Seasonality in our business relates to consulting and software license revenue. Consulting revenue seasonality typically occurs in the second quarter, which has 10% fewer working days than other quarters. Software license revenue is often higher in the first and second quarters, which correspond to the calendar year-end and the end of the budget year for many clients. Contracts to deliver larger solutions (comprised of consulting and software revenue) may span multiple periods, with software revenue recognition often remaining deferred until other contractual obligations are met.

7. Subsequent Event

Subsequent to November 30, 2009 Matrikon's Board of Directors declared a dividend of \$0.03 per common share payable January 29, 2010 to shareholders of record as of January 20, 2010. The dividend is an eligible dividend for Canadian tax purposes.

8. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current period presentation.