

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

Highlights

- Q2-10 revenue growth of 16% to \$22.76 million compared to Q2-09; YTD revenue growth of 23% to \$48.21 million compared to the first six months of FY-09
 - Q2-10 consulting revenue growth of 50% to a record \$14.79 million compared to Q2-09; YTD consulting revenue growth of 27% to \$27.98 million compared to the first six months of FY-09
 - Q2-10 net income of \$2.85 million or \$0.09 per share compared to \$2.03 million or \$0.07 per share in Q2-09; YTD net income growth of 17% to \$5.61 million or \$0.18 per share compared to \$4.78 million or \$0.16 per share in FY-09
 - Significant Well Performance Monitor contract wins, which are evidence of Matrikon's market presence in intelligent oil field solutions
 - Board of directors declares quarterly dividend of \$0.03 per common share
-

Edmonton, Alberta – April 7, 2010

Matrikon Inc. (TSX:MTK), a leading provider of industrial performance monitoring solutions, today reported financial results for the second quarter of fiscal year 2010, which ended February 28, 2010.

Matrikon president and CEO Nizar J. Somji commented on the quarter: "Our second quarter continues the strong results we saw at the beginning of this fiscal year and the gradual return to spending in some of our core industries. Our large contract wins this quarter reaffirm the additional value added by our solutions—now that they are empowered by our next generation technology. These wins are also evidence of our leadership in delivering solutions that not only facilitate collaboration but also drive performance by integrating workflow and enabling action to be taken and monitored.

"We continue to make progress in line with our strategy, with infrastructure and research and development investments made in prior quarters paying off. Our cost structure is well supported by revenue growth, contributing to improved profit margins. In a quarter that is often challenging from a results perspective, everyone at Matrikon has demonstrated their commitment and focus to delivering on the strategy. The first half of this fiscal year has formed a solid foundation on which to grow in the remainder of this fiscal year and beyond."

Second quarter revenue was \$22.76 million compared to \$19.66 million in Q2-09 and \$25.45 million in Q1-10. Net income in the second quarter was a record \$2.85 million or \$0.09 per share compared to \$2.03 million or \$0.07 per share in Q2-09 and \$2.77 million or \$0.09 per share in Q1-10.

Year-to-date (YTD) revenue grew 23% to \$48.21 million compared to the first half of FY-09. YTD net income grew 17% to \$5.61 million or \$0.18 per share, compared to \$4.78 million or \$0.16 per share in the first half of FY-09.

Matrikon's board of directors declared a quarterly dividend of \$0.03 per common share for the second quarter of fiscal year 2010. This dividend is payable on April 27, 2010 to all shareholders of record on April 16, 2010. The dividend is an eligible dividend for Canadian tax purposes.

Additional Highlights:

- We achieved record consulting revenue of \$14.79 million in Q2-10. This reflects a 50% increase compared to Q2-09 and 12% compared to Q1-10, despite 10% fewer working days in our second quarter. With this growth in consulting revenue, consulting headcount increased by 4% in Q2-10 compared to Q2-09.
- During 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 during 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 contract wins, along with ongoing work with other global clients, are evidence of Matrikon's market presence in intelligent oil field solutions.

- Products revenue (comprised of software license and support revenue) declined by 19% compared to Q2-09 and by 10% compared to Q1-10. Despite this decline, OPC sales experienced growth of 2% compared to Q2-09 and increased by 30% compared to Q1-10.
- Gross margin in Q2-10 was 55%. Compared to Q2-09, gross margin dropped 4 percentage points as a result of the reduced software license contribution to the revenue mix. Compared to Q1-10, gross margin increased by 1 percentage point as our revenue mix in Q2-10 included less equipment revenue, which generally carries a lower margin. Combined overhead expenses in Q2-10 remained steady at \$9.59 million compared to \$9.69 million in Q2-09 and \$9.58 million in Q1-10. YTD sales and marketing expenses were up 18% compared to the first half of FY-09, as we continued to invest in sales and marketing to support larger project wins over the past 6 months.

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 Andrea Nwobosi at 1-877-628-7456 x4587.

Conference Call and Webcast

Matrikon President and CEO, Nizar J. Somji and CFO Jonathan Chia will hold a conference call to discuss second quarter results on Wednesday, April 7, 2010 at 5:00pm ET (3:00pm MT). To participate live, call 647-427-7450 in the Toronto area and 1-888-231-8191 in all other areas. The conference ID is 64821695.

A replay will be available until midnight ET, May 2, 2010. To access the playback service, please dial 416-849-0833 in the Toronto area or 1-800-642-1687 in all other areas. The passcode is 64821695.

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

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=3004760>

About Matrikon

Matrikon (www.matrikon.com) delivers industrial performance monitoring solutions that provide visibility into the global operations of oil and gas, energy, mining, power and refining companies. Matrikon products enable users to anticipate and correct problems, identify opportunities for improvement, share best practices and drive the action necessary to achieve and sustain their operational excellence objectives. Matrikon has been empowering excellence since 1988. 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. Matrikon trades on the Toronto Stock Exchange under the symbol MTK.

For more information, contact:

Nicole Saylor
Corporate Communications Director
780-945-4010
877-628-7456 x4010
nicole.saylor@matrikon.com

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

April 7, 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 February 28, 2010 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 April 7, 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.

Overhead expenses are the indirect costs of operating our business and cannot be directly attributed to earning revenue. Overhead expenses are divided into 6 major categories, which include consulting general and administrative, sales and marketing, research and development, general and administrative, amortization and stock-based compensation.

Operating income (loss) is our income or loss before foreign exchange, other income, income taxes and non-controlling interest.

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 consulting 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 consulting 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 Q2-09 to reflect the financial presentation adopted in the current quarter.

Table of Contents

Non-GAAP Measures.....	4	Segment Results.....	10
Other Information.....	4	Quarterly Results.....	13
Comparative Figures.....	4	Liquidity & Capital Resources.....	13
Table of Contents.....	4	Acquisitions.....	14
Forward Looking Statements.....	5	Off Balance Sheet Arrangements.....	14
Strategic Progress Update.....	5	Normal Course Issuer Bid.....	15
Items of Note in Q2-10.....	6	Share Data.....	15
Summary of Results.....	7	Critical Accounting Estimates.....	15
Revenue.....	8	Basis of Presentation.....	15
Gross Margin.....	9	Recent Accounting Pronouncements.....	15
Overhead Expenses.....	9	Risks Related to Our Business.....	16
Net Income.....	9	Internal Control over Financial Reporting.....	16
Comprehensive Income.....	10	Subsequent Event.....	16

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.

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?	6 Month Results
Grow top line while maintaining profitability	✓	<ul style="list-style-type: none"> Revenue increased by 23% to \$48.21 million compared to Q2-09 Net income increased by 17% to \$5.61 million compared to Q2-09
Continue building Matrikon Suite applications on the Intuition platform	In Progress	<ul style="list-style-type: none"> We continue to build our Matrikon Suite applications to be Empowered by Intuition
Revenue from licenses & support of 35-40% of total revenue	In Progress	<ul style="list-style-type: none"> YTD software license and support revenue represent 25% of total revenue
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 Q2-10

- **Record consulting revenue:** In Q2-10, we achieved record consulting revenue of \$14.79 million compared to \$9.85 million in Q2-09 and \$13.19 million in Q1-10. This reflects a 50% increase compared to Q2-09 and an increase of 12% compared to Q1-10, despite 10% fewer working days in our second quarter. With this growth in consulting revenue, consulting headcount increased by 4% in Q2-10 compared to Q2-09. We continue to build capacity, mainly in the EMEA region, to execute the large projects won during the quarter.
- **Significant contract wins:** During 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 during 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 contract wins, along with ongoing work with other global clients, are evidence of Matrikon's market presence in intelligent oil field solutions.
- **Products revenue:** Products revenue (comprised of software license and support revenue) declined by 19% compared to Q2-09 and by 10% compared to Q1-10. Despite this, OPC sales experienced marginal growth of 2% compared to Q2-09 and increased by 30% compared to Q1-10. As we continue to execute our strategy and win large industry application contracts, consulting revenue tends to be realized sooner than products revenue during initial project stages. We expect the software component of the industry application contract wins announced throughout the quarter to contribute to Products revenue into FY-11.
- **Tax rate:** Our effective income tax rate has been reduced as a result of tax recoveries realized from research and development credits in Australia. Year-to-date, our effective tax rate is 19.7% compared to 18.4% in the first six months of FY-09.

Summary of Results

3 Months Ended <i>(CAD \$000s)</i>	28-Feb-10 (Q2-10) % revenue		28-Feb-09 (Q2-09) % revenue		30-Nov-09 (Q1-10) % revenue		Q2-10 vs Q2-09	Q2-10 vs Q1-10
Total Revenue	\$22,757	100%	\$19,661	100%	\$25,450	100%	16%	(11%)
Consulting fees	14,791	65%	9,852	50%	13,190	52%	50%	12%
<i>Margin on consulting fees</i>	<i>44%</i>		<i>42%</i>		<i>44%</i>			
Equipment sales	2,095	9%	2,345	12%	5,632	22%	(11%)	(63%)
<i>Margin on equipment sales</i>	<i>28%</i>		<i>27%</i>		<i>31%</i>			
Total Solutions revenue	16,886	74%	12,197	62%	18,822	74%	38%	(10%)
Software license fees	3,214	14%	4,695	24%	3,738	14%	(32%)	(14%)
<i>Margin on software license fees</i>	<i>99%</i>		<i>99%</i>		<i>99%</i>			
Support	2,597	11%	2,498	13%	2,729	11%	4%	(5%)
<i>Margin on support</i>	<i>86%</i>		<i>93%</i>		<i>89%</i>			
Total Products revenue	5,811	25%	7,193	37%	6,467	25%	(19%)	(10%)
Interest income	60	1%	271	1%	161	1%	(78%)	(63%)
<i>Consulting headcount</i>	<i>290</i>		<i>280</i>		<i>295</i>		<i>4%</i>	<i>(2%)</i>
<i>Gross margin</i>	<i>55%</i>		<i>59%</i>		<i>54%</i>			
Total Expenses	9,585	42%	9,692	49%	9,579	38%	(1%)	0%
Consulting	1,032	5%	1,474	7%	1,299	5%	(30%)	(21%)
Sales & marketing	2,065	9%	1,902	10%	2,329	9%	9%	(11%)
Research & development	1,463	6%	1,754	9%	1,560	6%	(17%)	(6%)
General & administrative	4,393	19%	3,919	20%	3,822	15%	12%	15%
<i>Operations headcount</i>	<i>298</i>		<i>262</i>		<i>275</i>		<i>14%</i>	<i>8%</i>
Stock-based compensation	125	1%	352	2%	92	1%	(64%)	36%
Amortization	507	2%	291	1%	477	2%	74%	6%
Foreign exchange translation gain (loss)	3	0%	468	2%	(208)	-1%	(99%)	(101%)
Net income	2,845	13%	2,027	10%	2,768	11%	40%	3%
Earnings per share - basic	0.09		0.07		0.09		29%	0%
Earnings per share - diluted	0.09		0.06		0.09		50%	0%
Weighted average shares outstanding (000s)	31,311		30,968		31,298		1%	0%
Total assets	68,808		66,040		67,269		4%	2%
Total long term liabilities	520		203		500		156%	4%
Deferred revenue	9,160		9,114		6,670		1%	37%
Contracts in progress	6,214		8,375		7,049		(26%)	(12%)

6 Months Ended (CAD \$000s)	28-Feb-10		28-Feb-09		2010 vs 2009
	(YTD)	% revenue	(YTD)	% revenue	
Total Revenue	\$48,207	100%	\$39,240	100%	23%
Consulting fees	27,981	58%	22,004	56%	27%
<i>Margin on consulting fees</i>	<i>44%</i>		<i>43%</i>		
Equipment sales	7,727	16%	3,361	9%	130%
<i>Margin on equipment sales</i>	<i>30%</i>		<i>27%</i>		
Total Solutions revenue	35,708	74%	25,365	65%	41%
Software license fees	6,952	14%	8,388	21%	(17%)
<i>Margin on software license fees</i>	<i>99%</i>		<i>97%</i>		
Support	5,326	11%	5,019	13%	6%
<i>Margin on support</i>	<i>88%</i>		<i>93%</i>		
Total Products revenue	12,278	25%	13,407	34%	(8%)
Interest income	221	1%	468	1%	(53%)
<i>Consulting headcount (average)</i>	<i>285</i>		<i>274</i>		<i>4%</i>
<i>Gross margin</i>	<i>55%</i>		<i>60%</i>		
Total Expenses	19,164	40%	19,016	49%	1%
Consulting	2,331	5%	3,142	8%	(26%)
Sales & marketing	4,394	9%	3,738	10%	18%
Research & development	3,023	6%	3,164	8%	(4%)
General & administrative	8,215	17%	7,635	19%	8%
<i>Operations headcount (average)</i>	<i>276</i>		<i>262</i>		<i>5%</i>
Stock-based compensation	217	1%	670	2%	(68%)
Amortization	984	2%	667	2%	48%
Foreign exchange translation gain (loss)	(205)	0%	1,612	4%	(113%)
Net income (loss)	5,613	12%	4,784	12%	17%
Earnings per share - basic	0.18		0.16		13%
Earnings per share - diluted	0.18		0.15		20%
Weighted average shares outstanding (000s)	31,305		30,958		1%
Total Assets	68,808		66,040		4%
Total Long Term Liabilities	520		203		156%
Deferred revenue	9,160		9,114		1%
Contracts in progress	6,214		8,375		(26%)

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

We achieved record consulting revenue as we earned \$14.79 million in Q2-10. This reflects a 50% increase compared to Q2-09 and an increase of 12% compared to Q1-10, despite 10% fewer working days in our second quarter. We continue to build capacity, mainly in the EMEA region, to execute the large projects won during the quarter as consulting headcount increased by 4% compared to Q2-09.

Our equipment revenues declined by 63% compared to Q1-10 as a result of the majority of third party hardware and software being delivered for our cyber security project during the first quarter. Equipment revenues are ancillary to our business and will continue to fluctuate period-by-period.

Year-to-date consulting and equipment revenues have increased by 41% as a result of higher utilization and average daily rates driven from executing the significant contracts we have won over the past 6 months.

Our total Products revenue (comprised of Software License and Support revenue) declined by 19% compared to Q2-09 and by 10% compared to Q1-10. Despite this, OPC sales experienced marginal

growth of 2% compared to Q2-09 and increased by 30% compared to Q1-10. As we continue to execute our strategy and win enterprise-wide industry application contracts, consulting revenue tends to be realized sooner than products revenue during initial project stages. Software license revenues related to our industry applications continue to be lumpy. We expect the software component of the industry application contract wins announced throughout the quarter to contribute to Products revenue into FY-11.

Year-to-date Products revenue declined by 8% compared to FY-09. The economic slowdown caused our sales cycle to lengthen as many of our clients required additional time and due diligence to obtain approval for contracts. With the gradual return to spending in some of our core industries, we expect to see a recovery in Products revenue.

Gross Margin

Gross margin in Q2-10 was 55%. Compared to Q2-09, gross margin dropped 4 percentage points as a result of the reduced software license contribution to the revenue mix. Compared to Q1-10, gross margin increased by 1 percentage point as our revenue mix in Q2-10 included less equipment revenue, which generally carries a lower margin.

Year-to-date gross margin was 55% compared to 60% in the first six months of FY-09. The decrease in gross margin is due to significantly higher consulting and equipment revenue contributions to the revenue mix, which represented 74% of overall revenue, compared to 65% in Q2-09.

Overhead Expenses

The returns on our infrastructure investments are beginning to materialize as combined overhead expenses have remained steady in Q2-10, despite the significant increase in revenue compared to Q2-09. Expenses in Q2-10 were \$9.59 million (42% of revenue), compared to \$9.69 million (49% of revenue) in Q2-09 and \$9.58 million (38% of revenue) in Q1-10.

Consulting G&A expenses have declined by 30% compared to Q2-09 and 21% compared to Q1-10. The decline is primarily attributed to decreased third-party consulting costs and employee expenses.

We continue to invest in sales and marketing functions to drive top-line growth and to support the large project wins over the past 6 months. Sales and marketing expenses have increased by 9% compared to Q2-09, and by 18% year-to-date, primarily due to increased headcount of 9% and 12%, respectively.

Research and development (R&D) costs decreased by 17% compared to Q2-09 and by 6% compared to Q1-10. Excluding the Canadian Scientific Research and Experimental Development (SR&ED) tax credits, R&D costs in Q2-10 are \$1.95 million, which is a decrease of 7% compared to Q2-09 and an increase of 4% compared to Q1-10. The reduction in expenses compared to Q2-09 is a result of buying out the Indian joint venture company and leveraging our talent pool in India. Headcount in the R&D function increased compared to Q2-09 and Q1-10 as we continue the development of our next generation technology.

General and administrative expenses have increased by 12% compared to Q2-09 and by 15% compared to Q1-10, primarily due to incentive payments accrued for performance in Q2-10.

Net Income

We achieved record net income of \$2.85 million and a corresponding net margin of 13% in Q2-10. Compared to Q2-09, this is an increase of 40%, and 3% compared to Q1-10 when we achieved net income of \$2.77 million. Year-to-date net income increased by 17% to \$5.61 million with a net margin of 12%, compared to \$4.78 million and net margin of 12% in the first six months of FY-09.

The following factors positively impacted our net margins in both the quarter and year-to-date periods:

- The makeup of our consulting revenue is shifting as a result of our focus on high value consulting engagements, resulting in improvements to average daily rate and improved gross margins, with a strong consulting gross margin of 44% in Q2-10.
- Our overhead expenses are in line with expectations and we are beginning to realize efficiencies following infrastructure and R&D investments made in prior quarters.
- We experienced a recovery of AUD\$0.68 million in income tax associated with research and development incentive tax programs in Australia.

- There was a decrease in stock-based compensation expenses compared to Q2-09 as the majority of outstanding Restricted Share Units (RSUs) have vested.

These positive influences to net margin were offset by the strengthening of the Canadian dollar compared to the US dollar. In addition, other income including interest income relating to cash and cash equivalents and gains relating to the sale of assets decreased by \$0.08 million compared to Q2-09 and by \$0.23 million compared to FY-09. We earned less interest on cash and cash equivalents than in prior quarters due to lower cash balances throughout the period.

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		
	Q2-10	Q2-09	Q1-10	Q2-10	Q2-09	Q1-10
Australian Dollar	28%	15%	31%	0.9428	0.8104	0.9638
British Pound	8%	12%	10%	1.6038	1.7969	1.7538
Canadian Dollar	12%	12%	7%	1.0000	1.0000	1.0000
Euro	13%	10%	5%	1.4346	1.5997	1.5926
United States Dollar	36%	50%	46%	1.0523	1.2600	1.0620
Other Currencies	3%	1%	1%	-	-	-

Comprehensive Income

In FY-08, we began to report other comprehensive income. Other comprehensive income accounts for currency translation related to our self-sustaining foreign operations and resulted in a foreign currency translation loss of \$0.77 million in the quarter and a loss of \$0.52 million year-to-date as the Canadian dollar gained strength against the Australian dollar, British pound and Euro.

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 28-Feb-10 CAN\$ (000s)	North America	Asia- Pacific	EMEA	Products	Corporate	Total
External revenue	10,378	5,303	5,337	1,739	-	22,757
Intercompany revenue (cost of sales)	(810)	(155)	(682)	1,647	-	-
% of external revenue	46%	23%	23%	8%	-	100%
Gross profit	4,749	2,314	2,746	2,753	-	12,562
Gross margin	50%	45%	59%	81%	-	55%
Expenses	(1,957)	(1,692)	(1,371)	(2,247)	(2,318)	(9,585)
Other income (loss) & foreign exchange gain (loss)	(9)	28	20	-	(13)	26
Income (loss) before taxes	2,783	650	1,395	506	(2,331)	3,003
External revenue change % (Q2-10 vs Q2-09)	62%	26%	17%	(61%)	-	16%
Employees at 28-Feb-10	141	121	86	165	75	588

3 Months Ended 28-Feb-09	North America	Asia-Pacific	EMEA	Products	Corporate	Total
CAN\$ (000s)						
External revenue	6,417	4,196	4,580	4,468	-	19,661
Intercompany revenue (cost of sales)	129	(287)	(874)	1,032	-	-
% of external revenue	33%	21%	23%	23%	-	100%
Gross profit	3,038	1,495	2,235	5,142	(275)	11,635
Gross margin	46%	38%	60%	93%		59%
Expenses	(1,040)	(1,510)	(1,379)	(2,691)	(3,072)	(9,692)
Other income (loss) & foreign exchange gain (loss)	162	(59)	(41)	-	509	571
Income (loss) before taxes	2,160	(74)	815	2,451	(2,838)	2,514
Employees at 28-Feb-09	133	133	83	132	61	542

6 Months Ended 28-Feb-10	North America	Asia-Pacific	EMEA	Products	Corporate	Total
CAN\$ (000s)						
External revenue	22,998	10,680	10,737	3,792	-	48,207
Intercompany revenue (cost of sales)	(1,283)	(332)	(1,814)	3,429	-	-
% of external revenue	48%	22%	22%	8%	-	100%
Gross profit	10,431	4,502	5,445	5,977	-	26,355
Gross margin	48%	44%	61%	83%		55%
Expenses	(3,707)	(3,525)	(2,823)	(4,392)	(4,717)	(19,164)
Other income (loss) & foreign exchange gain (loss)	(11)	16	34	-	(232)	(193)
Income (loss) before taxes	6,713	993	2,656	1,585	(4,949)	6,998
External revenue change % (YTD-10 vs YTD-09)	58%	17%	18%	(41%)		23%
Average employees at 28-Feb-10	142	123	84	143	69	561

6 Months Ended 28-Feb-09	North America	Asia-Pacific	EMEA	Products	Corporate	Total
CAN\$ (000s)						
External revenue	14,520	9,114	9,132	6,474	-	39,240
Intercompany revenue (cost of sales)	(748)	(481)	(1,370)	2,599	-	-
% of external revenue	37%	23%	23%	16%	-	100%
Gross profit	6,998	3,692	4,878	8,209	(275)	23,502
Gross margin	51%	43%	63%	90%		60%
Expenses	(2,810)	(3,143)	(2,994)	(4,613)	(5,456)	(19,016)
Other income (loss) & foreign exchange gain (loss)	-	66	120	-	1,664	1,850
Income (loss) before taxes	4,188	615	2,004	3,596	(4,067)	6,336
Average employees at 28-Feb-09	139	133	80	119	65	536

North America: External revenues in North America made up 46% of the global revenue mix, compared to 33% in Q2-09. This increase is a result of a 146% increase in consulting revenue as we continue to execute and complete the large cyber security project won in Q4-09. This strong consulting revenue is offset by lower software license revenue, which decreased by 34% compared to Q2-09.

Compared to Q1-10, external revenue declined by 17%, a direct result of the record equipment revenue earned in the first quarter. Excluding equipment revenue, external revenue increased by 23% despite

10% fewer working days in the second quarter. This decrease was offset with higher software license revenue recognized in the quarter.

Overhead costs increased by \$0.92 million compared to Q2-09 and by \$0.30 million compared to Q1-10. The increase compared to Q2-09 is a result of a 6% increase in headcount as we decentralized certain corporate functions by allocating resources directly into this region. Compared to Q1-10, expenses increased due to an increase in office expenses, travel and marketing costs.

Asia-Pacific: Asia-Pacific results were positively impacted by foreign exchange rates as the Canadian dollar weakened relative to the Australian dollar, the primary currency in which we transact business in Asia-Pacific (0.9428 at February 28, 2010 compared to 0.8104 at February 28, 2009). External revenue increased by 26% compared to Q2-09 and decreased slightly by 2% compared to Q1-10, despite the company-wide holiday closure that spans the summer months in the Asia-Pacific region. In natural currency, revenue increased by 14% compared to Q2-09 and decreased by 1% compared to Q1-10.

The increase in external revenue compared to Q2-09 is attributed to higher consulting revenue, which increased by 14%. The acquisition of Integration Automation and Control Pty Ltd. (IAC) in Q1-10 increased consulting headcount by 8%. We start to observe a slow recovery in the mining industry—the primary market we serve in the region—with an improvement of 24% in utilization. Equipment revenue also positively impacted the Asia-Pacific revenue, increasing by 21% compared to Q2-09 and by 24% compared to Q1-10.

Gross margin increased by 7 percentage points compared to Q2-09 and 2 percentage points compared to Q1-10. The increase in gross margin compared to Q2-09 is a result of equipment revenue being a smaller component of the revenue mix (15% in Q2-10 compared to 17% in Q2-09).

As a result of the acquisition of IAC, year-to-date overhead expenses increased in line with our expectations compared to FY-09.

EMEA: External revenue in the EMEA region increased by 17% compared to Q2-09 and decreased by 2% compared to Q1-10. EMEA revenue was significantly impacted by the strengthening of the Canadian dollar relative to the British pound, Euro and US dollar. In natural currency, external revenue increased by 32% compared to Q2-09 and by 6% compared to Q1-10.

During Q2-10, we began execution of the project won with the Middle East oil company that was announced earlier in the quarter. In natural currencies, consulting revenue for the Middle East region increased by 53% compared to Q2-09 and by 45% compared to Q1-10. Offsetting this increase is a decrease in software license revenue of 26% compared to Q2-09 and 50% compared to Q1-10.

Expenses have remained consistent in natural currency, and any fluctuations are primarily due to fluctuations in foreign exchange rates.

Year-to-date, external revenue increased by 18% due to increased consulting revenue. The overall number of consulting employees in the region has increased by 40% primarily in the Middle East, as we continue to build our resource base in this region.

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

While we saw growth in off-the-shelf software license sales over the past year, total Products revenue in Q2-10 has decreased by 38% compared to Q2-09 and by 15% compared to Q1-10. OPC license sales continue to make positive contributions, growing by 2% compared to Q2-09 and by 30% compared to Q1-10.

Overhead expenses have decreased compared to Q2-09 as a result of lower costs associated with acquiring operations in India.

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 decreased by 25% compared to Q2-09 as employee expenses, administration costs and expenses associated with the start-up of the joint entity operation in India were included in the prior period. We also incurred contractor costs of \$0.35 million to support the transition to a new enterprise resource planning (ERP) system that was introduced in Q2-09.

Compared to Q1-10, Corporate expenses declined by 7% as a result of lower consulting costs for marketing and information technology services. Year-to-date, Corporate expenses decreased by 14% as a result of lower employee expenses and third party consultancy fees.

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.

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

CAN \$000s except per share amounts	FY 08		FY 09				FY 10	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	20,536	20,162	19,579	19,661	16,376	17,622	25,450	22,757
Gross profit	11,533	11,903	11,867	11,635	8,107	9,446	13,793	12,562
Gross margin	56%	59%	61%	59%	50%	54%	54%	55%
Operating income (loss)	3,103	2,842	2,543	1,943	(1,770)	528	4,214	2,977
Net income (loss)	2,467	2,583	2,757	2,027	(2,959)	489	2,768	2,845
Net margin	12%	13%	14%	10%	-18%	3%	11%	13%
Shares outstanding (000s)	30,548	30,636	30,949	30,968	30,932	30,936	31,298	31,311
Diluted shares outstanding (000s)	31,467	31,494	31,649	31,622	30,932	31,302	31,524	31,478
EPS (loss) - basic	0.08	0.09	0.09	0.07	(0.10)	0.02	0.09	0.09
EPS (loss) - diluted	0.08	0.08	0.09	0.06	(0.10)	0.02	0.09	0.09
Headcount	506	521	545	542	559	523	570	588

Liquidity & Capital Resources

At (CAN \$000s except ratios)	28-Feb-10	28-Feb-09	30-Nov-09	Q2-10 vs Q1-10 % Change	Q2-10 vs Q2-09 % Change
Cash & equivalents	9,378	8,793	5,165	82%	7%
Accounts receivable	28,955	25,848	29,287	(1%)	12%
Trade receivables	21,609	19,326	22,133	(2%)	12%
Average collection period (trade receivables)	87 days	82 days	88 days	-1 day	5 days
Contracts in progress	6,214	8,375	7,049	(12%)	(26%)
Deferred revenue	9,160	9,114	6,670	37%	1%
Current liabilities	21,622	20,056	21,417	1%	8%
Cash flow from operations (YTD)	5,882	(1,792)	(932)	731%	428%

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 87 days at the end of Q2-10, an increase of 5 days compared to the end of Q2-09 and a decrease of 1 day compared to Q1-10. This is a result of increased revenues in the first six months of FY-10 and the timing of invoicing milestones on our large projects. Our aged receivables over 90 days, as a percentage of our overall aged receivables, remains consistent with Q1-10.

Current liabilities increased to \$21.62 million at the end of Q2-10, compared to \$21.42 million at the end of Q1-10 and \$20.06 million at the end of Q2-09. Compared to Q2-09, this increase is a result of higher deferred revenue balances. Deferred revenue at the end of the Q2-10 includes \$5.69 million in deferred support revenue and \$3.47 million in unearned software license, services and equipment revenue, compared to \$5.32 million in deferred support revenue and \$1.21 million in unearned software license, services and equipment revenue in Q1-10.

Cash provided by operating activities was \$6.81 million in Q2-10, compared to cash used by operations of \$0.93 million in Q1-10 and cash used by operations of \$1.24 million in Q2-09. The increase over Q1-10 is a result of an increase in accounts payable, accrued liabilities, deferred revenue and an increase in net income.

Our overall cash position increased by \$4.21 million compared to Q1-10. Two business acquisitions reduced our cash balance by \$2.28 million.

In Q2-10, we paid two quarterly dividends each in the amount of \$0.03 per common share, respectively related to Q4-09 and Q1-10.

Our effective income tax rate was 5.2% for Q2-10. Our effective income tax rate during Q2-10 has been reduced as a result of tax recoveries realized of AUD\$0.68 million realized from research and development tax credits in Australia. Excluding the research and development credits from Australia, our effective income tax rate is 22.5% for Q2-10. Year-to-date, our effective tax rate is 19.7% (and 26.79%, excluding tax credits from Australia) compared to 18.4% in the first six months of FY-09. Our expected range for FY-10 of 27% to 32%, excluding tax credits, remains unchanged.

We believe that we have the capital resources and liquidity necessary to meet our commitments, support our operations and finance our current growth strategies. Please refer to pages 45 - 48 of Matrikon's 2009 Annual Report covering Risks Related to our Business, which address the risks associated with our company's capital resources and liquidity.

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 \$0.58 million in cash.

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 February 28, 2010	Payment Due				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Operating lease obligations (CAN \$000s)	5,635	1,871	3,330	415	19
Other long term obligations (CAN \$000s)	100	100	-		
Total contractual obligations	5,735	1,971	3,330	415	19

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 ended January 15, 2010. No shares were purchased for the first half of FY-10.

Share Data

Matrikon is listed on the Toronto Stock Exchange under the trading symbol "MTK." As at April 1, 2010 there were 31,328,736 common shares of the corporation issued and outstanding and 166,550 options and 491,425 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 sections:

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

Basis of Presentation

During the quarter we commenced operations with Matrikon Kuwait (MKU) in which we own a 49% equity interest. As a result of our equity interest and operational agreements, we have determined that we are the primary beneficiary as defined by the Canadian Institute of Chartered Accountants (CICA) Handbook's Accounting Guideline 15 (AcG-15), "Consolidation of Variable Interest Entities." Pursuant to AcG-15, we have consolidated the results of MKU.

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

In February 2008, CICA's Accounting Standards Board ("AcSB") confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), replacing Canadian GAAP effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for our Company for the first quarter of fiscal 2012, that being November 30, 2011, when our Company will prepare both the current and comparative financial information using IFRS.

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 at February 28, 2010, we have performed a preliminary assessment of the accounting and reporting differences under IFRS compared to Canadian GAAP, and have established various alternatives relating to our Enterprise Resource Planning (ERP) system on which we will commence testing.

We expect the implementation process and solutions development to be finalized before the end of fiscal 2010. 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.

Risks Related to Our Business

There has been no significant change to 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 FASB 605-35 (formerly 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. In Q2-10, we have taken steps to remediate this process by having the appropriate processes and checklists in place to review significant contracts and assess the terms as defined by FASB 605-35 (formerly SOP 81-1).

Please see page 49 of Matrikon's 2009 Annual Report for a discussion of internal controls over financial reporting and disclosure controls.

Subsequent Event

Subsequent to the quarter, our Board of Directors declared a quarterly dividend of \$0.03 per common share for the second quarter of fiscal year 2010. This dividend is payable on April 27, 2010 to all shareholders of record on April 16, 2010. The dividend is an eligible dividend for Canadian tax purposes.

About Matrikon

Matrikon delivers industrial performance monitoring solutions that provide visibility into the global operations of oil and gas, energy, mining, power and refining companies. Matrikon products enable users to anticipate and correct problems, identify opportunities for improvement, share best practices and drive the action necessary to achieve and sustain their operational excellence objectives. Matrikon has been empowering excellence since 1988. 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.

At February 28, 2010, Matrikon had 588 employees, including 104 in corporate and administrative services, 73 in sales and marketing, 116 in product development and support and 295 in professional services (Solutions).

MATRIKON INC.

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

As at February 28, 2010 and August 31, 2009

	February 28, 2010	August 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,378	\$ 8,734
Accounts receivable	28,955	23,456
Contracts in progress	6,214	6,894
Future income taxes	500	492
Prepaid expenses	994	1,286
	<u>46,041</u>	<u>40,862</u>
Future income taxes	536	525
Property and equipment	4,085	4,253
Intangible assets	1,779	672
Goodwill	16,367	15,807
	<u>\$ 68,808</u>	<u>\$ 62,119</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,732	\$ 8,603
Deferred revenue	9,160	8,292
Income taxes payable	350	462
Future income taxes	1,380	971
	<u>21,622</u>	<u>18,328</u>
Future income taxes	520	89
Shareholders' equity:		
Share capital (note 4(a))	33,018	31,735
Contributed surplus (note 4(f))	1,487	2,502
Accumulated other comprehensive loss	(623)	(107)
Retained earnings	12,784	9,532
Non-controlling interest	-	40
	<u>46,666</u>	<u>43,702</u>
Subsequent event (note 6)		
	<u>\$ 68,808</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 and six months ended February 28, 2010 and 2009

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Revenue:				
Consulting	\$ 14,791	\$ 9,852	\$ 27,981	\$ 22,004
Software license	3,214	4,695	6,952	8,388
Support	2,597	2,498	5,326	5,019
Equipment sales	2,095	2,345	7,727	3,361
Interest income	60	271	221	468
	22,757	19,661	48,207	39,240
Cost of sales	10,195	8,026	21,852	15,738
	12,562	11,635	26,355	23,502
Expenses:				
Consulting general and administrative	1,032	1,474	2,331	3,142
Sales and marketing	2,065	1,902	4,394	3,738
Research and development	1,463	1,754	3,023	3,164
General and administrative	4,393	3,919	8,215	7,635
Amortization	507	291	984	667
Stock-based compensation (note 4(b))	125	352	217	670
	9,585	9,692	19,164	19,016
Income before the undernoted	2,977	1,943	7,191	4,486
Foreign currency translation gain (loss)	3	468	(205)	1,612
Other income	23	103	12	238
	26	571	(193)	1,850
Income before income taxes and non-controlling interest	3,003	2,514	6,998	6,336
Income taxes expense (recovery):				
Current	439	579	989	1,970
Future	(281)	(116)	395	(442)
	158	463	1,384	1,528
Income before non-controlling interest	2,845	2,051	5,614	4,808
Non-controlling interest	-	(24)	(1)	(24)
Net income	\$ 2,845	\$ 2,027	\$ 5,613	\$ 4,784
Earnings per share:				
Basic	\$ 0.09	\$ 0.07	\$ 0.18	\$ 0.16
Diluted	\$ 0.09	\$ 0.06	\$ 0.18	\$ 0.15
Weighted average number of shares outstanding (000's):				
Basic	31,311	30,968	31,305	30,958
Diluted	31,478	31,622	31,577	31,613

See accompany notes to the interim consolidated financial statements.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net Income	\$ 2,845	\$ 2,027	\$ 5,613	\$ 4,784
Other comprehensive loss, net of income tax recovery:				
Unrealised losses on translation of self-sustaining foreign operations	(769)	(271)	(516)	(881)
Comprehensive income	\$ 2,076	\$ 1,756	\$ 5,097	\$ 3,903

See accompanying notes to the interim consolidated financial statements.

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

Three and six months ended February 28, 2010 and 2009

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Accumulated other comprehensive income (loss), beginning of period	\$ 146	\$ (481)	\$ (107)	\$ 129
Other comprehensive loss	(769)	(271)	(516)	(881)
Accumulated other comprehensive loss, end of period	\$ (623)	\$ (752)	\$ (623)	\$ (752)

See accompanying notes to the interim consolidated financial statements.

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

Three and six months ended February 28, 2010 and 2009

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Retained earnings, beginning of period	\$ 10,878	\$ 11,888	\$ 9,532	\$ 12,226
Purchase of non-controlling interest in consolidated variable interest entity (note 3)	-	-	(483)	-
Net Income	2,845	2,027	5,613	4,784
Dividends	(939)	(928)	(1,878)	(4,023)
Retained earnings, end of period	\$ 12,784	\$ 12,987	\$ 12,784	\$ 12,987

See accompanying notes to the interim consolidated financial statements.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Operating activities:				
Net income	\$ 2,845	\$ 2,027	\$ 5,613	\$ 4,784
Items not affecting cash:				
Future income taxes	(281)	(116)	395	(442)
Non-controlling interest	-	24	1	24
Unrealised foreign exchange (gain) loss	74	(99)	169	(1,575)
Amortization	507	291	984	667
Stock-based compensation	124	352	216	670
Interest income relating to the accretion of accounts receivable and contracts in progress	(60)	(271)	(221)	(468)
Loss (gain) on disposal of property and equipment	-	(4)	-	5
Interest expense relating to the accretion of accounts payable	24	10	89	134
Change in non-cash operating working capital	3,580	(3,452)	(1,364)	(5,591)
Cash provided by (used in) operating activities	6,813	(1,238)	5,882	(1,792)
Investing activities:				
Non-controlling interest	-	14	-	14
Business acquisitions, net of cash acquired (note 3)	-	-	(2,281)	-
Purchase of property and equipment	(186)	(424)	(612)	(1,112)
Change in non-cash working capital	72	(115)	92	-
Cash used in investing activities	(114)	(525)	(2,801)	(1,098)
Financing activities:				
Proceeds of share issue, net of share issue costs	52	44	52	48
Dividends paid on common shares	(1,878)	(928)	(1,878)	(4,023)
Cash used in financing activities	(1,826)	(884)	(1,826)	(3,975)
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies				
	(660)	889	(611)	(63)
Change in cash and cash equivalents	4,213	(1,758)	644	(6,928)
Cash and cash equivalents, beginning	5,165	10,551	8,734	15,721
Cash and cash equivalents, ending	\$ 9,378	\$ 8,793	\$ 9,378	\$ 8,793
Supplementary cash flow disclosure:				
Income taxes paid	\$ 341	\$ 1,264	\$ 1,101	\$ 2,438
Interest earned	\$ 49	\$ 75	\$ 89	\$ 196

See accompanying notes to the interim consolidated financial statements.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

1. Basis of presentation

The unaudited interim consolidated financial statements for the three and six months ended February 28, 2010 and February 28, 2009 have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). These interim consolidated financial statements do not conform in all respects to the requirements of GAAP for annual financial statements, and as such these interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. 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 the changes as described in note 2(a).

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.

During the quarter, we commenced operations in Kuwait with Matrikon Kuwait W.L.L. (MKU) in which we own a 49% equity interest. As a result of our equity interest and operational agreements, we have determined that we are the primary beneficiary as defined by the Canadian Institute of Chartered Accountants (CICA) Handbook's Accounting Guideline 15 (AcG-15), "Consolidation of Variable Interest Entities." Pursuant to AcG-15, we have consolidated the results of MKU from the commencement of operations on December 1, 2009.

The consolidated results of MKU are included in our EMEA segment in note 5.

2. Changes in significant accounting policies:

(a) Research and Development

We incur research and development costs to develop our software. Research costs are expensed in the period they occur. Development costs are expensed in the period they occur unless they meet the criteria for deferral under Canadian GAAP. In this case, the development costs are deferred and amortized over their useful life.

We receive Scientific Research and Experimental Development (SR&ED) tax credits to offset our research and development costs. We estimate the SR&ED credits that will be received each year and apply this amount against research and development expenses equally over the year. If our estimate of the amount of SR&ED credits for prior periods differs from the actual SR&ED credits received, the difference is applied to research and development expenses in the period the difference is identified.

In certain jurisdictions, we earn enhanced tax deductions instead of tax credits for eligible SR&ED expenditures. These enhanced tax deductions are recorded as a reduction of income tax expense in the period the eligible SR&ED costs are incurred.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

2. Changes in significant accounting policies (continued)

(b) 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, 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 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.

(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.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

2. Changes in significant accounting policies (continued)

(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).

(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.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

2. Changes in significant accounting policies (continued)

(c) 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.

(iii) Convergence with International Financial Reporting Standards

In February 2008, CICA's Accounting Standards Board ("AcSB") confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), replacing Canadian GAAP effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for our Company for the first quarter of fiscal 2012, that being November 30, 2011, when our Company will prepare both the current and comparative financial information using IFRS.

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 at February 28, 2010, we have performed a preliminary assessment of the accounting and reporting differences under IFRS compared to Canadian GAAP, and have established various alternatives relating to our Enterprise Resource Planning software (ERP) to which we will commence testing on.

We expect the implementation process and solutions development to be finalized before the end of fiscal 2010. 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 and six months ended February 28, 2010 and 2009

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 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.

Cash	\$51
Other current assets	897
Property and equipment	195
Intangible asset - Customer list	1,249
Intangible asset - Non-competition agreement	117
Goodwill	560
Current liabilities	(676)
Future income tax liability	(373)
Non-current liabilities	(213)
Fair value of net assets acquired	\$1,807

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

3. Acquisitions (continued):

Included in other current assets are trade accounts receivable at their fair value of \$827. 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 cannot be determined.

Subsequent to November 30, 2009, the allocation of the purchase price to the acquired assets and assumed liabilities was finalized. The final purchase price allocation resulted in an increase of \$609 to intangible assets, a \$183 increase to future income tax liabilities, and a corresponding decrease of \$426 to goodwill. As at February 28, 2010 the fair value of the contingent liability associated with the purchase of IAC is continues to be fairly approximated by \$nil based on our earnings forecast.

(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 cash consideration of \$525. We have assessed the acquisition of MSPL, now officially 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

Six months ended	February 28, 2010		February 28, 2009	
	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	26,500	53	26,500	74
Employee stock ownership plan	-	-	-	-
Restricted share units	353,466	1,230	261,251	917
Balance, ending	31,328,736	\$33,018	30,974,668	\$31,624

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

4. Share capital (continued)

(b) 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:

Six months ended	February 28, 2010		February 28, 2009	
	Number of RSUs	Weighted average fair value per unit	Number of RSUs	Weighted average fair value per unit
Balance, beginning	588,924	\$3.53	768,207	\$3.53
Granted	279,762	\$2.66	169,148	\$3.53
Vested	(353,466)	\$3.48	(263,906)	\$3.47
Forfeited	(23,795)	\$2.92	(25,877)	\$3.52
Balance, ending	491,425	\$3.10	647,572	\$3.55

During the three months ended February 28, 2010, we recorded stock-based compensation of \$131 (February 28, 2009 - \$369) with a corresponding increase to contributed surplus relating to RSUs. In addition, \$28 (February 28, 2009 - \$nil) has been reclassified from contributed surplus to share capital for RSUs vested in the period. Stock based compensation was reduced by \$6 (February 28, 2009 - \$18) due to the forfeiture of RSUs, with a corresponding decrease to contributed surplus.

During the six months ended February 28, 2010, we recorded stock-based compensation of \$249 (February 28, 2009 - \$726) with a corresponding increase to contributed surplus relating to RSUs. In addition, \$1,229 (February 28, 2009 - \$917) has been reclassified from contributed surplus to share capital for RSUs vested in the period. Stock-based compensation was reduced by \$33 (February 28, 2009 - \$50) due to the forfeiture of RSUs, with a corresponding decrease to contributed surplus. The maximum RSU's available under the RSU plan is currently 1,497,221.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

4. Share capital (continued)

(c) Stock options

The continuity of outstanding and exercisable stock options, with expiry dates up to January 2013, is as follows:

Six months ended	February 28, 2010		February 28, 2009	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning	205,050	\$3.14	383,500	\$2.68
Exercised	(26,500)	\$1.96	(26,500)	\$1.82
Expired	(9,000)	\$2.70	(41,000)	\$1.83
Cancelled	(3,000)	\$4.15	(10,500)	\$3.47
Balance, ending	166,550	\$3.33	305,500	\$2.84

We have not recorded any stock-based compensation relating to stock options in this period (February 28, 2009 - \$nil).

During the three months ended February 28, 2010, \$2 (February 28, 2009 - \$25) has been reclassified from contributed surplus to share capital in relation to the exercise of stock options.

During the six months ended February 28, 2010, \$2 (February 28, 2009 - \$26) 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.

(d) Employee share purchase plan

On 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 each month per employee. We account for such contributions as an expense in the period which the contributions are made.

During the three months ended February 28, 2010, we recorded \$131 (February 28, 2009 - \$113) related to the ESPP.

During the six months ended February 28, 2010, we recorded \$246 (February 28, 2009 - \$202) related to the ESPP.

(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 of January 14, 2009. The Bid expired on January 15, 2010. Daily purchases were 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 six months ended February 28, 2010, we did not repurchase any of our common shares.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

4. Share capital (continued)

(f) Contributed surplus

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Balance, beginning	\$1,392	\$1,596	\$2,502	\$2,195
Stock options	(2)	(25)	(2)	(26)
ESOP (net of forfeitures)	-	-	-	(7)
Restricted share units (net of forfeitures)	97	351	(1,013)	(240)
Balance, ending	\$1,487	\$1,922	\$1,487	\$1,922

(g) Earnings Per Share

For the three months ended February 28, 2010, the weighted average number of shares outstanding used to calculate basic earnings per share was 31,311,064 (February 28, 2009 - 30,968,105).

For the six months ended February 28, 2010, the weighted average number of shares outstanding used to calculate basic earnings per share was 31,304,518 (February 28, 2009 - 30,958,482).

In determining diluted earnings per share for the three months ended February 28, 2010, the weighted average number of shares outstanding was increased by 10,799 (February 28, 2009 - 7,046) for stock options eligible for exercise where the average market price of the common shares for the year exceeds the exercise price, and by 155,807 (February 28, 2009 - 647,573) for RSUs outstanding. The diluted weighted average number of shares outstanding was 31,477,670 (February 28, 2009 - 31,622,724). No adjustments were made to net income to calculate diluted earnings per share.

In determining diluted earnings per share for the six months ended February 28, 2010, the weighted average number of shares outstanding was increased by 2,884 (February 28, 2009 - 7,046) for stock options eligible for exercise where the average market price of the common shares for the year exceeds the exercise price, and by 269,790 (February 28, 2009 - 647,573) for RSUs outstanding. The diluted weighted average number of shares outstanding was 31,577,192 (February 28, 2009 - 31,613,101). No adjustments were made to net income to calculate diluted earnings per share.

Options to purchase 78,500 common shares at a weighted average price of \$4.03 per share were outstanding as at February 28, 2010, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares. The excluded options carry an expiry date ranging from March 31, 2010 to November 1, 2011.

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

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, 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 February 28, 2010	North America	Asia-Pacific	EMEA	Products	Corporate	Total
External revenue	\$ 10,378	\$ 5,303	\$ 5,337	\$ 1,739	\$ -	\$ 22,757
Intercompany revenue (cost of sales)	(810)	(155)	(682)	1,647	-	-
Cost of sales	(4,819)	(2,834)	(1,909)	(633)	-	(10,195)
	4,749	2,314	2,746	2,753	-	12,562
Expenses net of amortization	(1,727)	(1,479)	(1,307)	(2,247)	(2,318)	(9,078)
Amortization expense	(230)	(213)	(64)	-	-	(507)
Other income and foreign exchange gain (loss)	(9)	28	20	-	(13)	26
Income (loss) before income taxes	\$ 2,783	\$ 650	\$ 1,395	\$ 506	\$ (2,331)	\$ 3,003
Total assets	\$ 29,552	\$ 13,990	\$ 25,266	\$ -	\$ -	\$ 68,808

Three months ended February 28, 2009	North America	Asia-Pacific	EMEA	Products	Corporate	Total
External revenue	\$ 6,417	\$ 4,196	\$ 4,580	\$ 4,468	\$ -	\$ 19,661
Intercompany revenue (cost of sales)	129	(287)	(874)	1,032	-	-
Cost of sales	(3,508)	(2,414)	(1,471)	(358)	(275)	(8,026)
	3,038	1,495	2,235	5,142	(275)	11,635
Expenses net of amortization	(838)	(1,455)	(1,345)	(2,691)	(3,072)	(9,401)
Amortization	(202)	(55)	(34)	-	-	(291)
Other income and foreign exchange gain (loss)	162	(59)	(41)	-	509	571
Income (loss) before income taxes	\$ 2,160	\$ (74)	\$ 815	\$ 2,451	\$ (2,838)	\$ 2,514
Total assets	\$ 32,789	\$ 10,093	\$ 23,158	\$ -	\$ -	\$ 66,040

MATRIKON INC.

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

Three and six months ended February 28, 2010 and 2009

5. Segmented information (continued)

Six months ended February 28, 2010	North America	Asia-Pacific	EMEA	Products	Corporate	Total
External revenue	\$ 22,998	\$ 10,680	\$ 10,737	\$ 3,792	\$ -	\$ 48,207
Intercompany revenue (cost of sales)	(1,283)	(332)	(1,814)	3,429	-	-
Cost of sales	(11,284)	(5,846)	(3,478)	(1,244)	-	(21,852)
	10,431	4,502	5,445	5,977	-	26,355
Expenses net of amortization	(3,248)	(3,138)	(2,685)	(4,392)	(4,717)	(18,180)
Amortization	(459)	(387)	(138)	-	-	(984)
Other income and foreign exchange gain (loss)	(11)	16	34	-	(232)	(193)
Income (loss) before income taxes	\$ 6,713	\$ 993	\$ 2,656	\$ 1,585	\$ (4,949)	\$ 6,998
Total assets	\$ 29,552	\$ 13,990	\$ 25,266	\$ -	\$ -	\$ 68,808
Six months ended February 28, 2009	North America	Asia-Pacific	EMEA	Products	Corporate	Total
External revenue	\$ 14,520	\$ 9,114	\$ 9,132	\$ 6,474	\$ -	\$ 39,240
Intercompany revenue (cost of sales)	(748)	(481)	(1,370)	2,599	-	-
Cost of sales	(6,774)	(4,941)	(2,884)	(864)	(275)	(15,738)
	6,998	3,692	4,878	8,209	(275)	23,502
Expenses net of amortization	(2,416)	(3,038)	(2,826)	(4,613)	(5,456)	(18,349)
Amortization	(394)	(105)	(168)	-	-	(667)
Other income and foreign exchange gain	-	66	120	-	1,664	1,850
Income (loss) before income taxes	\$ 4,188	\$ 615	\$ 2,004	\$ 3,596	\$ (4,067)	\$ 6,336
Total assets	\$ 32,789	\$ 10,093	\$ 23,158	\$ -	\$ -	\$ 66,040

We have a large number of clients in various industries and sectors of the economy. Quarterly 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 11% and 15% respectively of EMEA's revenue

6. Subsequent event

Subsequent to the quarter, our Board of Directors declared a dividend of \$0.03 per common share payable April 27, 2010 to shareholders of record as of April 16, 2010. The dividend is an eligible dividend for Canadian income tax purposes.

7. Comparative figures

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