

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**PODIUM CAPITAL CORPORATION
(Operating as CRS Electronics)**

As at June 30, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Podium Capital Corporation ("Podium") and its wholly owned subsidiary CRS Electronics Inc. (the "Company" or "CRS") were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the financial statements for the year ended December 31, 2008 as presented in the Filing Statement in Respect of the Qualifying Transaction of Podium Capital Corporation ("Podium") with 3542114 Canada Inc. Operating As "CRS Electronics" dated May 8, 2009 ("The Filing Statement"). Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviews by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PODIUM CAPITAL CORPORATION
(Operating as CRS Electronics)
Consolidated Statements of Operations

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
SALES	\$651,353	\$784,362	\$1,081,350	\$1,169,048
Cost of sales	460,896	540,871	768,152	859,918
GROSS PROFIT	190,457	243,491	313,198	309,130
	29.2%	31.0%	29.0%	26.4%
EXPENSES				
Engineering, research and development	4,004	17,476	7,890	58,373
Sales, general and administrative	275,155	139,634	483,720	253,071
Stock-based compensation	178,270	—	178,270	—
SRED refundable tax credits and grant funding	(2,111)	(16,289)	(10,997)	(35,096)
Foreign exchange (gains) losses	(27,300)	(148)	(22,810)	(11,202)
Interest on short-term debt	21,727	9,007	34,829	18,083
Interest on long-term debt	2,075	3,237	5,450	6,920
Depreciation	5,511	2,605	8,768	5,211
	457,331	155,521	685,120	295,360
INCOME (LOSS) BEFORE INCOME TAXES	(266,874)	87,970	(371,922)	13,770
INCOME TAXES	—	—	—	—
NET INCOME (LOSS)	(266,874)	87,970	(371,922)	13,770
Earnings (loss) per share - basic and fully diluted	(\$0.01)	\$0.01	(\$0.02)	\$0.00

The accompanying Notes form an integral part of these consolidated financial statements.

PODIUM CAPITAL CORPORATION
(Operating as CRS Electronics)
Consolidated Balance Sheets

As at June 30, 2009 and December 31, 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$87,315	\$10,512
Accounts receivable (Note 4)	535,304	203,870
Income taxes receivable (Note 14)	153,719	127,414
Inventory (Note 5)	370,326	281,316
Prepaid expenses	69,500	590
	<u>1,216,164</u>	<u>623,702</u>
Long-term Assets		
Equipment, furniture and leaseholds (Note 6)	283,477	230,206
Assets under capital leases (Note 7)	17,642	10,624
Deferred development costs (Note 8)	158,906	119,063
Deferred charges	—	27,438
	<u>1,676,189</u>	<u>1,011,033</u>
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 9)	\$ —	\$296,391
Accounts payable and accrued liabilities	549,928	640,006
Deposits	16,235	20,411
Notes payable (Note 10)	426,793	—
Current portion of long-term debt (Note 11)	61,339	52,793
Current portion of long-term lease obligations (Note 12)	7,485	4,972
	<u>1,061,780</u>	<u>1,014,573</u>
Long-term liabilities		
Long-term debt (Note 11)	22,319	56,867
Long-term lease obligations (Note 12)	8,306	5,565
Future taxes payable (Note 13)	4,707	4,707
	<u>1,097,112</u>	<u>1,081,712</u>
SHAREHOLDERS EQUITY (DEFICIT)		
Share capital (Note 15)	993,508	150,100
Contributed surplus (Note 15)	178,270	—
Retained deficit	(592,701)	(220,779)
	<u>579,077</u>	<u>(70,679)</u>
	<u>\$1,676,189</u>	<u>\$1,011,033</u>

The accompanying Notes form an integral part of these consolidated financial statements.

APPROVED BY THE BOARD OF DIRECTORS:

Signed "Scott Riesebosch" Director

Signed "Paul Haber" Director

PODIUM CAPITAL CORPORATION
(Operating as CRS Electronics)
Consolidated Statements of Cash Flow

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
OPERATING ACTIVITIES				
Net (loss) income	(\$266,874)	\$87,970	(\$371,922)	\$13,770
Items not affecting cash				
Adjustment to prior year's income	—	—	—	33,336
Stock-based compensation	178,270	—	178,270	—
Amortization of product development costs	7,998	—	14,630	—
Depreciation	27,555	13,027	43,838	26,055
	(53,051)	100,997	(135,184)	73,161
Net change in non-cash working capital items relating to operating activities				
Accounts receivable	(286,331)	(103,206)	(331,434)	(43,065)
Inventory	(68,787)	(2,506)	(89,010)	(69,281)
Prepaid expenses	(61,033)	—	(68,910)	—
Accounts payable and accrued liabilities	(196,433)	57,147	(90,081)	110,824
Income taxes receivable	(1,781)	(26,700)	(26,305)	(51,690)
Deposits	15,005	—	(4,176)	—
Other assets	40,852	—	27,438	—
Cash provided by (used in) operating activities	(611,559)	25,732	(717,662)	19,950
INVESTING ACTIVITIES				
Purchase of equipment, furniture, and leaseholds	(91,239)	(1,045)	(104,125)	(2,341)
Deferred development costs	(27,323)	(29,715)	(54,473)	(56,232)
Cash used in investing activities	(118,562)	(30,760)	(158,598)	(58,573)
FINANCING ACTIVITIES				
Long-term debt repayments	(13,081)	(12,040)	(26,003)	(23,715)
Line of credit (repayment) proceeds	(423,182)	2,181	(296,391)	(51)
Advances from (to) shareholder	—	—	—	59,949
Capital lease obligation advances	—	—	9,123	—
Capital lease obligation repayments	(1,818)	—	(3,869)	—
Note payable advances	445,124	—	470,124	—
Note payable repayments	(43,331)	—	(43,330)	—
Issuance of common shares in Qualifying Transaction	678,408	—	678,409	—
Issuance of common shares	165,000	—	165,000	—
Cash provided by (used in) financing activities	807,120	(9,858)	953,063	36,184
Net increase (decrease) in cash	76,999	(14,886)	76,803	(2,439)
Cash and cash equivalents, beginning of period	10,316	81,401	10,512	68,953
Cash and cash equivalents, end of period	\$87,315	\$66,514	\$87,315	\$66,514
The following cash flow are included in operating activities:				
Income taxes paid (refunded)	\$ —	\$ —	\$ —	\$ —
Interest paid	\$21,002	\$12,244	\$32,841	\$21,250

The accompanying Notes form an integral part of these consolidated financial statements.

PODIUM CAPITAL CORPORATION
(Operating as CRS Electronics)
Consolidated Statements of Shareholders' Equity (Deficit)

As at June 30, 2009

	Share capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2007	\$100	\$0	(\$22,746)	(\$22,646)
Prior period adjustment	—	—	33,336	33,336
Net loss for the year	—	—	(231,369)	(231,369)
Issuance of common shares for cash	150,000	—	—	150,000
Balance, December 31, 2008	150,100	—	(220,779)	(70,679)
Net loss for the period	—	—	(371,922)	(371,922)
Issuance of common shares for cash	165,000	—	—	165,000
Issuance of common shares in Qualifying Transaction	678,408	—	—	678,408
Stock based compensation	—	178,270	—	178,270
Balance, June 30, 2009	\$993,508	\$178,270	(\$592,701)	\$579,077

The accompanying Notes form an integral part of these consolidated financial statements.

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of presentation

These unaudited interim statements have been prepared by management of the Company in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. Accordingly, they do not contain all of the disclosures required by Canadian GAAP for annual financial statements. These financial statements should be read in conjunction with the Company's most recent audited annual financial statements for the year end December 31, 2008, as they follow the same accounting policies and methods of their application as the annual financial statements for the year ended December 31, 2008. The financial statements for the year ended December 31, 2008 are presented in The Filing Statement. The results for the period are not necessarily indicative for the results to be expected for the year ending December 31, 2009.

On May 20, 2009 Podium and the Company completed a Qualifying Transaction as defined in and pursuant to the policies of the TSX Venture Exchange. As a result of the Qualifying Transaction, CRS is now a direct, wholly-owned subsidiary of Podium. The Qualifying Transaction was treated as an issuance of common shares by the continuing corporation, CRS Electronics Inc. The shareholders' equity accounts as at May 19, 2009 of Podium represented the gross proceeds of the issuance of common shares. The operating results of Podium are presented for the period from May 20, 2009 to the statement date. The prior period comparative financial statements are the financial statements of CRS only. A statutory amalgamation of Podium and CRS will be conducted effective September 1, 2009 and the sole continuing Corporation will be named CRS Electronics Inc.

Nature of business

The Company was incorporated under the Canada Business Corporations Act on October 25, 1998 with its head office located in Welland, Ontario, Canada. The principal activities of the Company are the development, manufacturing and sale primarily in North America of child safety systems for school buses; exterior lighting on school buses based on incandescent and light emitting diode technology ("LED"); contract manufacturing of LED light boards; and LED based space lighting products.

Significant accounting policies

The significant accounting policies have not changed from the significant accounting policies presented in financial statements for the year ended December 31, 2008 as presented in The Filing Statement.

Weighted average of common shares

The Qualifying Transaction is treated as an issuance of common shares by the CRS Electronics Inc. For reporting earnings per share for the periods prior to the Qualifying Transaction the weighted average of the common shares is based on the common shares exchanged with the CRS Electronics Inc. shareholders in the Qualifying Transaction. The weighted average of the common shares for the six months ended June 30, 2009 was 17,557,836 (2008 – 15,465,637).

Statement of Comprehensive Income

There were no differences between Comprehensive Income (Loss) and the loss presented on the Statements of Operations and Retained Earnings. Accordingly, no Statement of Comprehensive Income was presented in these financial statements.

2. CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective January 1, 2009, the Company adopted the following sections of the Handbook of the Canadian Institute of Chartered Accountants:

Inventories:

CICA Handbook Section 3031, Inventories, replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. This new section requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior period write-downs when the net realizable value of impaired inventory subsequently recovers. The adoption of this section had no material impact on the unaudited interim consolidated financial statements.

3. NEW ACCOUNTING PRONOUNCEMENTS

(a) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064 “Goodwill and intangible assets”, replacing Section 3062 “Goodwill and other intangible assets” and Section 3450 “Research and development costs”. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. The section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

(b) International Financial Reporting Standards (“IFRS”)

The accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises is scheduled to change to IFRS by January 1, 2011. Generally accepted accounting principles (“GAAP”) in Canada will cease to apply and will be replaced by IFRS. Commencing in fiscal 2010, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The Company is evaluating accounting policy differences between Canadian GAAP and IFRS based on management’s current understanding of these standards. Management is currently assessing the impact of the transition to IFRS on its consolidated financial statements.

(c) EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

4. ACCOUNTS RECEIVABLE

As at June 30, 2009 and December 31, 2008

	2009	2008
Trade accounts receivable	\$511,585	\$212,412
GST recoverable	33,719	18,094
Other receivables	—	2,364
Allowance for doubtful accounts	(10,000)	(29,000)
	<u>\$535,304</u>	<u>\$203,870</u>

A bus manufacturer based in the United States represents 31.1% of the trade accounts receivable on June 30, 2009, (56.1% on December 31, 2008).

5. INVENTORY

As at June 30, 2009 and December 31, 2008

	2009	2008
Finished goods	\$187,189	\$152,993
Raw materials	160,301	128,323
Inventory in transit	22,836	—
	<u>\$370,326</u>	<u>\$281,316</u>

6. EQUIPMENT, FURNITURE AND LEASEHOLDS

As at June 30, 2009

	Annual Depreciation Rates	Asset at Cost	Accumulated Depreciation	Net Book Value
Office furniture and equipment	20%	\$35,999	\$26,619	\$9,380
Tools, moulds and dies	33% S.L.	95,958	27,726	68,232
Computer equipment	30%	45,957	36,356	9,601
Computer software	30%	28,105	15,147	12,958
Vehicles	30%	17,454	16,945	509
Production Equipment	20%	366,130	216,017	150,113
Leasehold improvements	20% S.L.	52,502	19,818	32,684
		<u>\$642,105</u>	<u>\$358,628</u>	<u>\$283,477</u>

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

6. EQUIPMENT, FURNITURE AND LEASEHOLDS - continued

As at December 31, 2008

	Annual Depreciation Rates	Asset at Cost	Accumulated Depreciation	Net Book Value
Office Furniture and equipment	20%	\$35,999	\$ 25,576	\$ 10,422
Tools, moulds and dies	33% S.L.	35,482	14,243	21,239
Computer equipment	30%	44,804	34,763	10,041
Computer software	30%	14,135	10,510	3,625
Vehicles	30%	17,454	16,855	599
Production equipment	20%	352,949	200,071	152,878
Leasehold improvements	20% S.L.	46,280	14,879	30,401
		\$ 547,103	\$ 316,897	\$ 230,206

7. ASSETS UNDER CAPITAL LEASES

As at June 30, 2009

	Annual Depreciation Rates	Asset at Cost	Accumulated Depreciation	Net Book Value
Computer software	30%	\$8,459	\$2,347	\$6,112
Production equipment	20%	3,816	725	3,091
Computer hardware	30%	9,123	684	8,439
		\$21,398	\$3,756	\$17,642

As at December 31, 2008

	Annual Depreciation Rates	Asset at Cost	Accumulated Depreciation	Net Book Value
Computer software	30%	\$ 8,459	\$ 1,269	\$ 7,190
Production equipment	20%	3,816	382	3,434
		\$ 12,275	\$ 1,651	\$ 10,624

Depreciation was reported on the Statement of Operations and Deficit as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Cost of sales	\$22,044	\$10,422	\$35,070	\$20,843
Depreciation expense	5,511	2,605	8,768	5,211
	\$27,555	\$13,027	\$43,838	\$26,054

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

8. DEFERRED DEVELOPMENT COSTS

As at June 30, 2009 and December 31, 2008

	2009		2008	
	Asset at Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Product development	\$186,765	\$27,859	\$158,906	\$119,063

During the six months ended June 30, 2009, \$14,630 was charged to cost of sales (nil – 2008)

9. BANK INDEBTNESS

Bank indebtedness as at June 30, 2009 and December 31, 2008 consists of the following:

	2009	2008
Operating line of credit	\$ —	\$ 296,391

The Company has an operating line of credit in the amount of \$320,000.

The operating line of credit is secured by a general security agreement, representing a first and fixed floating charge over the assets and undertakings of the Company, assignment of adequate public liability and fire insurance acknowledging the Credit Union Syndicate as first loss payees, a personal guarantee by two of the shareholders in the amount of \$200,000. Interest is charged on a monthly basis at a rate of prime plus 1.5% per annum.

10. NOTES PAYABLE

As at June 30, 2009 and December 31, 2008

	2009	2008
Secured loan from Private lender - 2% per month interest, secured by Scientific Research and Experimental Development and the Ontario Innovation Tax Credit refunds. Due at the time the refunds are received. Secured by the assignment of the tax refunds and second secured general assignment of all assets.	\$90,031	\$ —
Unsecured Insurance premium loan - 7.961% per annual interest, payable in monthly blended installments of \$2,272, maturing March 6, 2010	17,645	—
Supplier loan for tooling - non-interest bearing, payable when certain parts are shipped. All amounts are to be repaid no later than March 31, 2010. Denominated in USD. Balance outstanding in USD is USD \$33,074.	38,465	—
Extended payments on debt with a law firm - non-interest bearing, 12 monthly payments on principal equal \$15,513 commencing August 27, 2009 maturing July 29, 2010.	186,152	—

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

10. NOTES PAYABLE - continued

Settlement on a debt with a consultant - non-interest bearing, with an initial principal payment of \$31,500 due July 15, 2009, with the remaining principal repayments of \$10,500 due August 15, 2009 to December 15, 2009.

94,500	—
<u>\$426,793</u>	<u>\$ —</u>

11. LONG-TERM DEBT

The long-term debt as at June 30, 2009 and December 31, 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Penn Financial Credit Union - Prime plus 2% payable in blended monthly installments of \$3,844, due to June 30, 2010	\$51,318	\$72,633
Penn Financial Credit Union - 9% interest, payable in blended monthly installments of \$1,038, maturing March 29, 2012	31,575	36,262
Shareholder loan - non-interest bearing, with no specific terms of repayment. By agreement the shareholder has agreed not to call the loan for a period of one year.	765	765
	<u>83,658</u>	<u>109,660</u>
Less principal due within one year	<u>(61,339)</u>	<u>(52,793)</u>
	<u>\$22,319</u>	<u>\$56,867</u>

The PenFinancial loans are secured by a registered general security agreement, representing a first fixed and floating charge over the assets and undertakings of the Company. There is also a personal guarantee for \$200,000 executed by two shareholders and officers of the Company.

12. OBLIGATIONS UNDER CAPITAL LEASES

Obligations under capital leases as at June 30, 2009 and December 31, 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Software lease - 12% nominal interest rate, payable in blended monthly installments of \$383, maturing October 1, 2010	\$4,987	\$6,918
Manual stacker lease - 12% nominal interest rate, payable in blended monthly installments of \$115, maturing December 31, 2011	3,220	3,620
Computer hardware lease - 12% nominal interest rate, payable in blended monthly installments of \$568, maturing January 6, 2012	7,584	0
	<u>15,791</u>	<u>10,538</u>
Less principal due within one year	<u>(7,485)</u>	<u>(4,972)</u>
	<u>\$8,306</u>	<u>\$5,566</u>

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

13. FUTURE INCOME TAXES

Future income taxes relate primarily to claiming capital cost allowance for income tax purposes in excess of depreciation charged in the financial statements.

14. RESEARCH AND DEVELOPMENT TAX CREDITS

The Scientific Research and Experimental Development refundable tax credits are based on the Company having incurred expenses which in management's opinion qualify as research and development costs under the Income Tax Act of Canada. These expenses are subject to review and approval by the Canada Revenue Agency and accordingly, the actual credits received may differ from the recorded amounts. Any such adjustments will be made in the year in which the refunds are received or applied against future income taxes due.

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

15. SHARE CAPITAL

Shares

Authorized

Unlimited number of common shares

Issued and outstanding

23,403,150 common shares

The common share transactions over the period are as follows:

	Number of shares	Amount
Balance December 31, 2007	100	100
Stock split 3,666,656.67 common shares for 1 common share	36,666,567	—
Issuance of common shares for cash	1,000,000	150,000
Balance December 31, 2008	37,666,667	\$150,100
Common Shares of 3542114 Canada Inc. redeemed for exchange for common shares of Podium Capital Corporation	(37,666,667)	—
Common shares of Podium Capital Corporation issued for common shares of 3542114 Canada Inc.	16,204,483	—
Effectively issued in the Qualifying Transaction	6,648,667	678,408
Issuance of common shares for cash	550,000	165,000
	<u>23,403,150</u>	<u>\$993,508</u>

[a] Common stock

On May 20, 2009 Podium and the Company completed a Qualifying Transaction as defined in and pursuant to the policies of the TSX Venture Exchange. As a result of the Qualifying Transaction, CRS is now a direct, wholly-owned subsidiary of Podium. The Qualifying

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – June 30, 2009

[a] Common stock - continued

Transaction was treated as an issuance of common shares by the continuing corporation, CRS Electronics Inc.

The shareholders' equity accounts as at May 19, 2009 of Podium represented the gross proceeds of the issuance of common shares. The net proceeds from the Qualifying Transaction are:

Podium Shareholder equity accounts:	
Podium Common shares	\$1,190,518
Podium contributed surplus	361,609
Podium retained earnings	(432,162)
	<u>1,119,965</u>
Closing costs incurred by Podium	(268,620)
Net proceeds received from Podium	851,345
Closing costs incurred by CRS	(172,937)
Net proceeds of the Qualifying Transaction	<u>\$678,408</u>

Net assets acquired from Podium:	
Cash	\$1,021,256
Goods and Services Tax recoverable	25,892
Accounts payable	(195,803)
Net assets acquired from Podium	<u>\$851,345</u>

Ten percent, or, 1,620,448 of the common shares issued to the shareholders of CRS are subject to an escrow agreement will be either (i) released, in whole or in part, to the CRS Shareholders prior to August 19, 2009 or a mutually agreed to date, or (ii) returned to Podium for cancellation in the event that the Escrow Conditions are not satisfied. The most significant Escrow Condition is an adjustment in the shares to be released from escrow based on the reduction, if any, in the net working capital of CRS from December 31, 2008 to May 19, 2009.

Subsequent to the end of the quarter, the working capital adjustment was completed and 317,056 common shares of the 1,620,448 common shares subject to the escrow agreement were surrendered to the Company for cancellation. The remaining 1,303,392 were released to the shareholders of CRS.

Issuance of common shares for cash:

In conjunction, and, conditional on closing the Qualifying Transaction, by way of a private placement, the Company issued 550,000 common shares at \$0.30 per share for total gross proceeds equal to \$165,000. A director of the Company subscribed for 50,000 common shares. The common shares are restricted from trading until September 19, 2009.

PODIUM CAPITAL CORPORATION – Notes to the Financial Statements – May 31, 2009

[b] Stock options

Employee Stock Option Plan

In 2008, CRS established a stock option plan whereby directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. As a condition of the Qualifying Transaction, the CRS stock option plan was terminated. CRS employees who held stock options under the CRS Stock Option Plan were issued 880,070 stock options in the Podium Stock Option Plan. Two of the employees of CRS became officers and insiders of Podium. Included in the stock options issued to the CRS employees were 228,532 stock options issued to each of the two officers. All stock options issued to the CRS employees were vested on closing the Qualifying Transaction. The stock options issued are exercisable at a price of \$0.30 per share until November 14, 2013. The fair value of the 880,070 CRS employee options was calculated to be \$163,870 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 81%, risk-free interest rate of 2.17% and an expected life of 5 years.

Immediately after the closing of the Qualifying Transaction, stock options to purchase a total of 80,000 common shares of the Company were granted to a new director of the Company and to an arm's length corporation which has been engaged to provide financial consulting services to the Company. Such stock options vest four months from the date of the grant and are exercisable at a price of \$0.30 per share for 5 years from the date of grant. The fair value of the 80,000 options was calculated to be \$14,400 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 81%, risk-free interest rate of 2.17% and an expected life of 5 years.

Immediately prior to the Qualifying Transaction the following stock options under the Podium Stock Option Plan were outstanding:

	Number	Exercise Price	Expiry Date
Retiring directors and officers of Podium	443,244	\$0.30	May 19, 2010
Continuing directors and officers of Podium	221,622	\$0.30	March 27, 2013
Charitable options	66,486	\$0.30	March 27, 2018
	<u>731,352</u>		

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A summary of the Company's stock option activity during the year is as follows:

	2009		2008	
	Number of options	Weighted-average Exercise Price	Number of options	Weighted-average Exercise Price
Options:				
Outstanding, beginning of year	1,450,533	\$0.30	—	—
Cancellation of CRS employee options	(1,450,533)	\$0.30		
Replacement options to CRS employees	880,070	\$0.30		
Podium stock options	664,866	\$0.30		
Granted	80,000	\$0.30	1,450,533	\$0.30
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding, June 30, 2009	1,624,936	\$0.30	1,450,533	\$0.30

Under the Podium Stock Option Plan the total number of stock options that may be outstanding at any time is equal to 10% of the common shares outstanding. The remaining number of options available to be granted under the plan is 715,379.

The following table summarizes information about options outstanding as at June 30, 2009:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
\$0.30	1,691,422	2.8 years	\$0.30

These options vested immediately on the grant date and, accordingly, the amount has been expensed as stock-based compensation.

The Black-Scholes option pricing model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. Given the nature of the Company and the relatively small but varying stock trading, which impacts the assumptions required to be used in the model, there can be significant variation in the estimate of the fair value of the options.

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Agent's options and charitable options

On April 1, 2008, Podium completed an Initial Public Offering. The brokerage firm who acted as agent for Podium was granted 333,333 options to purchase shares of Podium at an exercise price of \$0.30 with an expiry date of April 2, 2010.

On March 27, 2008, charitable options to purchase 66,486 common shares were granted to an eligible charitable organization. These options are exercisable at \$0.30 per share with an expiry date as of March 27, 2018.

16. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income. The Company has incurred debt financing and therefore net earnings generated from operations are generally not available for reinvestment in the Company or distribution of the Company's shareholders. In order to finance future capital expenditures and working capital required to sustain a growth in operations, the Company recognizes the need to increase its capital base through the issuance of common shares or other equity based financial instruments.

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. In the future, the Board of Directors will review on a quarterly basis the level of dividends paid to the Company's shareholders and monitors all other capital management activities. The Company does have plans to pay dividends within the next year.

The Company is not subject to externally imposed capital requirements, but, the Company has margin requirements on its operating lines that may require increases in capital.

17. ECONOMIC DEPENDENCE

The Company has one customer that accounted for 37.6% of sales during the period (39.0% - year ended December 31, 2008).

18. FINANCIAL INSTRUMENTS

[a] Fair value

The carrying values of cash, accounts receivable, due to shareholder, accounts payable and accrued liabilities are considered to be representative of their respective fair values due to their short-term period to maturity. The fair value of bank indebtedness and long-term debt approximates carrying value as the instruments bear interest at a rate that fluctuates with market.

[b] Credit risk

The Company is exposed to credit risk in the event of non-performance by one customer that represents 53% of accounts receivable at period end (48% December 31, 2008). The company has purchased insurance from the Export Development Corporation to compensate for this risk in addition to monitoring the status of accounts on a regular basis.

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[c] Interest rate risk

The Company is exposed to interest rate risk related to its short term credit facilities and to a portion of its long-term debt since the interest rate charged on these facilities fluctuates with the general level of interest rates.

[d] Foreign currency risk

The Company is exposed to currency risk as the Company has purchases and sales which are transacted in U.S. currency and therefore is exposed to exchange rate fluctuations. At June 30, 2009 and December 31, 2008 the following accounts were denominated in U.S. dollars:

	2009	2008
Cash	\$37,947	\$8,320
Trade accounts receivable	\$241,933	\$146,028
Trade accounts payable	(\$160,362)	(\$214,018)
Short-term notes payable	(\$33,074)	—

It is management's opinion that the Company is not exposed to significant interest rate risk arising from its financial instruments.

19. COMMITMENTS

- a) The Company leases its premises under a lease agreement which expires November 30, 2009 and requires monthly payments of \$3,600.
- b) The company leases a photocopier requiring quarterly payments of \$2,009 until June 2011.

20. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Some amounts reported for the period ended June 30, 2008 have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.