



**Management's Discussion & Analysis
and Consolidated Financial Statements**

For The Quarter Ended March 31, 2010

TABLE OF CONTENTS

1	Introduction, Non-GAAP Measures & Forward Looking Statements Disclosures
2	Management's Discussion and Analysis
14	Consolidated Financial Statements and Notes

INTRODUCTION

Matrix Asset Management Inc. (together with its subsidiaries, "Matrix" or "the Company") became a TSX listed company as a result of the business combination of Growth Works Ltd. ("GrowthWorks") and SEAMARK Asset Management Ltd. ("SEAMARK") completed on January 15, 2010.

The first quarter of 2010 marked the launch point for Matrix as its three key operating subsidiaries, SEAMARK, GrowthWorks and Mavrix Fund Management Inc. ("Mavrix"), commenced operations as a newly formed national asset management platform, serving institutional, high net worth and retail client groups.

During the quarter, the Company generated significant cash flow from operations and maintained healthy capital resources, while sustaining a \$0.5 million operating loss.

After successfully completing the business combination in the first quarter, management's attention has turned to realizing operating efficiencies and pursuing new growth opportunities, drawing on strengths within the new platform. We expect to achieve profitability during the year as these initiatives progress.

New initiatives begun after quarter end include planning for a reorganized and expanded mutual fund group. Mavrix and SEAMARK mutual funds will be united in one national, rebranded fund family. The group will offer more "core" investment mandates that have broad appeal to Canadian retail investors, like balanced funds. Many of these core mandate funds will use SEAMARK as investment advisor to enable retail investors to access its steady, institutional portfolio management style.

NON-GAAP FINANCIAL MEASURES

"GAAP" means Canadian generally accepted accounting principles. This Management's Discussion & Analysis ("MD&A") contains certain non-GAAP measures such as "EBITDA", "recurring EBITDA" and "recurring income before taxes" of Matrix in order to supplement the financial information contained in the financial statements. These non-GAAP measures do not have any standard meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Management of Matrix believes that most shareholders, creditors, other stakeholders and investment analysts prefer to have these measures included as reported measures of operating performance, a proxy for cash flow, and to facilitate valuation analysis. Management also believes that, in addition to net income, EBITDA, recurring EBITDA and recurring income before taxes are useful supplemental measures of operating performance as these measures provide an indication as to cash available for working capital needs, capital expenditures and dividends. However, readers are cautioned that these non-GAAP measures are not alternatives to measures determined in accordance with GAAP and should not, on their own, be construed as indicators of performance, cash flows or profitability or a measure of liquidity. These non-GAAP measures should only be read in conjunction with the financial statements of Matrix. Reconciliations of these non-GAAP measures to the nearest GAAP measures are provided in this report.

Assets under management or "AUM" and "working capital" are also a non-GAAP measure of Matrix net assets under management. AUM is the fair value of the net assets of the funds managed by Matrix and its subsidiaries in respect of which they earn fees. Working capital is determined by deducting current liabilities from current assets.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements based on beliefs, assumptions and expectations of the Company and not on historical fact. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial position and results of operations and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results and profitability, performance, prospects, opportunities, priorities, goals, strategies, accounting policies and estimates and outlook of the Company for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature or depend upon or refer to future events or conditions.

Forward-looking statements are based upon beliefs and assumptions that were applied in drawing a conclusion or making an estimate, forecast or projection as reflected in the forward-looking statements, including the perception of historical trends and current conditions and beliefs and assumptions with respect to levels of AUM and expenses and related assumptions as to levels of portfolio returns and managed fund sales and redemptions, beliefs and assumptions concerning prevailing economic and market conditions and the impact of such conditions and other factors on Matrix's AUM, the continuation of portfolio and fund management and advisory engagements, the extent and effectiveness of cost-saving measures, tax rates and laws and the absence of extraordinary or one-time

expenses not currently known to management. While management considers these beliefs and assumptions to be reasonable based on information currently available to it, they are subject to numerous risks and uncertainties and no assurance can be given that such beliefs and assumptions will prove to be correct. Accordingly, actual results may differ significantly from those expressed or implied by forward-looking statements due to many factors including, but not limited to, risks associated with institutional, mutual fund and venture capital fund management sectors generally, market, economic, political and other risks affecting portfolio performance, interest and foreign exchange rates, managed fund sales and redemptions and in turn Matrix's AUM, changes to regulatory requirements, accounting policies (including the adoption of IFRS), reporting methodologies and tax laws, Matrix's ability to effectively respond to competition and technological change and recruit and retain key management personnel, uninsured losses, accessing needed capital resources from internal and external sources, the Company's ability to successfully integrate acquired operations and implement cost savings measures and growth strategies. Many of these risks are beyond the control of the Company.

Readers are cautioned that the foregoing assumptions and risks are not exhaustive of the factors that may affect any of the Company's forward-looking statements. Readers are also cautioned to consider these and other risks, uncertainties and potential events carefully and not place undue reliance on forward-looking statements. Other than as specifically required by law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise.

GENERAL

This MD&A dated May 13, 2010 presents an analysis of the results of operations of Matrix for the interim period ended March 31, 2010 and Matrix's financial position as at that date. This discussion should be read in conjunction with the unaudited interim consolidated financial statements included in this report.

Results of operations for the Company for the first quarter 2010 consolidate the results of Matrix Asset Management Inc. and its subsidiaries, including GrowthWorks and Mavrix for the entire quarter and SEAMARK from January 16, 2010 to March 31, 2010. The business combination constituted a reverse takeover and, in accordance with applicable GAAP and securities law requirements, 2009 comparative results presented in this report are those of GrowthWorks, not Matrix Asset Management Inc. GrowthWorks acquired Mavrix effective June 30, 2009. Accordingly, the operating results of Mavrix are not consolidated into the comparative financial statements of GrowthWorks as at and for the quarter ended March 31, 2009. Matrix reports its consolidated financial position, statement of loss and retained earnings, comprehensive (loss) income and cash flows in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars.

Additional information with respect to the Company is available on the SEDAR website at www.sedar.com.

As of the date of this MD&A, there were 43,219,203 common shares of Matrix issued and outstanding and 446,000 outstanding options to purchase common shares.

OVERVIEW

Matrix is a diversified, asset and wealth management company with offices across Canada. The Company manages approximately \$3 billion in assets through three operating subsidiaries:

- SEAMARK, founded in 1982, offers portfolio management to institutional and high net worth private clients, including through managed portfolio advisory ("wrap") programs of leading Canadian investment dealers.
- Mavrix, founded in 2001, manages a family of mutual funds and "flow-through" investment funds, distributed through investment dealers and financial planners across Canada.
- GrowthWorks, founded in 1998, is an asset manager in the venture capital and private equity sector. With seven offices located in major and regional centres across Canada, GrowthWorks has a true national investment presence and manages venture capital funds, for individual and institutional investors.

This diversified set of operations delivers multiple sources of revenue across several asset and client groups. The Company's mission is to provide a diverse array of investment choices and the best possible investment management service to Canadian investors and institutions.

Matrix Asset Management Inc. is listed under the trading symbol "MTA" on the Toronto Stock Exchange ("TSX").

OPERATING HIGHLIGHTS

During the first quarter 2010, the Company generated significant cash flow from operations and maintained healthy capital resources. Loss per share for the quarter was \$0.01, on revenues of \$9.0 million. Recurring EBITDA was \$2.0 million. Selected financial information for the quarter and a discussion of Matrix's results of operations for the quarter are set out below.

INTERIM FINANCIAL STATEMENTS – MARCH 31, 2010

Selected Financial Information

The following table sets out selected consolidated financial information about Matrix for the quarter ended March 31, 2010 compared with financial information for GrowthWorks for the quarter ended March 31, 2009, including non-GAAP measures, and should be read in conjunction with the interim consolidated financial statements and related notes of Matrix included in this report.

TABLE 1: CONSOLIDATED QUARTERLY OPERATING RESULTS

For The Three Months Ended March 31	2010	2009
INCOME STATEMENT DATA (in thousands except per share data)		
REVENUES		
Management and administration fees	\$ 8,770	\$ 6,384
Interest income	9	12
Other income	216	202
	8,995	6,598
EXPENSES		
Selling, general and administrative	6,965	5,477
Option vesting costs	948	-
Share-based compensation	34	81
Interest	367	35
Amortization	1,131	550
Fund merger costs and special projects	99	623
	9,544	6,766
Income (loss) before taxes	(549)	(168)
Income tax recovery (expense)	-	(18)
Net income (loss)	\$ (549)	\$ (186)
NON-GAAP MEASURES		
EBITDA ⁽¹⁾	1,931	498
Add (deduct) non-recurring items, net ⁽²⁾	99	923
Recurring EBITDA ⁽³⁾	2,030	1,421
Income (loss) before taxes	(549)	(168)
Add (deduct) non-recurring items, net ⁽²⁾	1,047	923
Recurring income before taxes ⁽⁴⁾	498	755
Basic earnings (loss) per share	(0.01)	(0.01)
Diluted earnings (loss) per share	(0.01)	(0.01)

Notes:

(1) EBITDA (defined by Matrix as earnings before interest, taxes, depreciation and amortization and other non-cash items) is a measure used by many investors to compare issuers on the basis of their ability to generate cash from operations. Management believes EBITDA is a useful supplemental measure of operating performance as it provides an indication as to cash available for working capital needs, capital expenditures and distributions. Refer to "Table 5: Reconciliation of EBITDA and Recurring EBITDA" below for a reconciliation of this amount to GAAP measures.

(2) Non-recurring items are described under "Table 3: Non-Recurring Items" below.

(3) Management believes "Recurring EBITDA" is a useful supplemental measure of operating performance because it provides readers with greater insight into what the core or run-rate EBITDA generating capacity of the business may be by adjusting EBITDA for various non-recurring items. Without presentation of this measure, there can be a lack of transparency of the effect of non-recurring revenues or expenses on EBITDA. Refer to "Table 5: Reconciliation of EBITDA and Recurring EBITDA" below for a reconciliation of this amount to GAAP measures.

(4) Management believes "Recurring income before taxes" is a useful supplemental measure of operating performance because it provides readers with greater insight into what the core or run-rate income before taxes generating capacity of the business may be by adjusting income before taxes for various non-recurring items. Without presentation of this measure, there can be a lack of transparency of the effect of non-recurring revenue or expenses on income before taxes. Refer to "Table 4: Reconciliation of Recurring Income Before Taxes" below for a reconciliation of this amount to GAAP measures.

FINANCIAL POSITION DATA (in thousands)

	2010		2009	2009
As at	March 31	December 31		March 31
Total assets	\$ 45,605	\$ 37,640	\$	17,296
Total long term financial liabilities	11,388	14,881		2,029

ASSETS UNDER MANAGEMENT DATA (in millions)

Total assets under management	\$3,000	\$1,048	\$730
-------------------------------	---------	---------	-------

SELECTED ANNUAL FINANCIAL INFORMATION OF GROWTHWORKS

The business combination of GrowthWorks and SEAMARK constituted a "reverse takeover" with GrowthWorks as the acquirer. As required under securities laws, the following tables set out selected consolidated financial information about GrowthWorks for the three years ended December 31, 2009, 2008 and 2007 and should be read in conjunction with GrowthWorks' consolidated financial statements for these years, as filed by Matrix on the SEDAR website at www.sedar.com. This is not financial information about Matrix.

TABLE 2: ANNUAL FINANCIAL INFORMATION OF GROWTHWORKS

For the Years Ended December 31	2009	2008	2007
INCOME STATEMENT DATA (in thousands except per share data)			
REVENUES			
Management and administration fees	\$ 29,427	\$ 26,971	\$ 26,410
Incentive participation dividends	-	112	15,495
Interest income	12	248	285
Other income	576	549	515
	30,015	27,880	42,705
EXPENSES			
Selling, general and administrative	22,822	27,107	21,208
Share-based compensation	421	265	234
Interest	921	331	303
Amortization	3,707	2,376	1,937
Fund merger costs and special projects	6,808	2,040	1,012
	34,679	32,120	24,694
Income (loss) before taxes	(4,664)	(4,240)	18,011
Income tax recovery (expense)	102	894	(1,949)
Net income (loss)	\$ (4,562)	\$ (3,346)	\$ 16,062
Basic earnings (loss) per share	(0.20)	(0.14)	0.70
Diluted earnings (loss) per share	(0.20)	(0.14)	0.49

FINANCIAL POSITION DATA (in thousands)

As at December 31	2009	2008	2007
Total assets	\$ 37,640	\$ 22,247	\$ 25,053
Total long term financial liabilities	14,881	2,175	2,132
Cash dividends declared	-	-	9,721

ASSETS UNDER MANAGEMENT DATA (in millions)

Total assets under management	\$1,048	\$730	\$886
-------------------------------	---------	-------	-------

The year-to-year variations in GrowthWorks' financial results are attributable primarily to changes in levels of GrowthWorks' AUM during the periods and changes in levels of non-recurring expenses incurred in connection with fund mergers and special projects, including merger transactions undertaken by Retail Venture Capital Funds managed by GrowthWorks and its affiliates. GrowthWorks' AUM varied from year to year due primarily to Retail Venture Capital Fund sales and redemptions, acquisitions and AUM-accretive merger transactions. The nature of certain non-recurring expenses incurred by GrowthWorks is discussed further under the heading "Non-Recurring Items" below.

QUARTERLY RESULTS OF OPERATIONS

Revenues for the first quarter of 2010 were \$9.0 million, an increase of \$2.4 million compared to the quarter ended March 31, 2009. The net increase is attributed to \$2.8 million of revenue contributions from SEAMARK and Mavrix during the first quarter of 2010, which were partially offset by a decrease in management and administration fees earned by GrowthWorks in the retail segment of \$0.4 million due to lower AUM levels.

Selling, general and administrative expenses for the first quarter of 2010 were \$7.0 million, an increase of \$1.5 million compared to the quarter ended March 31, 2009. The net increase is attributed to \$2.6 million of expense

contributions from SEAMARK and Mavrix during the first quarter of 2010, which were partially offset by \$1.1 million of cost savings from cost reduction strategies implemented during the 2009 fiscal year.

Option vesting costs of \$0.9 million were incurred during the first quarter of 2010, a one-time, non-cash expense resulting from the accelerated vesting of GrowthWorks employee options due to the business combination with SEAMARK.

Interest expenses for the first quarter of 2010 were \$0.4 million, an increase of \$0.3 million compared to the quarter ended March 31, 2009. The net increase is primarily due to the interest expense associated with Mavrix corporate debt of \$0.2 million and an increase of \$0.1 million from term loans, promissory notes and dividend payments on preferred shares classified as interest expense under GAAP.

Amortization expenses for the first quarter of 2010 were \$1.1 million, an increase of \$0.6 million compared to the quarter ended March 31, 2009. The net increase is primarily due to the addition of deferred sales commission amortization from Mavrix.

Fund merger costs and special project expenses for the first quarter 2010 were \$0.1 million, a decrease of \$0.5 million compared to the quarter ended March 31, 2009. The decrease was due to restructuring charges, including severance, incurred during the first quarter of 2009. The current year expenses of this kind are primarily costs related to the business combination with SEAMARK.

Net loss for the first quarter of 2010 was \$0.5 million compared to \$0.2 million for the quarter ended March 31, 2009. The increased net loss is primarily attributed to the net increase in expenses of \$2.9 million, offset by revenue increases of \$2.4 million, as discussed above.

Matrix's performance and results of operations are subject to a number of risks and uncertainties, including the risks summarized under "Forward Looking Statements" above and under "Financial Instruments" below. Particulars of these and other risks are summarized: (i) with respect to the operations of SEAMARK, in SEAMARK's Annual Information Form dated February 18, 2009 under the heading "Risk Factors", and (ii) with respect to the operations of GrowthWorks and Mavrix, Appendix H to SEAMARK's proxy circular dated December 10, 2009 under the heading "Risk Factors". Each of these documents was filed by SEAMARK and is available on the SEDAR website at www.sedar.com.

NON-RECURRING ITEMS

Results of operations include expense items which are considered non-recurring. Management believes that it is important to identify non-recurring items in order to fully understand Matrix's operating results. The intent of identifying these non-recurring items is to provide greater transparency as to what the core or run-rate capacity of the business may be. This is particularly important for Matrix given that GrowthWorks in particular has during prior periods: (i) executed various initiatives and incurred various expenses to grow its business by mergers and acquisitions, (ii) made significant restructurings as a result of completed mergers and acquisitions, and (iii) distributed profits in the manner of a private corporation. In specific circumstances, management considers these matters to be material, and therefore important to present as supplemental information. The following table summarizes non-recurring revenues and expenses during the interim period.

TABLE 3: NON-RECURRING ITEMS

Non-recurring Items	2010	2009	Change
For The Three Months Ended March 31			
(in thousands)			
Additional shareholder compensation	\$ -	\$ 300	\$ (300)
Option vesting costs	948	-	948
Fund merger costs and special projects	99	623	(524)
Total non-recurring expenses	\$ 1,047	\$ 923	\$ 124

Additional shareholder compensation - As a private company, GrowthWorks had chosen to make discretionary payments under arrangements that can be viewed as an alternate form of profit distributions. These payments were made pursuant to employee profit sharing plans ("EPSP") and in the form of management fees. This compensation is included in selling, general and administrative expenses and was \$nil for the first quarter of 2010 and \$0.3 million for the quarter ended March 31, 2009.

Option vesting costs – This was a one-time, non-cash expense resulting from the accelerated vesting of GrowthWorks employee options due to the business combination with SEAMARK.

Fund merger costs and special projects - These costs are included as a separate line item and consist of expenses incurred by Matrix and its affiliates (2010) and GrowthWorks (2009) in connection with restructuring initiatives and merger transactions involving the Retail Venture Capital Funds, the acquisition of Mavrix, and the business combination with SEAMARK.

TABLE 4: RECONCILIATION OF RECURRING INCOME BEFORE TAXES

Recurring Income Before Taxes			
For The Three Months Ended March 31	2010	2009	Change
(in thousands)			
Revenues	\$ 8,995	\$ 6,598	\$ 2,397
Expenses	9,544	6,766	2,778
Less: non-recurring expenses	1,047	923	124
Recurring expenses	8,497	5,843	2,654
Recurring income before taxes	\$ 498	\$ 755	\$ (257)
Income (loss) before taxes	\$ (549)	\$ (168)	\$ (381)
Add non-recurring expenses	1,047	923	124
Recurring income before taxes	\$ 498	\$ 755	\$ (257)

For the first quarter of 2010, recurring expenses totaled \$8.5 million and recurring income before taxes totaled \$0.5 million, an increase of \$2.7 million and a decrease of \$0.3 million, respectively, when compared to the first quarter of 2009. The change from year to year is primarily attributed to the revenue earned and expenses incurred from the operations of Mavrix and SEAMARK.

TABLE 5: RECONCILIATION OF EBITDA AND RECURRING EBITDA

EBITDA and Recurring EBITDA			
For The Three Months Ended March 31	2010	2009	Change
(in thousands)			
Revenues	\$ 8,995	\$ 6,598	\$ 2,397
Expenses	9,544	6,766	2,778
Income (loss) before taxes	(549)	(168)	(381)
Add non-cash items:			
Option vesting costs	948	-	948
Share-based compensation	34	81	(47)
Add:			
Interest expense	367	35	332
Amortization expense	1,131	550	581
EBITDA	1,931	498	1,433
Non-recurring items	99	923	(825)
Recurring EBITDA	\$ 2,030	\$ 1,421	\$ 609

EBITDA for the first quarter of 2010 was \$1.9 million, an increase of \$1.4 million from the quarter ended March 31, 2009. The net increase is comprised of \$1.0 million of non-recurring items (see “Non-recurring Items” above), \$0.4 million of cost reductions from GrowthWorks’ operations and \$0.1 million of EBITDA contributions from SEAMARK and Mavrix during the first quarter 2010.

Recurring EBITDA for the first quarter of 2010 was \$2.0 million, an increase of \$0.6 million from the quarter ended March 31, 2009. The increase is primarily the result of cost reduction strategies implemented by GrowthWorks during the 2009 fiscal year.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial results derived from the financial statements of Matrix (Q1 2010) and GrowthWorks, for each of the eight quarters during the two years ending March 31, 2010.

TABLE 6: SUMMARY OF QUARTERLY RESULTS

	2010	2009				2008		
(in thousands, except per share data)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	\$ 8,995	\$ 8,464	\$ 8,558	\$ 6,395	\$ 6,598	\$ 6,739	\$ 6,811	\$ 7,098
Expenses	9,544	13,473	8,186	6,253	6,766	9,964	8,083	6,729
Income (loss) before taxes	(549)	(5,009)	372	142	(168)	(3,225)	(1,272)	369
Net income (loss)	(549)	(4,157)	639	(858)	(186)	(2,181)	(1,268)	218
Basic earnings per share	(0.01)	(0.18)	0.03	(0.04)	(0.01)	(0.09)	(0.05)	0.01
Diluted earnings per share	(0.01)	(0.18)	0.02	(0.04)	(0.01)	(0.09)	(0.05)	0.01

The material differences in the above quarterly results are mainly attributable to when acquisition and Retail Venture Capital Fund merger transactions occurred. These transactions affect both levels of AUM and hence fee revenue and levels of non-recurring transaction costs.

SEGMENT INFORMATION

Matrix has three reportable segments: Institutional & High Net Worth ("Institutional"), Retail and Corporate/Other. The Institutional and Retail segments generate revenues from investment management and advisory services and involve the management and marketing of investment products and/or portfolio management services. The distinction between these two operating segments is based on the nature of the clients served, and the business and regulatory environment in which operations are undertaken. The Corporate/Other segment consists of results not attributable to the Institutional or Retail segments. The results of the reportable segments are derived from the internal financial reporting systems of Matrix.

TABLE 7: SEGMENT RESULTS

For The Three Months Ended March 31, 2010 (in thousands)	Institutional	Retail	Corporate / Other	Total
Revenue	\$ 789	\$ 8,206	\$ -	\$ 8,995
Selling, general & administrative	(814)	(6,038)	(113)	(6,965)
Option vesting costs	-	-	(948)	(948)
Share-based compensation	-	-	(34)	(34)
Interest expenses	-	(367)	-	(367)
Amortization and other expenses	(7)	(1,124)	-	(1,131)
Fund merger & special projects	-	-	(99)	(99)
Segment income before taxes	\$ (32)	\$ 677	\$ (1,194)	\$ (549)
Assets	\$ 9,925	\$ 35,680	\$ -	\$ 45,605
Assets under management	\$ 1,600,000	\$ 1,400,000	\$ -	\$ 3,000,000

For The Three Months Ended March 31, 2009 (in thousands)	Institutional	Retail	Corporate / Other	Total
Revenue	\$ -	\$ 6,598	\$ -	\$ 6,598
Selling, general & administrative	-	(5,477)	-	(5,477)
Share-based compensation	-	-	(81)	(81)
Interest expenses	-	(35)	-	(35)
Amortization and other expenses	-	(550)	-	(550)
Fund merger & special projects	-	-	(623)	(623)
Segment income before taxes	<u>\$ -</u>	<u>\$ 536</u>	<u>\$ (704)</u>	<u>\$ (168)</u>
Assets	<u>\$ -</u>	<u>\$ 37,640</u>	<u>\$ -</u>	<u>\$ 37,640</u>
Assets under management	<u>\$ -</u>	<u>\$ 675,000</u>	<u>\$ -</u>	<u>\$ 675,000</u>

INSTITUTIONAL SEGMENT

Institutional assets under management include assets managed on behalf of pensions, endowments, and other funds managed on behalf of institutions as well as assets managed on behalf of high net worth individuals through direct relationships with the client. Revenues for this segment for the first quarter of 2010 were \$0.8 million. These revenues are attributed entirely to the business combination with SEAMARK as GrowthWorks did not have a comparable reporting segment during the quarter ended March 31, 2009.

Selling, general & administrative and amortization expenses for this segment for the first quarter 2010 were \$0.8 million. These expenses are attributed entirely to the business combination with SEAMARK.

AUM for this segment at the end of the first quarter of 2010 was \$1.6 billion.

RETAIL SEGMENT

Revenues for the first quarter of 2010 were \$8.2 million, an increase of \$1.6 million compared to the quarter ended March 31, 2009. The net increase is attributed to the first quarter 2010 revenue contributions from Mavrix and SEAMARK of \$2.0 million which were offset by a decrease in management and administration fees earned by GrowthWorks of \$0.4 million due to average AUM being lower by \$69.1 million.

Selling, general & administrative expenses for the first quarter 2010 were \$6.0 million, an increase of \$0.6 million compared to the quarter ended March 31, 2009. The net increase is attributed to \$1.8 million of expense contributions from SEAMARK and Mavrix during the first quarter of 2010, which were partially offset by savings from cost reduction strategies implemented during the 2009 fiscal year.

Interest expenses for the first quarter 2010 were \$0.3 million, an increase of \$0.3 million compared to the quarter ended March 31, 2009. The net increase is primarily due to the interest associated with Mavrix debt of \$0.2 million and an increase of \$0.1 million from term loans, promissory notes and dividend payments on preferred shares which are classified as interest expense under GAAP.

Amortization expenses for the first quarter 2010 were \$1.1 million, an increase of \$0.6 million compared to the quarter ended March 31, 2009. The net increase is primarily due to the amortization contribution from Mavrix of \$0.5 million and an increase of \$0.1 in amortization of asset management contracts.

AUM for this segment at the end of the first quarter of 2010 was \$1.4 billion, an increase of \$0.7 billion when compared to March 31, 2009. The net increase is primarily attributable to \$0.8 billion of assets from the additions of SEAMARK and Mavrix offset by a \$69.1 million decrease in GrowthWorks' average AUM.

CORPORATE/OTHER SEGMENT

The Corporate/Other segment results are comprised of items not attributable to the Institutional and Retail segments, such as costs for directors and regulatory & filing fees for Matrix. In addition, costs for fund mergers and special projects are assigned to this segment.

Selling, general & administrative expenses for the first quarter 2010 for this segment were \$0.1 million compared to \$nil for the quarter ended March 31, 2009. Option vesting costs of \$0.9 million were incurred during the first quarter 2010, a one-time, non-cash expense resulting from the accelerated vesting of GrowthWorks options due to the

business combination with SEAMARK. Fund merger costs and special project expenses for the first quarter 2010 for this segment were \$0.1 million, a decrease of \$0.5 million compared to the quarter ended March 31, 2009. The decrease was due to restructuring charges, including severance, incurred during the first quarter of 2009. The current year expenses are primarily costs related to the business combination with SEAMARK.

LIQUIDITY AND CAPITAL RESOURCES

Matrix's liquid assets consist of cash & cash equivalents and investments. As of March 31, 2010, liquid assets were \$13.3 million, an increase of \$3.8 million from \$9.5 million for GrowthWorks as of the year ended December 31, 2009. The increase in liquid assets is due in large part to the \$5.6 million in cash and investments acquired through the business combination with SEAMARK, offset by the retirement of corporate debt of \$3.1 million at Mavrix. There are no material current liquidity concerns with any financial instruments held by Matrix.

Currently available liquid assets are expected to be more than adequate to meet Matrix's financial needs and to fund current operations for the near term; therefore, no additional capital resources have been arranged. There is no current expectation that any such additional capital resources will be required.

As at March 31, 2010, Matrix had total assets of \$45.6 million, an increase of \$8.0 million from the \$37.6 million of GrowthWorks at December 31, 2009. Total liabilities as at March 31, 2010 were \$24.2 million, a decrease of \$8.6 million from \$32.8 million of GrowthWorks at December 31, 2009. The increase in assets can be attributed primarily to the consolidation of SEAMARK assets due to the business combination. The decrease in liabilities can be primarily attributed to the retirement of corporate debt of \$3.1 million at Mavrix and the conversion of \$3.5 million of GrowthWorks preferred shares to common shares.

As at March 31, 2010, Matrix had positive working capital of \$9.8 million, an increase of \$12.7 million from GrowthWorks' negative working capital of \$2.9 million at December 31, 2009. The change in working capital can be attributed primarily to the business combination with SEAMARK and the retirement of current corporate debt at Mavrix.

The Company requires capital for operating and regulatory purposes, including funding current operations and future operations. The capital structure is comprised of shareholder's equity, term loans and long-term debt, including the current portion of long-term debt.

Subsequent to the end of the first quarter 2010, the Company extended the term of acquisition financing with a Canadian chartered bank related to asset management contracts, acquired in 2009, in the ordinary course of business. Accordingly, the current portion of term loans of \$2.1 million will be reduced by \$0.7 million.

The Company's objectives in managing capital are to maintain a capital structure that will:

- Fund current and future operations
- Build long-term shareholder value
- Satisfy financial obligations and meet long-term debt covenants

A summary of Matrix's contractual obligations for 2010 through 2014 and thereafter is as follows:

TABLE 8: CONTRACTUAL OBLIGATIONS

Contractual Obligations (in thousands)		2010	2011	2012	2013	2014	after 2014
	Term loan	\$1,937	\$656	\$540	\$390	\$204	\$237
	Corporate debt	-	3,050	1,200	2,400	2,400	-
	Operating lease obligations	1,899	2,295	2,016	1,982	1,733	906
	Other obligations	30	33	-	-	-	-
	Total contractual obligations	\$3,866	\$6,034	\$3,756	\$4,772	\$4,337	\$1,143

Mavrix agreed to backstop the Asset-Backed Commercial Paper ("ABCP") held in certain Mavrix Funds it manages. As at March 31, 2010, these funds have in aggregate approximately \$173 million in assets of which approximately \$2.4 million is ABCP. The funds intend to hold the ABCP to maturity, and Mavrix believes that the funds will receive full payment of the principal amount of these investments at maturity. However, Mavrix has agreed to reimburse the funds for any shortfall should the ABCP realize less than par value at maturity or upon prior sale, and estimates this contingent liability to be \$0.2 million based on the assumptions that the ABCP will be held to maturity and that default rates follow historical patterns for similarly rated securities. This amount has been accrued in the financial statements as at March 31, 2010.

TRANSACTIONS WITH RELATED PARTIES

Approximately 31.9% of Matrix's common shares are owned by Working Enterprises Ltd. Matrix also purchases services from Working Enterprises Ltd. and its affiliates from time to time at rates determined by reference to arm's length commercial terms.

Working Enterprises Ltd., David Levi, the President and CEO of Matrix, and other former shareholders of GrowthWorks own preferred shares of GrowthWorks referred to as "Special Dividend Shares". These shares were acquired prior to the business combination in exchange for previously created preferred shares issued by GrowthWorks under a \$3.45 million private placement financing completed in June 2009. The Special Dividend Shares are non-voting, non-redeemable by the holder, non-transferable and have a fixed cumulative dividend entitlement paid at a rate of Royal Bank of Canada prime plus 6% of the \$10.00 per share issue price paid under the private placement. The Special Dividend Shares will be redeemed by GrowthWorks at a nominal value following the second anniversary of the business combination. During the first quarter 2010, dividends totaling \$35 thousand and \$7 thousand were paid in respect of Special Dividend Shares held by Working Enterprises Ltd. and David Levi, respectively.

During 2009, Working Enterprises Ltd. loaned GrowthWorks \$0.5 million. The note is unsecured, bears interest at the Royal Bank prime lending rate plus 2.5%, is due on May 21, 2013 and may be repaid at any time prior to maturity.

OUTLOOK

Over the past year, capital markets have rebounded significantly. Current expectations are for higher economic growth and further, but more modest, gains in most financial assets. Those expectations would present a favourable outlook for the Company's asset management business. Growth in AUM through increased value of investment holdings is positive for net asset value based fee revenues.

The Company, through its operating subsidiaries, will continue to seek to attract additional AUM through competing for new investment mandates and through positioning and re-positioning its investment fund offerings to meet the current needs of investors. The Company also expects to realize additional operating efficiencies over the course of the year as it continues to integrate its newly formed diversified asset management platform. We expect to achieve profitability during the year as these initiatives progress.

CRITICAL ACCOUNTING ESTIMATES

The financial information presented in this MD&A has been prepared in accordance with GAAP. Some of the Company's accounting policies involve estimates that require management's judgment in the use of assumptions about matters that are uncertain at the time the estimates are made. Different estimates, with respect to key variables used for the calculations, or changes to estimates could potentially have a material impact on the Company's net earnings.

Asset Management Contracts

Asset management contracts arise from direct and indirect acquisitions of fee generating agreements. The identification and valuation of asset management contracts require management to use estimates and make assumptions.

Asset management contracts which are considered to have an indefinite life are tested for impairment at least annually using a fair value test with any excess of the carrying amount charged to operations in the applicable period.

Asset management contracts which are considered to have a finite life are amortized at a rate of 20% on a declining balance basis and tested for impairment when events or circumstances indicate the carrying value may not be recoverable from annually estimated future undiscounted cash flows. Declining levels of AUM associated with the contracts is taken into account when assessing possible impairment. Management must exercise judgment and make use of estimates and assumptions in determining the estimated useful lives of the contracts and in periodic determinations of value.

No impairment was charged against asset management contracts during the first quarter 2010.

The Company is reviewing its method of amortizing the values attributed to management contracts recorded as assets in connection with certain merger and acquisition transactions. At present, amortization is recorded on a 20% declining balance basis. The review may result in changes that may reduce or eliminate the amortization of the values assigned to these contracts. There can be no assurance that such changes will be implemented in the manner currently under review or at all.

CHANGES IN ACCOUNTING POLICIES

Matrix commenced operations on January 16, 2010. Accordingly, the first quarter of 2010 is the first period for which Matrix is reporting financial results. Except as follows, the accounting policies applied by Matrix are substantially the same as those applied by GrowthWorks prior to the business combination.

In January 2009, the CICA issued Sections 1582- Business Combinations, 1601- Consolidated Financial Statements and 1602 - Non-controlling Interest 1625 - Comprehensive Revaluation of Assets and Liabilities. The new standards become effective in 2011 but early adoption is permitted. The Company has chosen to early adopt these sections and in accordance with the transitional provisions has adopted all three standards on the same date.

Section 1582 replaces 1581 – Business Combinations and applies to a transaction in which the acquirer obtains control of one or more businesses. The term “business” is more broadly defined than in the existing standard. Most assets and liabilities acquired, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Section 1601 carries forward the requirements of Section 1600 - Consolidated Financial Statements. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholder’s equity. Net income will be calculated without deduction for the non-controlling interest. Rather net income will be allocated between the controlling and non-controlling interests.

Amendments to Section 1625 require that, when push-down accounting is used following the acquisition of an enterprise, the assets and liabilities are to be measured at the values used in accounting for the purchase transaction or transactions in accordance with Section 1582. The amendments also require that, when a future income tax asset that arose prior to the date of a comprehensive revaluation and that was not recognized in the comprehensive revaluation is subsequently recognized, the benefit should be recognized in accordance with Section 1582 and Section 3465, Income Taxes.

The Company applied these sections in the accounting for the business combination of GrowthWorks with SEAMARK.

FINANCIAL INSTRUMENTS

Matrix’s financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, term loans, corporate debt and preferred shares. Accounts receivable are classified as “loans and receivables”. They are measured at amortized cost. Investments are classified as “available for sale”. Available for sale assets and liabilities are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the instrument is either sold or suffers an impairment that is not temporary. Accounts payable, term loans, corporate debt and preferred shares are classified as “other financial liabilities” and are measured at amortized cost. At March 31, 2010 and 2009, the recorded amounts for all financial instruments approximate fair value.

The Company’s activities expose its financial instruments to a variety of financial risks, which include other price risk, foreign currency risk, credit risk, interest rate risk, and liquidity risk. The Company’s risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company’s financial performance.

Other Price Risk - The Company’s financial instruments may include investments which are publicly traded and therefore may be subject to the market risks that affect all publicly traded securities. Some of these investments may be thinly traded, which could result in lower quoted market values. The Company manages this risk by only investing in high grade publicly traded investments or in investments which have a strategic operational purpose. A five percent increase/decrease in the S&P TSX Composite Index would increase/decrease the fair value by \$240 thousand. A five percent increase/decrease in the S&P 500 Index would increase/decrease the fair value of these investments by \$45 thousand.

Foreign currency risk - Foreign exchange risk is the risk of gain or loss due to volatility of foreign exchange rates. A portion of the Company’s publicly traded investments; include a portion for which the underlying companies are domiciled outside Canada. Consequently, the Company is impacted by changes in the value of foreign currencies relative to the Canadian dollar. A one percent increase/decrease in the US dollar exchange rate would increase/decrease the fair value of these investments by \$7 thousand.

Credit risk - Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises from the Company's cash, investments and accounts receivable. The Company's cash and investments are held by large Canadian financial institutions. Accounts receivable consist mostly of cost recoveries due from a government and amounts receivable from managed funds. As such, the Company considers this risk to be minimal.

Interest rate risk - Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as these investments will be in highly liquid securities with short-term maturities. The Company is also exposed to interest rate risk through its promissory note and term loans, which are based on the prime lending rate, and through its corporate debt, which is based on fixed interest rates. The Company does not mitigate this risk. A one percent increase in the prime lending rate would increase annual interest payments by approximately \$75 thousand.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and the current portion of term loans and corporate debt are due within the current operating period. The Company manages liquidity risk through the management of its capital structure. See "Liquidity and Capital Resources" above.

Market risk related to assets under management - Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a impact on the level and mix of Matrix's AUM. Changes in AUM directly impact earnings of the Company as management fees earned are based on the value of assets under management.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2006, the Accounting Standards Board of the CICA ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board has projects underway that should result in new pronouncements which will be included in the convergence process.

The Company is in the process of completing a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying: (i) the timing of the implementation of the transition, (ii) major differences from existing accounting policies, (iii) new accounting policies which are appropriate for the Company, and (iv) the appropriate disclosures in financial statements prepared under IFRS. The Company is developing an implementation plan to ensure it will be prepared for the transition to IFRS in advance of the transition date.

INTERNAL CONTROLS FOR FINANCIAL REPORTING

Both SEAMARK and Mavrix were previously reporting issuers under applicable securities laws. Since the business combination on January 15, 2010, Matrix has taken measures to consolidate and refine these entities' and GrowthWorks' internal controls over financial reporting to facilitate reporting within the larger Matrix corporate group.



MATRIX ASSET MANAGEMENT INC.

Interim Consolidated Financial Statements
March 31, 2010
(Unaudited)

MATRIX ASSET MANAGEMENT INC.

Consolidated Balance Sheets

(unaudited)
(in thousands of dollars)

As at	March 31 2010	December 31 2009
		(Note 1)
ASSETS		
Current		
Cash and cash equivalents	\$ 7,494	\$ 5,841
Investments	5,794	3,653
Accounts receivable (Note 17)	4,737	3,992
Income taxes receivable	3,287	449
Prepaid expenses	1,227	1,102
	22,539	15,037
Capital Assets (Note 6)	1,117	1,052
Future Income Taxes (Note 7)	615	505
Deferred Sales Commissions , less accumulated amortization of \$15,256 (2009 - \$13,861)	8,121	7,984
Asset Management Contracts (Note 8)	13,213	13,062
	\$ 45,605	\$ 37,640
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 17)	\$ 10,669	\$ 12,607
Current portion of term loans (Note 11)	2,100	2,267
Current portion of corporate debt (Note 12)	-	3,025
	12,769	17,899
Promissory Note (Note 10)	500	500
Term Loans (Note 11)	1,864	2,028
Corporate Debt (Note 12)	8,750	8,618
Deferred Lease Inducement , less accumulated amortization of \$58 (2009 - \$47)	274	285
Preferred Shares	-	3,450
	24,157	32,780
SHAREHOLDERS' EQUITY		
Share Capital (Note 13)	19,530	17
Contributed Surplus (Note 13)	1,840	4,246
Accumulated Other Comprehensive Income	136	106
Retained Earnings	(58)	491
	21,448	4,860
	\$ 45,605	\$ 37,640

(See accompanying notes to interim consolidated financial statements.)

Approved by the Board of Directors:

(signed) "Lawrence I. Bell"
Lawrence I. Bell

(signed) "Dale G. Parker"
Dale G. Parker

MATRIX ASSET MANAGEMENT INC.

Consolidated Statements of Income (Loss)

(unaudited)

(in thousands of dollars, except per share amounts)

For The Three Months Ended March 31	2010	2009
REVENUE		
Management and administration fees	\$ 8,331	\$ 5,981
Additional administration fees	439	403
Interest income	9	12
Other income	216	202
	8,995	6,598
EXPENSES		
Selling, general and administrative	6,965	5,477
Option vesting costs (Note 13)	948	-
Share-based compensation	34	81
Interest	367	35
Amortization	1,131	550
Fund merger costs and special projects	99	623
	9,544	6,766
Income (Loss) Before Income Taxes	(549)	(168)
Income tax expense (Note 7)	-	(18)
NET INCOME (LOSS)	\$ (549)	\$ (186)
Earnings (Loss) Per Share		
Basic	(0.01)	(0.01)
Diluted	(0.01)	(0.01)
Weighted Average Number of Shares Outstanding		
Basic	42,856,334	23,108,805
Diluted	43,126,181	32,884,345

(See accompanying notes to interim consolidated financial statements.)

MATRIX ASSET MANAGEMENT INC.

Consolidated Statements of Comprehensive Income (Loss), Accumulated Other Comprehensive Income (Loss) and Retained Earnings

(unaudited)
(in thousands of dollars)

For The Three Months Ended March 31	2010	2009
NET INCOME (LOSS)	\$ (549)	\$ (186)
Other Comprehensive Income (Loss)		
Increase (decline) in fair value of available for sale investments	17	(31)
Transfer to realized loss on sale of investments	13	-
	30	(31)
COMPREHENSIVE INCOME (LOSS)	(519)	(217)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS),		
Beginning of Period	106	(116)
Other Comprehensive Income (Loss)	30	(31)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS),		
End of Period	136	(147)
RETAINED EARNINGS, Beginning of Period	491	5,052
Net Income (Loss)	(549)	(186)
RETAINED EARNINGS, End of Period	\$ (58)	\$ 4,866

(See accompanying notes to interim consolidated financial statements.)

MATRIX ASSET MANAGEMENT INC.

Consolidated Statements of Cash Flows

(unaudited)
(in thousands of dollars)

For The Three Months Ended March 31	2010	2009
Cash from operations		
Net income (loss)	\$ (549)	\$ (186)
Items not affecting cash -		
Amortization	1,703	526
Unrealized gain/loss on investments	31	(31)
Share purchase financing	(67)	-
Option vesting cost	948	-
Share-based compensation	34	81
	2,100	390
Net change in non-cash working capital -		
Accounts receivable	1,297	1,538
Prepaid expenses	(125)	216
Accounts payable and accrued liabilities	(2,921)	(4,527)
	351	(2,383)
Financing Activities		
Purchase of common shares by subsidiaries	-	(2)
Net (decrease) increase in term loans	(331)	(146)
Net (decrease) increase in corporate debt	(2,893)	-
Proceeds from options exercise	390	-
Share issue costs	(90)	-
	(2,924)	(148)
Investing Activities		
(Purchase) Redemption of investments	(2,141)	1,039
Sales commissions paid	(992)	(736)
Purchase of property and equipment	(454)	(9)
Cash received on acquisition of SEAMARK Asset Management Ltd.	5,630	-
Investments received on acquisition of SEAMARK Asset Management Ltd.	2,183	-
	4,226	294
Net change in cash during the period	1,653	(2,237)
Cash and cash equivalents, Beginning of period	5,841	5,320
Cash and cash equivalents, End of period	\$ 7,494	\$ 3,083
Cash is comprised of:		
Cash	\$ 5,831	\$ 3,083
Short-term investments	1,663	-
Cash and cash equivalents, End of period	\$ 7,494	\$ 3,083
Supplemental information:		
Interest paid	\$ 196	\$ 35
Income taxes paid (refunded)	(292)	284

(See accompanying notes to interim consolidated financial statements.)

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

1. ORGANIZATION AND OPERATIONS

Matrix Asset Management Inc. ("Matrix" or "the Company") was incorporated under the *Canada Business Corporations Act* on October 30, 2009, to provide fund raising, investment management and administration services to venture and other investment funds.

The company conducts its operations directly or through one of its wholly owned subsidiary companies (Note 2), referred to individually and collectively in these consolidated financial statements as the "Company".

The Company's principal revenue is management, administrative, and incentive fees from the following funds and limited partnerships:

- SEAMARK Mutual Funds
- SEAMARK Pooled Funds
- SEAMARK Institutional and High Net Worth Segregated Client Accounts
- Mavrix Mutual Funds
- Mavrix Specialty Funds
- Working Opportunity Fund (EVCC) Ltd.
- GrowthWorks Canadian Fund Ltd.
- GrowthWorks Commercialization Fund Ltd.
- GrowthWorks Access Fund Limited Partnership
- GrowthWorks Atlantic Venture Fund Ltd.
- ACF Equity Atlantic Ltd.
- Pacific Venture Fund Limited Partnership
- ENSIS Investment Limited Partnership

Business Combination

On January 15, 2010, the Company completed a business combination agreement with the former shareholders of GrowthWorks Ltd. ("GWL") and the former shareholders of SEAMARK Asset Management Ltd. ("SEAMARK"), an investment management company that provides portfolio management services to institutional and high net worth clients. Under the terms of the agreement the shareholders of SEAMARK exchanged their shares on a 1:1 basis and the shareholders of GWL exchanged their shares on a 1:3.0409 basis for shares of the Company. As a result of the exchange the former shareholders of GWL owned shares equal to approximately 75% of the subsequently outstanding common shares of the Company, resulting in the former shareholders of GWL controlling the Company.

In accordance with Canadian generally accepted accounting principles ("GAAP"), the transaction was accounted for as a reverse acquisition using the acquisition method with GWL as the accounting acquirer and Matrix and SEAMARK as the accounting acquirees. The estimated fair values of the net assets deemed to have been acquired by the Company are as follows:

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

1. ORGANIZATION AND OPERATIONS (continued)

Cash and short term investments	\$5,630
Temporary investments	2,183
Accounts receivable and prepaids	1,785
Income taxes receivable	3,095
Capital assets	155
Future income tax assets	111
Accounts payable and accrued liabilities	(983)
Indefinite life asset management contracts	466
	<hr/>
	\$12,442
	<hr/>
Consideration:	
10,804,802 common shares @ \$1.18 *	\$12,750
Share-based replacement awards	54
305,706 common shares held in DSU trust	(362)
	<hr/>
	\$12,442
	<hr/>

* Matrix share price on date of the business combination.

Comparative Results

In accordance with reverse acquisition method of accounting, the comparative financial statements of the Company are that of the accounting acquirer, GWL, with the accounting acquirees' results of operations included in the consolidated financial statements from January 16, 2010. Included in the Company's consolidated statement of operations for the period ended March 31, 2010 is revenue of \$1,067 and net loss of \$90 from SEAMARK.

The share capital reflects the equity structure of the legal parent, Matrix, including the equity interest issued by the Company to effect the business combination.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian GAAP, and reflect the following significant accounting policies:

Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary companies have been prepared on the basis of the purchase method of accounting for business combinations. The wholly owned subsidiary companies are:

SEAMARK Asset Management Ltd.
Mavrix Fund Management Inc.
Mavrix Quebec 2009 Ltd.
Mavrix Explore 2009 – II FT Management Limited

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mavrix Quebec 2010 Ltd.
1796862 Ontario Ltd.
3630579 Canada Inc.
5261750 Manitoba Ltd.
GrowthWorks Ltd.
GrowthWorks Capital Ltd.
GrowthWorks General Partner Ltd.
GrowthWorks Access GP I Ltd.
GrowthWorks WV Management Ltd.
GrowthWorks Atlantic Ltd.
GrowthWorks Manitoba Ltd.
ENSIS Management Inc.
EM Capital Inc.

Adoption of New Accounting Standards

In 2009, the CICA issued Sections 1582 - Business Combinations, 1601 - Consolidated Financial Statements, 1602 - Non-controlling Interest, and 1625 - Comprehensive Revaluation of Assets and Liabilities. The new standards become effective in 2011 but early adoption is permitted. The Company has chosen to early adopt these sections and in accordance with the transitional provisions has adopted all four standards on the same date.

Section 1582 replaces 1581 – Business Combinations and applies to a transaction in which the acquirer obtains control of one or more businesses. The term “business” is more broadly defined than in the existing standard. Most assets and liabilities acquired, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Section 1601 carries forward the requirements of Section 1600 - Consolidated Financial Statements. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholder's equity. Net income will be calculated without deduction for the non-controlling interest. Rather net income will be allocated between the controlling and non-controlling interests.

The amendments to Section 1625, Comprehensive Revaluation of Assets and Liabilities require that, when push-down accounting is used following the acquisition of an enterprise, the assets and liabilities are to be measured at the values used in accounting for the purchase transaction or transactions in accordance with Section 1582. The amendments also require that, when a future income tax asset that arose prior to the date of a comprehensive revaluation and that was not recognized in the comprehensive revaluation is subsequently recognized; the benefit should be recognized in accordance with Section 1582 and Handbook Section 3465, Income Taxes.

The Company applied these sections in the accounting for the business combination of GrowthWorks with SEAMARK.

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

The Company accounts for business combinations using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value at the acquisition date. Any excess of the purchase price over the net assets acquired is recorded as asset management contracts.

Acquisitions costs are expensed in the period the costs are incurred and the services rendered, with the exception of costs to issue equity securities which are recognized as share capital.

Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is recorded at annual rates considered adequate to amortize the cost of the assets over their estimated useful lives as follows:

Computer equipment	3 years, straight-line basis or 30%, declining balance basis
Leasehold improvements	Over the term of the lease, straight-line basis
Office equipment	20%, declining balance basis

Capital assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the undiscounted future cash flows expected from use and residual value of an asset is less than carrying amount, the asset is considered impaired and is written down to its estimated fair value.

Lease inducements provided by landlords are deferred and amortized on a straight-line basis over the term of the related lease.

Financial Assets and Liabilities

The Company's financial assets and financial liabilities, other than cash, are classified as follows:

- Investments are classified as "available for sale". Available for sale assets are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the instrument is either sold or suffers an impairment that is other than temporary.
- Accounts receivable are classified as "loans and receivables" and are measured at amortized cost. At March 31, 2010 and December 31, 2009 the recorded amounts approximate fair value.
- Accounts payable and accrued liabilities, income taxes payable, term loans, corporate debt, promissory notes and preferred shares are classified as "other financial liabilities" and are measured at amortized cost. At March 31, 2010 and December 31, 2009, the recorded amounts approximate fair value, except as otherwise reported.

Transaction costs directly attributable to the acquisition or issue of a financial liability are added to the carrying amount of the financial liability, and are amortized to operations using the effective interest rate method.

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Deferred Sales Commissions

Commissions paid to brokers and dealers on the sale of shares of managed funds are deferred and are amortized to operations on a straight-line basis over three to eight years, depending on the managed fund, which is the period during which shares of the managed funds may be redeemed on payment to the Company of a redemption fee. Share redemption fees are credited to unamortized deferred sales commissions when received.

Unamortized deferred sales commissions are written down if the carrying value exceeds the expected future recoveries from the related fees and the write-down is recorded in operations in the period in which the impairment occurs.

Asset Management Contracts

Asset management contracts recorded on the balance sheet arise from direct and indirect acquisition of fee generating agreements.

Asset management contracts which are considered to have a finite life are amortized at a rate of 20% on a declining balance. Contracts with an indefinite life are not amortized. Finite life contracts are tested for impairment when events or circumstances indicate their carrying value may not be recoverable from annually estimated future undiscounted cash flows. When the carrying value of contracts exceeds their estimated recoverable amount, the contracts are written down to their fair value and the write down is recorded in operations in the period the impairment occurs.

Indefinite life contracts are tested for impairment at least annually using a fair value test with any excess of the carrying amount charged to operations in the period the impairment occurs.

Employee Future Benefits

The Company accrues obligations under employee defined benefit plans. The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation and retirement ages.

The Company has a defined contribution pension plan covering employees of a wholly own subsidiary. Company contributions to the plan are expensed as incurred.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Using this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Company and their respective tax bases, and for losses and other deductions carried forward, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on future tax assets and liabilities is recognized in operations in the period in which the change occurs. A future income tax asset is recorded only when the probability of the realization is more likely than not.

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Compensation

The Company issues options to purchase shares under the terms described in Note 13. The Company uses the fair value method of accounting for options granted to employees, officers or directors. The fair value of options is determined using the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, expected volatilities of share prices and the expected life of the options. On the date of the grant, the fair value of the options to purchase shares granted to employees, officers or directors is determined and recognized, over the period during which the related options vest, as a compensation expense, with a corresponding increase in contributed surplus.

The consideration received on the exercise of share options is credited to share capital, together with the related amount previously recorded in contributed surplus.

The Company operates a deferred stock unit plan for its employees. Each deferred stock unit entitles the participant to receive one common share of the Company subject to certain vesting provisions. Compensation expense is recorded on a straight-line basis over the vesting period commencing at the time such entitlement is earned by the employee at the fair value of the Company's shares as at that date.

Revenue Recognition

Management and administration fees are based on the net asset values of managed funds, on funds actually invested or on capital commitments and are recorded on an accrual basis. These fees are recognized as revenue when related services are performed and collection is reasonably assured.

Fees paid by shareholders or unitholders of funds which are managed by the Company are recognized as revenue on the related settlement date.

Performance bonuses, carried interests or incentive participation dividends are recognized as revenue when the required returns or thresholds have been achieved and realization is assured.

Interest income is recognized on an accrual basis.

Revenue related to the provision of investment management and advisory services is recognized as the related services are provided.

Cost Recoveries

The Company accrues government assistance in the form of a repayable contribution of 50% to 75% of certain eligible costs (Note 14). Amounts claimed under this program are included in operations as a reduction of expenses. Amounts due to be received are included in accounts receivable.

Earnings or Loss Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated using the treasury stock method and based on the weighted average number of common shares outstanding plus diluted common share equivalents.

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates used in these financial statements include, among others, purchase price allocation and the fair value of acquired assets and liabilities, revenue accruals, the recoverability of accounts receivable, investments and future income tax assets, the fair values of options to purchase shares, the estimated useful lives of capital assets and the recoverability of capital assets, deferred sales commissions and asset management contracts.

Variable Interest Entities

The Company uses a compensation trust, which holds the Company's common shares, to fulfill obligations to employees arising from the Company's deferred stock unit plan. The Company is the primary beneficiary of the trust, and therefore the trust is consolidated in the financial statements of the Company.

Comparative Figures

The comparative figures have been reclassified where necessary to conform to the presentation used in the current year.

3. FUTURE ACCOUNTING STANDARDS

Convergence with International Financial Reporting Standards

In 2006, the Accounting Standards Board of the CICA ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements which will be included in the convergence process.

The Company is in the process of completing a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying: (i) the timing of the implementation of the transition; (ii) major differences from existing accounting policies; (iii) new accounting policies which are appropriate for the Company; and, (iv) the appropriate disclosures in financial statements prepared under IFRS. The Company is developing an implementation plan to ensure it will be prepared for the transition to IFRS in advance of the transition date.

Accounting Changes – Section 1506

In June 2009, the CICA amended Handbook Section 1506, Accounting Changes. The amendment excludes changes in accounting policies upon the complete replacement of an entity's primary basis of accounting, as will occur when an entity adopts IFRSs for the first time, from the scope of Section 1506.

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

4. CAPITAL MANAGEMENT

The Company requires capital for operating and regulatory purposes, including funding current operations and future operations. The capital structure is comprised of shareholder's equity, term loans and long-term debt, including current portion of long-term debt.

Subsequent to the end of the quarter, the company extended the term of acquisition financing with a Canadian chartered bank related to asset management contracts, acquired in 2009, in the ordinary course of business. Accordingly, the current portion of term loans of \$2,100 will be reduced by \$721.

The Company's objectives in managing capital are to maintain a capital structure that will:

- Fund current and future operations
- Build long-term shareholder value
- Satisfy financial obligations and meet long-term debt covenants

The Company's capital as of March 31, 2010 and December 31, 2009 consists of:

	March 31, 2010	December 31, 2009
Shareholders' equity	\$ 21,448	\$ 4,860
Promissory note	500	500
Term loans	3,964	4,295
Long-term debt	8,750	11,643
Preferred shares	-	3,450
	\$ 34,662	\$ 24,748

External restrictions on the Company's capital are the required minimum regulatory capital amounts of \$400 and the covenants related to term loans, with which the Company is in compliance.

5. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities and income taxes approximate fair values due to the short term nature of these financial instruments. Fair values of other financial instruments at March 31, 2010, classified using the fair values hierarchy below:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs are other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

5. FINANCIAL INSTRUMENTS (continued)

As at March 31, 2010	Level 1	Level 2	Level 3	Total
Investments	\$ 5,794	\$ -	\$ -	\$ 5,794

As at December 31, 2009	Level 1	Level 2	Level 3	Total
Investments	\$ 3,653	\$ -	\$ -	\$ 3,653

Risk Management

The Company's activities expose its financial instruments to a variety of financial risks, which include other price risk, foreign currency risk, credit risk, interest rate risk, and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Other Price Risk

The Company's financial instruments include investments which are publicly traded and therefore may be subject to the market risks that affect all publicly traded securities. Some of these investments may be thinly traded, which could result in lower quoted market values. The Company manages this risk by only investing in high grade publicly traded investments or in investments which have a strategic operational purpose. A five percent increase/decrease in the S&P TSX Composite Index and the S&P 500 Index would increase/decrease the fair value by \$285.

Foreign currency risk

Foreign exchange risk is the risk of gain or loss due to volatility of foreign exchange rates. The Company's publicly traded investments include a portion for which the underlying companies are domiciled outside Canada. Consequently, the Company is impacted by changes in the value of foreign currencies relative to the Canadian dollar. A one percent increase/decrease in the US dollar exchange rate would increase/decrease the fair value of these investments by \$7.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises from the Company's cash, temporary investments and accounts receivable. The Company's cash & cash equivalents and investments are held by large Canadian financial institutions. Accounts receivable consist mostly of cost recoveries due from a government and amounts receivable from managed funds. As such, the Company considers this risk to be minimal.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate investments of varying maturities. In managements view the risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as these investments are in highly liquid securities with short-term maturities. The Company is also exposed to interest rate risk through its promissory note and term loans, which are based on the prime lending rate, and through its corporate debt, which is based on fixed interest rates. The Company does not

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

5. FINANCIAL INSTRUMENTS (continued)

mitigate this risk. A one percent increase in the prime lending rate would increase annual interest payments by approximately \$75.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and the current portion of term loans and corporate debt are due within the current operating period. The Company manages liquidity risk through cash flow projections and the management of its capital structure (Note 4).

Market risk related to assets under management

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a impact on the level and mix of assets under management. Changes in assets under management directly impact earnings of the Company as management fees earned are based on the value of assets under management.

Contractual maturities, excluding interest payments, of the Company's debt for the next 5 years are:

Description	Total	2010	2011	2012	2013	2014	2015 +
Term loans	\$ 3,964	\$1,937	\$ 656	\$ 540	\$ 390	\$ 204	\$ 237
Corporate debt	9,050	-	3,050	1,200	2,400	2,400	-
Promissory note	500	-	-	-	500	-	-
Total	\$ 13,514	\$1,937	\$3,706	\$1,740	\$3,290	\$2,604	\$ 237

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	March 31, 2010 Net Book Value
Computer equipment	\$ 1,583	\$ 1,305	\$ 278
Leasehold improvements	1,254	748	506
Office equipment	1,220	887	333
	\$ 4,057	\$ 2,940	\$ 1,117

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

6. CAPITAL ASSETS (continued)

	Cost	Accumulated Amortization	December 31, 2009 Net Book Value
Computer equipment	\$ 1,572	\$ 1,255	\$ 317
Leasehold improvements	1,150	639	511
Office equipment	652	428	224
	\$ 3,374	\$ 2,322	\$ 1,052

7. INCOME TAXES

The Company's future income tax assets and liabilities are:

	March 31, 2010	December 31, 2009
Capital assets	\$ 255	\$ 91
Deferred sales commissions	(860)	(599)
Other	114	225
Deferred stock unit compensation	95	-
Losses carried forward	4,333	4,301
	3,937	4,018
Valuation allowance	(3,322)	(3,513)
Future income taxes	\$ 615	\$ 505

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

7. INCOME TAXES (continued)

The reconciliation of the provision for income taxes for the periods presented is:

	March 31, 2010	March 31, 2009
Income (loss) before income taxes	\$ (549)	\$ (168)
Combined statutory income tax rate	30.00%	30.00%
Income tax (expense) recovery based on combined statutory income tax rates	165	50
Adjustments:		
Tax effect of net amounts not deductible for tax purposes	(325)	(82)
Tax effect of loss carry forwards recognized (current period losses not recognized)	160	(163)
Current income tax (expense) recovery	-	(195)
Future tax (expense) recovery	-	177
	\$ -	\$ (18)

At March 31, 2010, the Company had estimated losses available for income tax purposes of approximately \$17,638 that may be used to offset future taxable income. If unused, these losses will expire as follows:

2010	\$ 4,804
2014	2,452
2015	1,459
2026	2,281
2027	1,862
2028	2,259
2029	2,521

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

8. ASSET MANAGEMENT CONTRACTS

	March 31, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Contracts having finite lives to manage assets	\$ 9,945	\$ 3,966	\$ 9,945	\$ 3,651
Contracts having indefinite lives to manage assets	7,234	-	6,768	-
	17,179	\$ 3,966	16,713	\$ 3,651
Less accumulated amortization	3,966		3,651	
Net book value	\$13,213		\$13,062	

The recorded amortization of asset management contracts included in amortization expense, is \$315 (2009 - \$220).

9. EMPLOYEE FUTURE BENEFITS

The Company has established a supplemental retirement defined benefit plan for certain of its senior employees. The contributions required for the 2010 and 2011 fiscal years pursuant to the terms of this plan are, respectively, \$30 and \$33. The contributions required for the 2012 and subsequent years will be determined by an actuarial review of the obligations under the plan, which is conducted every three years.

The Company has fully funded the required contributions under this plan and recorded the related expense in these financial statements.

The Company contributed \$19 (2009 – \$nil) to its defined contribution pension plan.

10. PROMISSORY NOTE

During the 2009 fiscal year, a shareholder loaned the Company \$500. The note is unsecured, bears interest at the Royal Bank prime lending rate plus 2.5%, is due on May 21, 2013 and may be repaid at any time prior to maturity. The note has a floating interest and the fair value approximates the carrying value.

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

11. TERM LOANS

	March 31, 2010	December 31, 2009
Term loan, repayable in annual instalments of \$96,000 plus interest at 2.25% above the Royal Bank prime lending rate, due January 2012	\$ 172	\$ 196
Term loan, repayable in annual instalments of \$140,400 plus interest at 2.25% above the Royal Bank prime lending rate, due January 2013	361	396
Term loan, repayable in annual instalments of \$126,000 plus interest at 2.25% above the Royal Bank prime lending rate, due January 2014	443	474
Term loan, repayable in annual instalments of \$132,000 plus interest at 2.25% above the Royal Bank prime lending rate, due January 2015	537	570
Term loan, repayable in annual instalments of \$90,000 plus interest at 2.25% above the Royal Bank prime lending rate, due January 2016	515	538
Term loan, repayable in annual instalments of \$72,000 plus interest at 6.25% above the Royal Bank prime lending rate, due January 2017	492	510
Term loan, repayable in annual instalments of \$666,720 plus interest at 2.5% above the Royal Bank prime lending rate, due May 2010	1,444	1,611
	<u>3,964</u>	<u>4,295</u>
Current portion	2,100	2,267
	<u>\$ 1,864</u>	<u>\$ 2,028</u>

The term loans have a floating interest rate. Therefore the fair value approximates the carry value.

12. CORPORATE DEBT

	2010	2009
\$3.05 million term loan with interest at the bank prime rate plus 0.75% per annum, due April 19, 2011	\$ 3,050	\$ 3,050
\$3.05 million 8% subordinated convertible debenture due June 30, 2010 (Redeemed March 15, 2010)	-	3,025
\$6.0 million 10% subordinated debenture due in installments on July 2 of each of 2012, 2013 and 2014	5,700	5,568
	8,750	11,643
Less: Corporate debt due within one year	-	3,025
	<u>\$ 8,750</u>	<u>\$ 8,618</u>

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

12. CORPORATE DEBT (continued)

\$3,050 term loan

The loan has been secured by investments of \$3,199 and is also secured by a general security agreement creating a second fixed charge over all present and future acquired properties.

\$3,050 – 8% Subordinated Convertible Debenture

This debenture was repayable upon maturity on June 30, 2010 and subordinated to all senior indebtedness. The debenture was convertible, at the option of the holder, into common shares at a price of \$3.50 per share. The Company redeemed the debenture on March 15, 2010.

\$6,000 – 10% Subordinated Debenture

The first two annual repayments may be extended further with a 1.5% interest rate increase on the extended amounts. The amended debenture is interest free until June 2010, and the interest rate under the debenture has been reset at 8.0% per annum for the next twelve months, 9.33% for the following twelve months and 10.0% thereafter until repaid in full. The effective interest rate on the debenture is 10%. The subordinated debenture was recently renegotiated and the fair value approximates the carrying value.

13. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued

	# of shares	\$
Balance, beginning of period	1	1
Shares issued to GWL on acquisition	32,357,483	7,245
Shares issued to SEAMARK on acquisition	10,804,802	12,803
Shares held in DSU trust	(305,706)	(362)
Share purchase financing		(67)
Share issue costs		(90)
Balance, end of period	42,856,580	19,530

The Company has a share purchase loan with an employee. The loan is full recourse non-interest bearing and the escrowed shares are held by the Company as security. The shares are released annually in installments of 20%. The market value of the shares at March 31, 2010 was \$14. During the period ended March 31, 2010, \$10 of accrued or earned loan forgiveness was charged against income.

Prior to the business combination \$3,450 of preferred shares were converted to GWL common shares and options were exercised with a value of \$3,778.

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

13. SHARE CAPITAL (continued)

Options

The Company has a 10% rolling option plan. The Company may grant stock options to purchase shares up to 10% of the issued and outstanding common shares from time to time. As of March 31, 2010, 4,321,896 options were available for issuance of which 451,000 options have been issued.

As part of a business combination agreement (Note 2) the Company issued 451,000 replacement stock option awards to the employees of the acquiree. The replacement awards have the same terms and conditions as the original awards including the exercise price, vesting period and expiry dates. The replacement awards were fair valued as of the acquisition date.

The fair value of the replacement options granted was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions: weighted average risk-free interest rate of 1.75%; dividend yields of 0%; weighted average volatility factors of the expected market price of the Company's common shares of 3.52% and the weighted average expected life of the options of 3 years. The weighted average fair value of options issued was \$0.47.

The following table summarizes the status of the Company's stock option plan at March 31, 2010 and December 31, 2009.

	2010		2009	
	Number	Price* \$	Number	Price* \$
Outstanding, beginning of period	-	-	4,378,000	3.12
Granted	451,000	12.23	755,000	3.86
Expired	-	-	(872,000)	2.42
Forfeited	-	-	(295,000)	3.89
Outstanding, end of period	451,000	12.23	3,966,000	3.14
Total options exercisable	391,000	12.75	2,970,000	3.08

**weighted average exercise price (in dollars)*

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

13. SHARE CAPITAL (continued)

The following table summarizes the Company's stock option plan at March 31, 2010.

Options Outstanding			Options Exercisable		
Number of shares	Range of Exercise Prices *	Weighted Average Exercise Price *	Weighted Average Remaining Life (Years)	Number of shares	Weighted Average Exercise Price *
25,000	\$ 4.72 - 4.72	\$ 4.72	7.79	10,000	\$ 4.72
190,000	8.69 - 8.69	8.69	5.86	152,000	8.69
119,000	11.00 - 11.00	11.00	1.26	119,000	11.00
7,000	16.86 - 17.68	17.45	2.08	7,000	17.45
35,000	18.29 - 18.29	18.29	5.27	28,000	18.29
20,000	20.19 - 20.98	20.19	2.24	20,000	20.19
55,000	23.00 - 23.29	23.11	2.60	55,000	23.11
451,000			5.33	391,000	

**exercise prices (in dollars)*

The total compensation cost that has been charged against income and credited to contributed surplus for the option plan for the period ended March 31, 2010 was \$1 (2009 – \$81).

Option Vesting Costs

As a result of the business combination agreement (Note 2) the vesting of 996,000 GWL options was accelerated and \$948 option vesting costs charged to operations of the Company for the period ended March 31, 2010. All outstanding GWL options were either exercised or cancelled as part of the business combination.

Deferred Stock Units

The Company operates a deferred share unit ("DSU") plan for certain employees. Each vested DSU entitles the participant to receive one common share of the Company. DSUs vest over a three year period. The Company uses a trust to acquire the Company's common shares on the open market to fulfill its obligations under the DSU plan. An independent party serves as the trustee of the plan.

As part of the business combination agreement (Note 2) the Company issued 148,000 replacement DSU awards to the employees of the acquiree. The replacement DSUs have the same terms and conditions including vesting schedule as the original grants. The replacement awards were fair valued as of the acquisition date.

During the period ended March 31, 2010 the Company issued 107,000 new DSUs to employees.

The total compensation cost that has been charged against income and credited to contributed surplus for the DSU plan for the period ended March 31, 2010 was \$33 (2009 – nil).

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

14. COST RECOVERIES

On November 11, 2004, and as amended on July 9, 2008, the Company entered into an agreement with the Atlantic Canada Opportunities Agency ("ACOA") pursuant to which ACOA would make repayable contributions to the Company of 50% to 75% of eligible start-up and operating costs incurred on or before December 31, 2010 for managing GrowthWorks Atlantic Venture Fund Ltd. to a maximum repayable contribution of \$9,000.

The Company has recovered an aggregate to March 31, 2010 of \$8,750 (2009 - \$8,750) from ACOA for eligible costs.

The Company will repay these contributions commencing in 2009, by paying 20% of any incentive participation dividends earned by the Company from managing GrowthWorks Atlantic Venture Fund Ltd. within five days of receipt of the dividends. No repayments have been made as at March 31, 2010.

15. COMMITMENTS

The Company has entered into office leases in Vancouver, Saskatoon, Winnipeg, Toronto, Ottawa, Fredericton, St. John's, and Halifax which, including the Company's share of operating expenses and property taxes, require estimated future minimum annual payments of:

2010	\$	1,899
2011		2,295
2012		2,016
2013		1,982
2014		1,733
2015		906
2016-2018		655
2019		55

16. GUARANTEE

The Company has agreed to backstop the Asset-Backed Commercial Paper ("ABCP") held in certain Mavrix Funds it manages (Note 1). As at March 31, 2010, these funds have approximately \$173,000 in assets of which approximately \$2,400 is ABCP. The Funds intend to hold the ABCP to maturity, and the Company believes that the Funds will receive full repayment of these investments. However, the Company has agreed to reimburse the Funds for any shortfall should the ABCP realize less than par value at maturity or upon prior sale, and estimates this contingent liability to be \$158, which has been included in accounts payable, based on the assumptions that the notes will be held to maturity and that default rates follow historical patterns for similarly rated securities (approximately 4%). Should the default rate vary by 2%, the recorded liability at March 31, 2010 would increase or decrease by approximately \$48. Should the average duration of these securities change by 2 years, the recorded liability would increase or decrease by approximately \$18.

MATRIX ASSET MANAGEMENT INC.

Notes to the Interim Consolidated Financial Statements

March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

17. RELATED PARTY TRANSACTIONS

Related party transactions, at the exchange amounts agreed on by the parties, not separately disclosed in these consolidated financial statements are:

	2010	2009
Compensation for services rendered by shareholders, reported in the "selling, general and administrative" caption in operations	\$ -	\$ 300
Included in cash and short term investments are units of managed money market funds	1,663	-
Included in temporary investments is seed money invested in units of managed funds	1,963	454
Amounts receivable from the managed funds, included in accounts receivable, interest free and due on demand	2,283	2,268
Amounts payable to a shareholder included in accounts payable and accrued liabilities	601	595
Fees and dividends received from managed funds	8,306	6,586

18. SEGMENT INFORMATION

Matrix has three reportable segments: Institutional & High Net Worth ("Institutional"), Retail and Corporate/Other. The Institutional and Retail segments provide investment management and advisory services and are responsible for the management and distribution of investment products. The distinction between these two operating segments is based on the nature of the clients served, and the business and regulatory environment in which they operate. The results of the reportable segments are based upon the internal financial reporting systems of Matrix. The Corporate/Other segment consists of results not attributable to the Institutional or Retail segments. The accounting policies used in these segments are generally consistent with those described in the Summary of Significant Accounting Policies detailed in Note 2.

MATRIX ASSET MANAGEMENT INC.
Notes to the Interim Consolidated Financial Statements
March 31, 2010

(unaudited)
(in thousands of dollars except where otherwise noted)

18. SEGMENT INFORMATION (continued)

For The Three Months Ended March 31, 2010	Institutional	Retail	Corporate / Other	Total
Revenue	\$ 789	\$ 8,206	\$ -	\$ 8,995
Selling, general & administrative	(814)	(6,038)	(113)	(6,965)
Option vesting costs	-	-	(948)	(948)
Share-based compensation	-	-	(34)	(34)
Interest expenses	-	(367)	-	(367)
Amortization and other expenses	(7)	(1,124)	-	(1,131)
Fund merger & special projects	-	-	(99)	(99)
Segment income before taxes	\$ (32)	\$ 677	\$ (1,194)	\$ (549)
Assets	\$ 9,925	\$ 35,680	\$ -	\$ 45,605

For The Three Months Ended March 31, 2009	Institutional	Retail	Corporate / Other	Total
Revenue	\$ -	\$ 6,598	\$ -	\$ 6,598
Selling, general & administrative	-	(5,477)	-	(5,477)
Share-based compensation	-	-	(81)	(81)
Interest expenses	-	(35)	-	(35)
Amortization and other expenses	-	(550)	-	(550)
Fund merger & special projects	-	-	(623)	(623)
Segment income before taxes	\$ -	\$ 536	\$ (704)	\$ (168)
Assets	\$ -	\$ 37,640	\$ -	\$ 37,640