

PNI Digital Media Sets Record Q3 Revenue with Record Transactions Processed

Revenue up 29%, Non-GAAP Profit of \$1,102,357 For the Period Ending June 30th, 2009.

VANCOUVER, BC – August 12th, 2009 - PNI Digital Media (TSX–V: PN; OTCBB: PNDFM), (“PNI” or the “Company”), the leading innovator in digital photography and media solutions for retailers, announced that revenue for the third quarter, Fiscal Year 2009 was \$5,443,760, representing an increase of 29% over the same period last year. Furthermore, a third quarter record of 3.4 million orders were transacted over the PNI Digital Media Platform, representing a 79% increase year over year. Non-GAAP adjusted EBITDA was \$1,102,357, representing a 212% increase over the same period, last year.

The Company’s third quarter results will be discussed on a conference call on August 12th, 2009 at 4:30pm ET, 1:30pm PT. Investors and interested parties should dial 1-888-300-8196 or 1-647-427-3426 and quote conference ID no. 18223556. Please call 10 minutes prior to the scheduled start time. PNI Digital Media will also offer a live and archived webcast, available at the company's website <http://www.pnimedia.com/webcast>.

All amounts are expressed in Canadian dollars. The following discussion is qualified in its entirety by reference to the Company’s financial statements and accompanying Management Discussion and Analysis, which are accessible on the SEC’S website at www.sec.gov/edgar.shtml and on SEDAR at www.sedar.com.

“Our continued execution of our business plan has resulted in another solid quarter of growing revenue while keeping expenses under control,” said Kyle Hall, Chief Executive Officer of PNI Digital Media. “We set new PNI records for Q3 revenue and transactions while reducing cash expenses by 17% year over year. We continued to develop innovative solutions for the coming holiday season, new consumer experiences for next year, and new vertical applications of the PNI Digital Media Platform, all while maintaining our commitment to being increasingly profitable on an adjusted EBITDA basis. I’m very proud of our team’s performance.”

Third Quarter Financial Highlights:

- Total revenues for the quarter of \$5,443,760 compared to \$4,217,992 for the third quarter of fiscal 2008, representing a 29% increase year on year.
- Transactional revenue of \$3,905,096, representing a 39% increase year on year.
- Transaction fees represented 72% of total revenue during the quarter vs. 66% during the third quarter of fiscal 2008.
- GAAP net loss from operations for the quarter of \$853,109 compared to \$2,427,704 for the same period of fiscal 2008.
- Non-GAAP adjusted EBITDA for the quarter (defined as net loss plus amortization, interest expense, share-based compensation expense and un-realized foreign exchange loss (gain)) of \$1,102,357, compared to a non-GAAP adjusted EBITDA loss of (\$984,668) in the third quarter of 2008.
- Non-GAAP adjusted EBITDA per share of \$0.03 for the quarter compared to a non-GAAP adjusted EBITDA loss per share of (\$0.03) in the third quarter of 2008.

Operational Highlights

- 3.4 million orders transacted during the quarter, compared to 1.9 million in the third quarter of fiscal 2008, representing an increase of 79% year over year.
- Average daily order volume handled during the quarter of approximately 38,000 orders.

PNI Digital Media Inc.
Consolidated Balance Sheets
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

	<u>June 30, 2009</u>	<u>September 30, 2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,676,687	\$ 2,670,988
Accounts receivable	4,371,392	4,019,286
Prepaid expenses and other current assets	415,183	430,616
	<u>8,463,262</u>	<u>7,120,890</u>
Property and equipment	6,578,979	6,786,650
Deferred expenses	-	52,882
Intangible assets	5,430,483	5,164,492
Goodwill	1,504,234	1,498,539
	<u>\$ 21,976,958</u>	<u>\$ 20,623,453</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,039,172	\$ 7,480,800
Purchase consideration payable	1,460,883	-
Current portion of deferred revenue	601,229	658,045
Current portion of capital lease obligations	490,072	490,072
Loan payable	1,017,038	969,886
	<u>11,608,394</u>	<u>9,598,803</u>
Deferred revenue	106,422	363,108
Long-term portion of capital lease obligations	129,016	375,875
Contingent consideration	105,727	-
Asset retirement obligations	23,749	22,009
	<u>11,973,308</u>	<u>10,359,795</u>
Shareholders' Equity		
Share capital	\$ 66,017,456	\$ 65,614,347
Warrants	-	4,961,826
Contributed surplus	18,071,487	11,611,165
	<u>84,088,943</u>	<u>82,187,338</u>

Deficit	(73,179,620)	(70,767,148)
Accumulated other comprehensive loss	(905,673)	(1,156,532)
	<u>(74,085,293)</u>	<u>(71,923,680)</u>
	10,003,650	10,263,658
	<u>\$ 21,976,958</u>	<u>\$ 20,623,453</u>

PNI Digital Media Inc.
Consolidated Statements of Loss and Comprehensive Loss
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue	\$ 5,443,760	\$ 4,217,992	\$ 17,635,132	\$ 11,776,085
Expenses				
Network delivery	1,302,234	1,986,924	5,315,811	5,454,718
Software development	1,866,661	1,902,773	5,521,229	5,219,847
General and administration	1,211,004	1,352,503	3,340,680	3,294,978
Sales and marketing	297,921	322,128	967,025	944,108
Amortization	1,619,049	1,081,368	4,539,911	2,969,986
	<u>6,296,869</u>	<u>6,645,696</u>	<u>19,684,656</u>	<u>17,883,637</u>
Net loss before the undernoted	(853,109)	(2,427,704)	(2,049,524)	(6,107,552)
Realized foreign exchange (loss) gain	(280,411)	31,183	(5,863)	(34,980)
Unrealized foreign exchange (loss) gain	(695,010)	6,961	(197,240)	(72,550)
Interest income	363	6,655	8,032	117,783
Interest expense – capital lease	(36,075)	-	(120,696)	(9,119)
Interest expense - other	(13,750)	(1,080)	(46,456)	(8,136)
Gain (loss) on disposal of property, plant & equipment	-	-	(725)	25,741
Gain on settlement of asset retirement obligation	-	86,371	-	86,371
	<u>(1,024,883)</u>	<u>130,090</u>	<u>(362,948)</u>	<u>105,110</u>
Net loss	(1,877,992)	(2,297,614)	(2,412,472)	(6,002,442)

Other comprehensive loss:

Unrealized foreign exchange gain (loss) on translation of self sustaining foreign operations	677,436	(161,213)	250,859	(131,438)
Comprehensive loss	\$ (1,200,556)	\$ (2,458,827)	\$ (2,161,613)	\$ (6,133,880)
Basic and fully diluted net loss per share	\$ (0.05)	\$ (0.07)	\$ (0.07)	\$ (0.18)
Weighted average number of common shares outstanding	34,243,182	33,403,690	33,799,862	33,361,427

**PNI Digital Media Inc.
Non-GAAP Adjusted EBITDA Reconciliation
Unaudited – Prepared by Management
(Expressed in Canadian dollars)**

	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008
Net (loss) profit in accordance with GAAP	(1,877,992)	(1,475,124)	940,644	(2,714,584)
Amortization	1,619,049	1,521,834	1,399,028	2,289,068
Interest expense	49,825	53,947	63,380	108,010
Stock based compensation expense	616,465	496,568	453,383	445,584
Unrealized foreign exchange loss (gain)	695,010	66,691	(564,460)	(334,674)
Adjusted EBITDA	1,102,357	663,916	2,291,975	(206,596)

Non-GAAP Measures

This release includes references to non-GAAP adjusted EBITDA and non-GAAP adjusted EBITDA per share data. These non-GAAP measures are not in accordance with, or an alternative for measures prepared in accordance with, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

PNI Digital Media believes that the presentation of certain non-GAAP measures, including non-GAAP adjusted EBITDA and non-GAAP adjusted EBITDA per share, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operation.

About PNI Digital Media- Founded in 1995, PNI Digital Media operates the PNI Digital Media Platform, which provides transaction processing and order routing services for major retailers. The PNI Digital Media Platform connects consumer ordered digital content, whether from in-store kiosks, online sites or desktop software, with retailers that have on-demand manufacturing capabilities for the production of merchandise such as photos and business documents. PNI Digital Media

successfully generates millions of transactions each year for retailers and their thousands of locations worldwide. Follow us on Twitter®: @PNI_Kyle and @PNI_Yasmin

For more information please visit www.pnimedia.com.

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The statements that are not historical facts contained in this release are forward-looking statements that involve risks and uncertainties. PNI Digital Media's actual results could differ materially for those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in technology, employee retention, inability to deliver on contracts, failure of customers to continue marketing the online solution, competition, general economic conditions, foreign exchange and other risks detailed in the Company's annual report and other filings. Additional information related to the Company can be found on SEDAR at www.sedar.com and on the SEC'S website at www.sec.gov/edgar.shtml

The TSX Venture Exchange has neither approved nor disapproved the information contained in this release. PNI Digital Media relies upon litigation protection for "forward-looking" statements.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.