



Solium
CAPITAL

2010 Second Quarter Report
Leading the Evolution of Global Stock Plan Management



Management's Discussion and Analysis

For the Quarter Ended June 30, 2010

Special Note Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") dated as of August 15, 2010 for Solium Capital Inc. ("Solium" or the "Company") should be read in conjunction with the unaudited Consolidated Financial Statements and the accompanying notes for the quarter ended June 30, 2010, the audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2009, and the MD&A included in the Company's 2009 Annual Report. The Financial Statements and comparative information have been prepared in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company is available on SEDAR at www.sedar.com under Solium Capital Inc.

All dollar amounts discussed in the MD&A are in Canadian dollars unless otherwise specified.

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this MD&A include but are not limited to expectations regarding future revenues, earnings, capital expenditures, and operating and other costs; business strategy and objectives; market trends; acquisition and disposition plans; the sufficiency of cash and working capital for future operations; and the timing and the completion of various development projects.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, the Company's transition to new products and releases; the number of customer transactions; the length of the sales cycles; the competitive environment; the ability to maintain or accurately forecast revenue from the Company's products or services; the ability of the Company to identify, hire, train, motivate and retain

qualified personnel; currency fluctuations; the ability of the Company to develop, introduce and implement new products as well as enhancements or improvements for existing products that respond, in a timely fashion, to customer/product requirements and rapid technological change; risks associated with operations; the impact of any changes in the laws and regulations in the jurisdictions in which the Company operates; and the effect of new accounting pronouncements or guidance.

Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct. The forward-looking statements and information are based on Solium's current expectations, estimates and projections, and are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, among others, general business and economic conditions; the overall performance of stock market(s); actions of competitors and partners; the regulatory environment; the corporate governance environment and regulatory reporting requirements for Solium's clients; product capability and acceptance; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; and the Company's ability to access external sources of financing if required. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in the Risk Assessment section of this MD&A. The foregoing is not exhaustive and other risks are detailed from time to time in other continuous disclosure filings of the Company. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. These forward-looking statements and future-oriented financial information contained herein are made as of the date of this MD&A. The Company uses future-oriented financial information for budgeting and planning purposes and the information may not be appropriate for other purposes.



Proposed Transaction

On August 15, 2010, the Company signed an agreement to acquire the North American employee stock option and Transcendive businesses of Computershare Ltd. ("Computershare"). This business consists of the record keeping and administration of employee stock option programs for corporate clients and their employees.

Solium will be acquiring substantially all of Computershare's property, assets and client contracts associated with this business, and will also enter into a transition services agreement under which Computershare will provide certain services and intellectual property for up to five years. At the end of this period, Solium will own all of the intellectual property associated with Computershare's product offerings in this business.

The consideration for the acquisition of the business is U.S.\$11,662,500, payable by the issuance of 7,775,000 common shares of Solium at a price of \$1.50 per share, and additional potential cash consideration of U.S.\$3 million contingent on the revenue generated by Solium from the acquired business in the third year after the acquisition. Under the transition services agreement, Solium will pay Computershare U.S.\$22 million over five years.

Based on the financial records of Computershare for the 12 month period ended June 30, 2010, the business generated annual revenues of approximately U.S.\$20 million and operating income of approximately U.S.\$2 million.

The transaction is expected to close in the fourth quarter of 2010. The completion of the transaction is subject to customary closing conditions, including obtaining the approval of the Toronto Stock Exchange and required regulatory approval.

Overall Performance

The first six months of 2010 was characterized by a moderate recovery of participant share trading and associated transaction activity as the share prices of many clients gained strength over the prior year. Along with the increase in transaction volumes, transaction based revenues increased during the quarter. The increase in participant share trading activity was the largest contributor to the increase in revenue and earnings for the second quarter and six months ended June 30, 2010 as compared to the same periods from 2009.

Results during the second quarter and the six months ended June 30, 2010 were as follows:

- » **Revenue:** Revenue grew by 16% to \$5.6 million in the second quarter of 2010 (2009 - \$4.8 million), and by 19% to \$11.5 million in the six months ended June 30, 2010 (2009 - \$9.7 million).
- » **Expenses:** Expenses grew by 14% to \$4.9 million in the second quarter of 2010 (2009 - \$4.2 million), and by 14% to \$9.5 million in the six months ended June 30, 2010 (2009 - \$8.3 million).
- » **EBITDA:** EBITDA increased by 22% to \$881,637 in the second quarter of 2010 (2009 - \$723,477), and increased by 26% to \$2.3 million in the six months ended June 30, 2010 (2009 - \$1.8 million).
- » **Net Earnings:** Net earnings increased by 46% to \$356,060 in the second quarter of 2010 (2009 - \$244,067), and increased by 54% to \$1.2 million in the six months ended June 30, 2010 (2009 - \$791,645).
- » **Earnings per Share:** Earnings per share increased by 38% to \$0.011 in the second quarter of 2010 (2009 - \$0.008), and by 56% to \$0.039 in the six months ended June 30, 2010 (2009 - \$0.025).

Results by geographic segment during the second quarter and the six months ended June 30, 2010 were as follows:

- » **Canadian Revenue:** Canadian revenue grew by 22% to \$4.2 million in the second quarter of 2010 (2009 - \$3.4 million), and by 22% to \$8.5 million in the six months ended June 30, 2010 (2009 - \$6.9 million).
- » **US Revenue:** U.S. revenue grew by 2% to \$1.3 million in the second quarter of 2010 (2009 - \$1.3 million), and by 10% to \$3.0 million in the six months ended June 30, 2010 (2009 - \$2.7 million).
- » **Canadian Net Earnings:** Net earnings in Canada increased by 93% to \$883,276 in the second quarter of 2010 (2009 - \$457,373), and by 47% to \$1.7 million in the six months ended June 30, 2010 (2009 - \$1.1 million).
- » **US Net Loss:** The net loss in the U.S. increased by 147% to \$527,666 in the second quarter of 2010 (2009 - \$213,306), and by 32% to \$466,887 in the six months ended June 30, 2010 (2009 - \$353,544).

Results from Operations

Revenue

Revenue in the second quarter of 2010 was \$5,589,877 (2009 - \$4,801,386), and \$11,464,412 in the six months ended June 30, 2010 (2009 - \$9,674,170). This represents an increase of \$788,491 over the results from the second quarter of 2009 and \$1,790,242 over the results from the six months ended June 30, 2009.

Revenue from Canadian operations was \$4,241,638 in the second quarter of 2010 (2009 - \$3,475,752) and \$8,471,218 in the six months ended June 30, 2010 (2009 - \$6,945,206), while revenue from US operations was \$1,348,239 in the second quarter of 2010 (2009 - \$1,325,634) and \$2,993,194 in the six month period ended June 30, 2010 (2009 - \$2,728,964).

Revenue in the second quarter and first half of 2010 increased over the comparable periods in 2009 mainly due to an increase in participant share trading and related transactions activity. Share trading activity in Canada relative to the number of direct sales participants in the second quarter of 2010 was 79% of the annual average for the previous 5 years (2009 - 54%), and in the six months ended June 30, 2010 was 82% of the annual average for the previous 5 years (2009 - 48%).

The Company continues to experience organic growth with the addition of clients net of client attrition. Client attrition, due to client reorganizations and bankruptcies, has decreased significantly compared to the attrition experienced during the first six months of 2009.

Expenses

Total expenses in the second quarter of 2010 were \$4,851,287 (2009 - \$4,261,360) and \$9,460,784 in the six month period ended June 30, 2010 (2009 - \$8,280,494).

Expenses incurred in the U.S. operations were \$1,888,942 in the second quarter of 2010 (2009 - \$1,565,142) and \$3,486,198 in the six month period ended June 30, 2010 (2009 - \$3,134,912).

Salaries and Wages

Salaries and wages expense was \$3,420,195 in the second quarter of 2010 (2009 - \$2,812,817) and \$6,828,766 for the six months ended June 30, 2010 (2009 - \$5,714,741). The increase to salaries and wages was primarily due to an increase in the number of employees.

General and Administrative

General and administrative expenses totaled \$1,348,587 in the second quarter of 2010 (2009 - \$1,125,531) and \$2,355,016 for the six months ended June 30, 2010 (2009 - \$2,113,347). The increase in general and administrative expense is mainly due to increased third party charges relating to the Company's money movement and foreign currency system, and to costs associated with the Company's planned relocation of its U.S. head office to Phoenix, Arizona.

Amortization

Amortization expense was \$141,548 in the second quarter of 2010 (2009 - \$169,097) and \$274,095 in the six month period ended June 30, 2010 (2009 - \$384,085). The decrease between the comparable periods is due to reaching the end of the useful lives of certain assets for accounting purposes.

Interest on Long-term Debt

The Company obtained a \$3,000,000 term loan in 2007 in connection with the acquisition of Solium LLC. The final principal payment of \$97,223 was made following the second quarter on July 19, 2010. \$1,499 of interest expense was incurred on this term loan during the second quarter of 2010 (2009 - \$14,354) and \$6,852 during the six month period ended June 30, 2010 (2009 - \$34,001). The average rate of interest for the six months ended June 30, 2010 was 3.30% per annum (2009 - 3.69%).

Foreign Exchange Gain

A foreign exchange gain of \$60,542 was recorded during the second quarter of 2010 (2009 - loss \$139,561) and a gain of \$3,945 for the six months ended June 30, 2010 (2009 - loss \$34,320). The foreign exchange gain during the second quarter of 2010 reflects the strengthening of the U.S. dollar against the Canadian dollar during the period. The majority of the foreign exchange gain that the Company experienced was unrealized as it largely resulted from the U.S. dollar denominated net monetary assets being translated to Canadian dollars for presentation in the Company's consolidated balance sheet as at June 30, 2010.

Income Taxes

\$382,530 of income tax expense was recorded in the second quarter of 2010 (2009 - \$295,959) and \$783,896 for the six months ended June 30, 2010 (2009 - \$602,031).

Financial Condition, Liquidity and Capital Resources

Cash and Working Capital

Cash on hand as at June 30, 2010 was \$4,479,121 (December 31, 2009 - \$5,871,245). Working capital as at June 30, 2010 was \$5,568,514 (December 31, 2009 - \$4,461,132).

Cash Flows

Overall, the Company's cash position increased by \$695,801 during the second quarter of 2010 (2009 – increased by \$1,000,045) and decreased by \$1,392,124 during the six months ended June 30, 2010 (2009 – increased by \$1,263,460).

Cash generated from operations was \$661,529 during the quarter ended June 30, 2010 (2009 - \$577,133) and \$1,818,273 during the six months ended June 30, 2010 (2009 - \$1,365,240). Working capital generated from operating activities totaled \$742,356 in the quarter ended June 30, 2010 (2009 - \$718,567) and negative \$2,165,216 in the six months ended June 30, 2010 (2009 – positive \$311,819). 2009 performance bonuses for staff and the balance of 2009 income taxes, previously accrued for items, were paid in the first quarter of 2010 contributing to a usage of cash in the six-month period ended June 30, 2010.

Cash used in financing activities was \$273,651 in the second quarter of 2010 (2009 – \$270,129) and \$578,082 for the six months ended June 30, 2010 (2009 – \$353,548), mainly as a result of the repayment of debt of \$291,669 during the second quarter and \$583,338 during the six months ended June 30, 2010.

Cash used in investing activities was \$405,201 in the second quarter of 2010 (2009 - \$78,286) and \$459,501 for the six months ended June 30, 2010 (2009 - \$106,998) as a result of the purchase of capital assets.

Liquidity

The Company believes it will generate enough cash and working capital from operations to fund ongoing operations and growth strategies.

Contractual Obligations

	Payments Due by Fiscal Period			
	Total	2010	2011	2012
Operating leases	456,614	146,021	226,031	84,562
Long-term debt obligations ¹	97,195	97,195	-	-
Total Contractual Obligations	553,809	243,216	226,031	84,562

Notes:

1. The final payment of long-term debt of \$97,195 is due on July 19, 2010.

Capital Expenditures

Capital expenditures of \$221,495 in the second quarter of 2010 (2009 - \$87,295) and \$512,177 in the six month period ended June 30, 2010 (2009 - \$138,050) were comprised of computer hardware, computer software, and office furniture. It is expected that ongoing capital expenditures will be financed from funds generated by operating activities.

Capital Resources

The Company has a demand operating credit facility of \$1,500,000 available through a Canadian bank. To date, no amounts have been drawn on this credit facility. The Company is currently in compliance with the financial covenants associated with this credit facility. Current economic conditions have not caused a change in the company's objectives, policies or procedures for managing capital.

Share Capital

During the period June 21, 2009 to June 21, 2010, the Company repurchased its shares in the open market under a Normal Course Issuer Bid ("NCIB") program. Approval was received from the Toronto Stock Exchange to purchase, for cancellation, up to 502,000 common shares representing 1.6% of the issued and outstanding common shares at the time of approval. Any purchases undertaken were made through the Toronto Stock Exchange at the market price of such shares at the time of acquisition. 61,300 common shares were purchased during the six months ended June 30, 2010 at a cost of \$73,494. A cumulative total of 179,700 common shares were purchased under the NCIB at a total cost of \$213,924.

Summary of Quarterly Results

The following table summarizes the quarterly results for the eight most recently completed quarters.

	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	\$5,589,877	\$5,874,535	\$5,061,457	\$4,955,850	\$4,801,386	\$4,872,785	\$4,371,511	\$4,162,775
Expenses	\$4,851,287	\$4,609,497	\$4,283,572	\$4,052,400	\$4,261,360	\$4,019,134	\$3,917,753	\$3,972,313
EBITDA ²	\$881,637	\$1,402,940	\$893,228	\$1,078,928	\$723,477	\$1,088,287	\$672,877	\$434,839
Earnings from operations	\$679,547	\$1,326,988	\$814,892	\$1,043,428	\$693,941	\$768,056	\$296,533	\$155,467
Earnings before taxes	\$738,590	\$1,265,038	\$777,885	\$903,450	\$540,026	\$853,651	\$453,758	\$190,462
Net earnings	\$356,060	\$863,672	\$387,058	\$544,271	\$244,067	\$547,578	\$358,173	\$47,595
Per share								
- basic	\$0.011	\$0.028	\$0.012	\$0.018	\$0.008	\$0.018	\$0.012	\$0.002
- diluted	\$0.011	\$0.028	\$0.012	\$0.018	\$0.008	\$0.017	\$0.012	\$0.002

Notes:

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP financial measure which does not have any standardized meaning prescribed by Canadian GAAP (generally accepted accounting principles) and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses such as interest, tax, depreciation and amortization. Management uses EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors EBITDA against budget and past results on a regular basis. The measure is a key component in determining the annual bonus pool for staff and management:

The following is a reconciliation of EBITDA to net earnings:

	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
EBITDA	881,637	1,402,940	893,228	1,078,928	723,477	1,088,287	672,877	434,839
Interest expense	(1,499)	(5,354)	(8,324)	(11,339)	(14,354)	(19,648)	(29,938)	(36,462)
Amortization	(141,548)	(132,548)	(107,019)	(164,139)	(169,097)	(214,988)	(189,181)	(207,915)
Income tax expense	(382,530)	(401,366)	(390,827)	(359,179)	(295,959)	(306,073)	(95,585)	(142,867)
Net earnings	356,060	863,672	387,058	544,271	244,067	547,578	358,173	47,595

Factors Affecting Quarterly Results

Seasonality

Fees collected from clients in the form of annual access fees are recurring in nature and are not affected by seasonal factors. However, transaction fees collected from participants upon the exercising of stock based incentive plans or upon the withdrawal of assets from share purchase plans have displayed a seasonal trend. The Company typically experiences increased transaction revenue during the first quarter of the year in line with the seasonal nature of participant transaction activity.

Market Volatility

Transaction administration fees collected from participants upon the exercising of stock based incentive plans or upon the withdrawal of assets from share purchase plans are variable in nature. The magnitude of transaction administration fees earned in a period is dependent upon such factors as the overall condition of the stock market, the trading price of the shares of a client, the specific vesting terms within a client's plan and other rules stipulated within a client's plan.

Capital market conditions were depressed during the last half of 2008 and did not fully recover relative to strike prices in 2009. During the first six months of 2010, the share prices of Solium's clients showed some recovery relative to the strike prices of their stock compensation awards.

Brokerage Access and Administration Fees, and Money Movement and Foreign Currency Spread Revenue

The Company has agreements in place with its brokerage partners in Canada and the U.S. (the "Brokers") whereby the Brokers pay to Solium administration fees related to their access to Shareworks. The brokerage access and administration fees from the Brokers vary in line with transactional trade activity.

Throughout 2009, the Company implemented a new solution for delivering transaction proceeds to plan participants. This solution transitioned the provision of money movement and foreign exchange services away from the Company's brokerage partners. Roll out of the money movement solution was largely completed in the U.S. by the end of 2008. Canadian clients started transitioning to the new solution beginning in the first quarter of 2009, and were largely completed by the end of 2009.

Transactions with Related Parties

Up until the Company's Annual General Meeting ("AGM") held on May 18, 2010, certain legal services were provided by a firm in which a Director of the Company is a partner. Following the AGM, the Director had rotated off the Board of Directors and as such was no longer considered a related party. Up to the date of the AGM, the Company utilized legal services for general corporate matters totaling \$24,389 in the second quarter of 2010 (2009 - \$44,074) and \$75,386 in the six months ended June 30, 2010 (2009 - \$79,980).

Critical Accounting Estimates

The Company's significant accounting policies are detailed in Note 2 of the December 31, 2009 audited consolidated financial statements and are also described in the MD&A of the Company for the year ended December 31, 2009.

Changes in Accounting Policies Including Initial Adoption

No changes in accounting policies occurred during the six months ended June 30, 2010.

Future Accounting Pronouncements

Financial Instruments - Recognition and Measurement

In June, 2009, the Accounting Standards Board of Canada ("AcSB") released Embedded Derivatives on Reclassification of Financial Assets, for amendments to Section 3855, Financial Instruments – Recognition and Measurement. The amendment indicates that contracts with embedded derivatives cannot be reclassified out of the held for trading category if the embedded derivative cannot be fair valued. This standard will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Business Combinations

In January 2009, CICA Handbook Section 1582 – Business Combinations was issued replacing the former Section 1581 – Business Combinations. This section establishes standards for the accounting for a business combination under the acquisition method. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – Business Combinations. This new section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company will adopt the new standards for any acquisitions occurring in the fiscal year beginning January 1, 2011.

Consolidated Financial Statements

In January 2009, CICA Handbook Section 1601 – Consolidated Financial Statements was issued which, together with new Section 1602 – Non-controlling Interests, replaces the former Section 1600 – Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and Separate Financial Statements. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not anticipate that these sections will have a material impact on its consolidated financial statements.

Convergence of Canadian GAAP with International Financial Reporting Standards

The CICA's Accounting Standards Board announced in 2008 that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for fiscal years beginning on or after January 1, 2011 with appropriate comparative IFRS financial information for 2010.

The Company has identified the following four phases of its conversion plan to IFRS: diagnostic, detailed assessment, solution development, and implementation.

The diagnostic phase has been completed and involved the preliminary identification of the major accounting differences between Canadian GAAP and IFRS that is expected to affect Solium. The detailed assessment phase is currently in progress and involves a more thorough review of the accounting differences identified in the diagnostic phase to quantify the financial statement impact of the differences, evaluate the transitional options available under IFRS at the adoption date, and determine the most appropriate long-term accounting policies when there is a choice available. In addition, internal process, systems and financial reporting control changes required to affect dual reporting in 2010 and full convergence in 2011 are also being reviewed. System changes that require development or purchase will occur in the solution development phase and will progress concurrently with the detailed assessment phase.

Based on work to-date, significant accounting differences which will likely result in adjustments upon adoption of IFRS are as follows:

- » **Business Combinations:** Under IFRS 3, Business Combinations ("IFRS 3") business combinations must be accounted for by applying the acquisition method. Shares issued as consideration for a business combination transaction must be measured based on the fair value at the acquisition date. Acquisition-related costs such as finders' fees and legal fees must be expensed at the acquisition date. The acquisition date is defined as the date on which the acquirer obtains control over the acquired entity or business. Under IFRS 1, First-time Adoption of IFRS ("IFRS 1"), an entity has the option to retroactively apply IFRS 3 to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after a chosen date. The Company currently expects to apply the elective exemption for acquisitions that occurred prior to January 1, 2010.

- » **Foreign Currency Translation:** Under IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"), an entity's functional currency is the currency of the primary economic environment in which it operates. Upon transition to IFRS, it is expected that the functional currency for the Company's U.S. operations will be USD and that translation to CAD on consolidation will occur using the current method whereby all assets and liabilities are translated at the closing rate at the end of the reporting period. Under Canadian GAAP, the Company currently classifies its foreign operations as integrated foreign operations and uses the temporal method of translation whereby monetary items on the balance sheet are translated at the prevailing exchange rate at the end of the reporting period and non-monetary items are translated at the exchange rates prevailing at the transaction dates. Under IFRS 1, an entity has the option to deem the cumulative translation gains or losses at the date of transition to IFRS to be zero. The Company currently expects to apply the elective exemption upon adoption to IFRS.

- » **Share-Based Compensation:** Canadian GAAP allows entities the option of recognizing equity instruments that vest in instalments ("graded vesting") as separate arrangements or as a single pool with a fair value based on the average life of the instruments. Under IFRS 2, Share-Based Payments ("IFRS 2"), each instalment must be accounted for as a separate arrangement with its own distinct fair value measurement. Compensation cost for each vesting tranche is recognized over its own distinct vesting period. Under IFRS 1, an entity has the option to not apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before the company's date of transition to IFRS. The Company currently expects to apply the elective exemption upon adoption to IFRS on January 1, 2011.

As a result of recent staff resource constraints, the Company is currently behind in its processes to finalize its calculations for the adjustment to the opening balance sheet under IFRS, and in the calculation of comparative 2010 numbers for inclusion on the 2011 financial statements. The Company will rectify this situation during the next quarter with the addition of internal or external resources to the IFRS project

In addition to the items noted above, there is significantly more disclosure required in many areas, which is not anticipated to have a material impact upon the consolidated financial statements.

The IASB is currently undertaking several IFRS projects which will likely result in significant changes to existing IFRS standards in areas such as financial statement presentation, leases, revenue recognition, post-employment benefits, taxes, and financial instruments. The progress and recommendations of these IASB projects are being monitored closely to ensure that any potential impacts to the convergence project can be addressed.

The Company continues to assess the impact of IFRS 1 and the differences between Canadian GAAP and IFRS. The above disclosures relating to IFRS are based on management's current interpretation of requirements and may change as new information becomes available.

Financial Instruments

Exposure to counterparty credit risk, interest rate risk and foreign currency risk arises in the normal course of the Company's business. The Company currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Company's operations.

The Company has credit risk as a result of its trade accounts receivable. The Company mitigates this risk by dealing with financially sound companies and, accordingly, does not anticipate any significant credit losses.

The Company has foreign exchange risk because it is exposed to foreign currency fluctuations due to its operations in the United States.

The Company has interest rate risk because the Company is exposed to fluctuations in interest rates from its long-term debt.

Disclosure Controls

The Company has a Corporate Disclosure Policy in place to ensure that communications with the public about the Company are timely, factual and accurate; disseminated in accordance with all applicable legal and regulatory requirements; and that all material information in respect of the Company is communicated to the Chief Executive Officer and the Executive Vice President (EVP), Finance, and where appropriate, the Board of Directors and/or committees thereof. As at June 30, 2010, the Company's Chief Executive Officer and EVP, Finance have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Chief Executive Officer and EVP, Finance believe that the disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

Internal Control Over Financial Reporting

The Chief Executive Officer and EVP, Finance of Solium are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective based on the criteria established in the Internal Control – Integrated Framework. Also, management determined that there were no material weaknesses in Solium's internal control over financial reporting as of December 31, 2009.

No changes were made in the Company's internal control over financial reporting during the six months ended June 30, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company does not anticipate a material change to internal controls over financial reporting as a result of the transition to IFRS.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at the date of this MD&A, there were 31,159,433 common shares outstanding.

Employees, directors, officers and consultants have been granted options to purchase common shares under a stock option plan. As at the date of this MD&A, there were 2,063,453 options outstanding.

Employees have been granted rights to receive common shares under a share award incentive plan. As at the date of this MD&A, there were 511,792 restricted share units outstanding.

Risk Assessment

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Company. The risks that could affect the Company have been described in the MD&A of the Company for the year ended December 31, 2009. The risks identified therein do not constitute an exhaustive list of all possible risks as there may be additional risks of which management is currently unaware of. As it is difficult to predict whether any risk will happen or its related consequences, the actual effect of any risk on the business could be materially different from anticipated.

Interim Consolidated Financial Statements

For the three and six months ended
June 30, 2010

UNAUDITED

AUDITOR'S REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim consolidated financial statements for the period ended June 30, 2010 have not been reviewed by the Company's auditors, Deloitte & Touche LLP. The Company did not engage its auditors to provide a Review Engagement Report on the interim financial statements, and therefore, no such report was issued by the auditors for the period ended June 30, 2010.



Jeff English
President & Chief Executive Officer



Lynn Leong
Executive Vice President,
Finance & Administration

Consolidated Statements of Earnings, Comprehensive Income and Deficit

UNAUDITED

	Three Months Ended		Six Months Ended	
	June 30, 2010 \$	June 30, 2009 \$	June 30, 2010 \$	June 30, 2009 \$
REVENUE	5,589,877	4,801,386	11,464,412	9,674,170
OPERATING EXPENSES				
Salaries and wages	3,420,195	2,812,817	6,828,766	5,714,741
General and administrative	1,348,587	1,125,531	2,355,016	2,113,347
Amortization of capital assets	100,069	96,313	191,137	238,517
Amortization of intangible assets	41,479	72,784	82,958	145,568
	4,910,330	4,107,445	9,457,877	8,212,173
EARNINGS FROM OPERATIONS	679,547	693,941	2,006,535	1,461,997
Interest on long-term debt	1,499	14,354	6,852	34,001
Foreign exchange loss (gain)	(60,542)	139,561	(3,945)	34,320
EARNINGS BEFORE TAXES	738,590	540,026	2,003,628	1,393,676
Income taxes	382,530	295,959	783,896	602,031
NET EARNINGS AND COMPREHENSIVE INCOME	356,060	244,067	1,219,732	791,645
DEFICIT, BEGINNING OF PERIOD	(716,470)	(2,755,538)	(1,580,142)	(3,303,116)
DEFICIT, END OF PERIOD	(360,410)	(2,511,471)	(360,410)	(2,511,471)
NET EARNINGS PER SHARE				
Basic	0.011	0.008	0.039	0.025
Diluted	0.011	0.008	0.039	0.025

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

	As At	
	June 30, 2010 (unaudited) \$	December 31, 2009 (audited) \$
ASSETS		
CURRENT		
Cash	4,479,121	5,871,245
Accounts receivable	3,454,347	2,628,116
Prepaid expenses	493,168	442,424
Current portion of deferred charges	111,526	144,422
	8,538,162	9,086,207
Future income taxes	106,187	160,167
Deferred charges	72,762	103,175
Capital assets	791,246	470,207
Intangible assets	1,169,890	1,252,848
Goodwill	6,749,081	6,749,081
	17,427,328	17,821,685
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	1,724,903	3,059,021
Current portion of deferred revenue	1,018,675	848,097
Current portion of deferred tenant inducement	38,927	38,927
Current portion of long-term debt	97,143	679,030
	2,879,648	4,625,075
Deferred revenue	232,617	375,552
Deferred tenant inducement	36,985	56,447
Future income taxes	421,160	519,210
	3,570,410	5,576,284
SHAREHOLDERS' EQUITY		
Share capital	12,606,182	12,472,447
Contributed surplus	1,611,146	1,353,096
Deficit	(360,410)	(1,580,142)
	13,856,918	12,245,401
	17,427,328	17,821,685

APPROVED BY THE BOARD:


Brian Craig
 Director


Michael Broadfoot
 Director

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

UNAUDITED

	Three Months Ended		Six Months Ended	
	June 30, 2010 \$	June 30, 2009 \$	June 30, 2010 \$	June 30, 2009 \$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings	356,060	244,067	1,219,732	791,645
Adjustments for items not involving cash:				
Future income taxes	(15,639)	(15,936)	(44,071)	(42,883)
Amortization of capital assets	100,069	96,313	191,137	238,517
Amortization of intangible assets	41,479	72,784	82,958	145,568
Stock-based compensation expense	188,803	191,119	386,529	250,474
Amortization of tenant inducement	(9,732)	(13,658)	(19,463)	(23,395)
Deferred financing costs	489	2,444	1,451	5,314
	661,529	577,133	1,818,273	1,365,240
Future income taxes	-	4,302	-	21,146
Changes in non-cash working capital	742,356	718,567	(2,165,216)	311,819
	1,403,885	1,300,002	(346,943)	1,698,205
FINANCING				
Repayments of long-term debt	(291,669)	(291,669)	(583,338)	(583,338)
Issuance of common shares	60,000	22,500	78,750	230,750
Purchase of common shares in issuer bid	(41,982)	(960)	(73,494)	(960)
	(273,651)	(270,129)	(578,082)	(353,548)
INVESTING				
Purchase of capital assets	(221,495)	(87,295)	(512,177)	(138,050)
Changes in non-cash working capital	(183,706)	9,009	52,676	31,052
	(405,201)	(78,286)	(459,501)	(106,998)
Effect of foreign exchange on cash held in foreign currency	(29,232)	48,458	(7,598)	25,801
NET INCREASE (DECREASE) IN CASH	695,801	1,000,045	(1,392,124)	1,263,460
CASH, BEGINNING OF PERIOD	3,783,320	2,512,731	5,871,245	2,249,316
CASH, END OF PERIOD	4,479,121	3,512,776	4,479,121	3,512,776
Supplemental cash flow information:				
Interest paid	2,448	12,316	7,028	30,101
Income taxes paid	262,986	96,336	1,379,053	271,111

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of Solium Capital Inc. (the "Company" or "Solium") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements, and do not include all of the disclosures normally found in the annual financial statements for the Company. These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2009.

The preparation of interim financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and the accompanying notes. Actual results could differ from these estimates and the operating results for the interim period presented are not necessarily indicative of the results expected for the full year.

These interim financial statements have been prepared on a basis consistent with the audited financial statements for the year ended December 31, 2009. Certain of the prior year comparative figures have been reclassified to conform to the current period's presentation.

2. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to:

- » Maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from additional acquisitions;
- » Deploy capital to provide an appropriate investment return to its shareholders; and
- » Maintain a capital structure that allows multiple financing options to the Company should a financing need arise.

The Company defines its capital as shareholders' equity and long-term debt, including the current portion.

	June 30, 2010 \$	December 31, 2009 \$
Shareholders' equity	13,856,918	12,245,401
Long-term debt (principal payments outstanding)	97,195	680,533
Total capital	13,954,113	12,925,934

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise debt.

The Company periodically monitors its capital structure, financing requirements, and ability to service its debt obligations principally through measuring its total debt to EBITDA. Total debt is the balance of principal payments outstanding on long-term debt (including the current portion). EBITDA, a non-GAAP measure, is calculated as earnings from operations plus interest, taxes, depreciation and amortization.

The following table illustrates the debt to EBITDA ratios calculated on a trailing twelve-month basis ended June 30, 2010 compared to fiscal 2009:

	Twelve months ended	
	June 30, 2010	December 31, 2009
Net earnings from operations	2,151,061	1,722,974
Plus:		
interest	26,516	53,665
amortization	545,254	655,243
income tax expense	1,533,902	1,352,038
EBITDA	4,256,733	3,783,920
Long-term debt (including the current portion)	97,195	680,533
EBITDA	4,256,733	3,783,920
Total Debt to EBITDA	0.02	0.18

The Company is subject to certain financial covenants relating to the generation of cash flow in respect of its credit facility. These covenants are monitored on a quarterly basis. The Company is in compliance with all such covenants.

3. FINANCIAL INSTRUMENTS

Fair value estimates:

	June 30, 2010			December 31, 2009		
	Level 1 \$	Level 2 \$	Level 3 \$	Level 1 \$	Level 2 \$	Level 3 \$
	Cash equivalents	4,479,121			5,871,245	
Accounts receivable	3,454,347			2,628,116		
Accounts payable and accrued liabilities	1,724,903			3,059,021		
Long-term debt	97,143			679,030		

The three levels of the fair value hierarchy are described as follows:

- Level 1:** Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2:** Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3:** Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates cannot be determined with precision as they are subjective in nature and involve uncertainties and matters of judgment.

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Exposure to credit risk, interest rate risk, foreign currency risk and liquidity risk arises in the normal course of the Company's business. The Company currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Company's operations.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company has credit risk as a result of its accounts receivable. Total accounts receivable (net of allowances) held by the Company at June 30, 2010 amounted to \$3,454,347. The Company has not experienced significant credit losses in the past. In the three and six months ended June 30, 2010, the Company recorded \$19,509 and \$36,061 in bad debt expense, respectively.

Accounts receivable consist of a large number of customers, spread across diverse industries. The Company does not have significant credit risk exposure to any single counterparty.

Interest Rate Risk

The Company is exposed to interest rate risk because the cash flows associated with its floating rate long-term debt will fluctuate with changes in Canadian interest rates.

Increases of 0.5% in annual Canadian interest rates would have had an adverse effect on earnings before taxes of approximately \$121 for the three months and approximately \$243 for the six months ended June 30, 2010. This calculation is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole period.

Foreign Currency Risk

The Company operates in Canada and the United States. The functional currency of the parent company is Canadian dollars (CAD) and the reporting currency is CAD. Foreign exchange risk arises because the amount receivable on revenue or payable on expenditures that are denominated in U.S. dollars (USD) may vary when converted to Canadian dollars (CAD) due to changes in exchange rates arising from timing differences between when the revenue or expense occurs and when actual payment is received or made ("transaction exposures") and because the USD denominated monetary net assets of the Company's U.S. subsidiaries may vary on consolidation and revaluation into CAD ("translation exposure").

The carrying amounts of the Company's USD denominated monetary assets and monetary liabilities at June 30, 2010 are as follows:

	June 30, 2010 USD	December 31, 2009 USD
Monetary assets	1,478,445	1,248,956
Monetary liabilities	339,294	360,241
Net monetary assets exposed to foreign currency risk	1,139,151	888,715

Based on the balance of net monetary assets as at June 30, 2010, an increase of 1% in the exchange rate of USD to CAD would, everything else being equal, have had a positive effect on earnings before taxes for the three and six months ended June 30, 2010 of approximately \$2,848 and \$5,696, respectively.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its obligations as they come due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents balances and/or through the availability of funding from committed credit facilities. As at June 30, 2010, the Company had cash of \$4,479,121 on hand and a \$1.5 million credit facility available to be drawn against.

The following are the contractual maturities of financial liabilities as at June 30, 2010:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	After 12 months
Accounts payable and accrued liabilities	1,724,903	1,724,903	1,724,903	-	-
Long-term debt	97,143	97,195	97,195	-	-
Total	1,822,046	1,822,098	1,822,098	-	-

Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.



5. SEGMENTED INFORMATION

The following is a breakdown of financial information by geographic segment:

	Three months ended		Six months ended	
	June 30, 2010 \$	June 30, 2009 \$	June 30, 2010 \$	June 30, 2009 \$
Revenue				
Canada	4,241,638	3,475,752	8,471,218	6,945,206
United States	1,348,239	1,325,634	2,993,194	2,728,964
	5,589,877	4,801,386	11,464,412	9,674,170
Earnings from Operations				
Canada	1,218,750	919,095	2,444,686	1,833,944
United States	(539,203)	(225,154)	(483,151)	(371,947)
	679,547	693,941	2,006,535	1,461,997
Capital expenditures				
Canada	214,401	86,047	494,698	133,875
United States	7,094	1,248	17,479	4,175
	221,495	87,295	512,177	138,050
Depreciation and amortization				
Canada	85,878	56,700	162,949	159,459
United States	55,670	112,397	111,146	224,626
	141,548	169,097	274,095	384,085

	As At	
	June 30, 2010 \$	December 31, 2009 \$
Total assets		
Canada	7,735,269	8,198,119
United States	9,692,059	9,623,566
	17,427,328	17,821,685

6. SUBSEQUENT EVENT

On August 15, 2010, the Company signed an agreement to acquire the North American employee stock option and Transcitive businesses of Computershare Ltd. ("Computershare"). This business consists of the record keeping and administration of employee stock option programs for corporate clients and their employees.

Solium will be acquiring substantially all of Computershare's property, assets and client contracts associated with this business, and will also enter into a transition services agreement under which Computershare will provide certain services and intellectual property for up to five years. At the end of this period, Solium will own all of the intellectual property associated with Computershare's product offerings in this business.

The consideration for the acquisition of the business is U.S.\$11,662,500, payable by the issuance of 7,775,000 common shares of Solium at a price of \$1.50 per share, and additional potential cash consideration of U.S.\$3 million contingent on the revenue generated by Solium from the acquired business in the third year after the acquisition. Under the transition services agreement, Solium will pay Computershare U.S.\$22 million over five years.

The transaction is expected to close in the fourth quarter of 2010. The completion of the transaction is subject to customary closing conditions, including obtaining the approval of the Toronto Stock Exchange and required regulatory approval.

Corporate Information

Executive Officers

Rudolph Bester

Executive Vice President, Global Sales

Mike Broadfoot

Managing Director

Brian Craig

Managing Director

June Davenport

Executive Vice President, Business Integration

Jeff English

President and Chief Executive Officer and Managing Director

Jeannie Kezama

Executive Vice President, Service Operations

Lynn Leong

Executive Vice President, Finance and Administration

Marcos Lopez

Managing Director

Solium Capital LLC

Vincent Alessi

Vice President

Stephanie Ceglia

Vice President, Strategic Integration - U.S.

Pam Ellis

Vice President and General Manager

StockVantage Inc.

Kobe Davis

Vice President, Development

Chris Groot

Vice President, Sales and Marketing

Directors

Michael Broadfoot

Managing Director, Solium Capital Inc.

Brian Craig

Managing Director, Solium Capital Inc.

Michael Deleray

Partner, Bendigo Partners, LLC.

Jeff English

President and CEO and Managing Director, Solium Capital Inc.

Marcos Lopez

Managing Director, Solium Capital Inc.

Margot Micallef

President, Oliver Capital Partners Inc.

Colleen Moorehead

Entrepreneur in Residence at Signal Hill Equity Partners

Tom Muir

Co-Managing Director of Muir Dettlefsen & Associates Limited

Investor Information

Transfer Agent

Valiant Trust Company

Legal Counsel

Macleod Dixon LLP

Auditors

Deloitte & Touche LLP

Stock Listing and Symbol

TSX

Symbol: SUM

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