Solium
CAPITAL

2010 Annual Report

Solium
CAPITAL

Leading the Evolution of Global Stock Plan Management

2010 Annual Report

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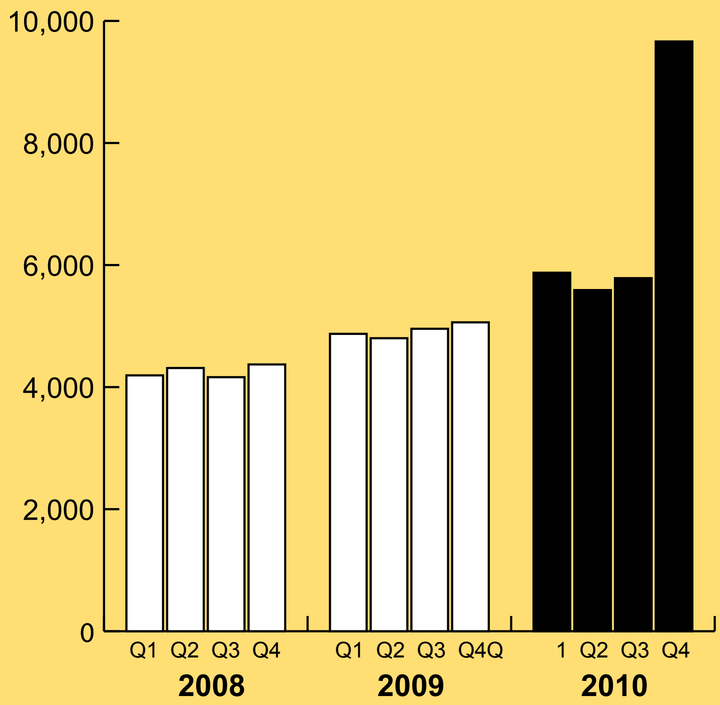
Shareholder's Annual Meeting

The Annual Meeting of Shareholders of Solium Capital Inc. will be held at 2:00 pm in the Glen 206 meeting room of the Telus Convention Centre located at 120 9th Avenue SE Calgary Alberta on May 18, 2011. We encourage all shareholders unable to attend to sign and return the proxy form prior to the meeting or vote their shares via telephone or Internet as per the instructions on the proxy form.

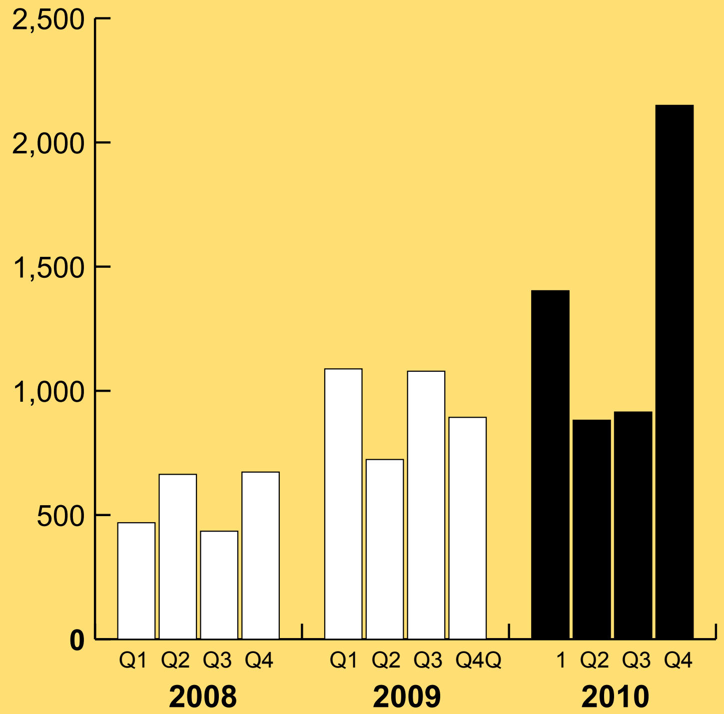
Introduction

Solium was founded in 1999 and is based in Calgary, Alberta, Canada. Solium is a public company listed on the TSX under the symbol SUM. The following charts show the financial highlights of the Company for the last three years. See Management's Discussion and Analysis for an explanation of the changes.

Revenue ($000s)



EBITDA ($000s)



Message from the Chief Executive Officer

Although this message for 2010 is principally penned by a new scribe, the authors of all of the previous messages from 2002 onwards continue to direct Solium as we move forward with confidence into 2011. Early in 2010, Solium redefined the strategic leadership of the company to create an office of the CEO comprised of Brian Craig and myself (Mike Broadfoot), joining our past CEO, Jeff English, and Marcos Lopez. As Managing Directors we each focus on specific facets of the business with the goal of driving rapid growth and shareholder value. At the end of 2010, the CEO title was transitioned from Jeff to me. For those of you less familiar with Solium, Brian held the role of CEO prior to Jeff English, and I was Chairman from 2002 to 2010. Jeff and Marcos continue to provide their strategic leadership and vision, as part of a four person office of the CEO. The evolution also saw changes in Board composition, as three of the independent Directors completed their tenure and a new set of independent Directors took up the various Board roles. We are indebted to those past Directors, Tony Webb, Justin Ferrara and Russ Waterhouse, as they helped guide the company through its formative years, all three of them standing for greater than our mandated five year term. The new Directors (bios in the annually filed information) have brought new energy, different skills and fresh ideas to the boardroom, and will continue, I am sure, to provide the excellent governance and guidance the previous independent Directors embodied.

The President's message for the last two years necessarily featured an opening paragraph on the stormy economic pall faced by Solium's marketplace, and in turn, the impact on the company. For Solium, the sun has returned somewhat to our market, as the economy in North America continues to improve and has gained significant traction in some segments. The transaction-based portion of Solium's revenue is very much linked to the financial health of our constituent clients.

Solium's strong financial footing allowed us to continue to aggressively invest in the business in 2010. The company took its boldest step to date with the acquisition of Computershare's North American grant-based, record-keeping business (stock-option administration). In addition to Computershare's Canadian and U.S. full-serve, stock-option administration assets, this transaction includes Transcentive − now re-branded as Solium Transcentive, a recognized leader in the U.S. stock-option administration software business, focused on the self-serve (self administration) segment of the market. The transaction also saw Computershare become a 20% owner of Solium, which signifies the confidence Computershare has in Solium as the new steward of stock-option administration for many of their transfer agency clients and the leading administrator in the industry. The opportunity for a large step like this is the harvest from many years of innovation and a commitment to the U.S. marketplace.

For 2011, the successful integration of the Computershare assets and the Solium Transcentive team will be the organization's top priority. For the newly acquired full-serve clients that are being migrated to Shareworks PREMIER, we appreciate their patience as they did not ask for this transition. Having said that, we are extremely confident that the functionality of Shareworks will result in a much more robust and rewarding experience for these clients and their employees. For those clients using Solium Transcentive, their application will remain the same, but with a renewed vigour for innovation. The Connecticut office, where Solium Transcentive is headquartered, has become the company's center of excellence for the self-serve marketplace, as both Transcentive and Shareworks DIRECT will be led from that office. Shareworks DIRECT is the recently launched Shareworks application that targets the self-serve market in the U.S. and offers a fully integrated employee participant trading experience (in contrast to StockVantage, which does not have an employee participant interface and is targeted only at the small-case marketplace).

We saw numerous other achievements throughout the year, as the company's innovation engine and organic growth model continued to perform very well. Having said that, two significant and unusual elements were executed over the past year:

a) Although it is often difficult to make long term decisions that impact our staff and clients in the nearer term, we chose to move our U.S. full-serve office from Southfield, Michigan, to Phoenix, Arizona. We strongly believe that this decision will allow Solium to build a better and stronger service environment for our clients. This move necessitated a challenging road for the clients affected by this transition, as we developed the new organization in Phoenix. We are grateful for the patience of our clients and we are committed to enhancing their service and creating mutual success over the longer term.

b) An important service partner, HSBC, made the strategic decision to exit the segment of their business which served Solium. Although they are only one of our partners for trade execution, their decision necessitated a migration of the affected clients using HSBC to either Canaccord or National Bank. We appreciate the efforts of all involved − clients, partners and staff − in making this transition as smooth as possible. We are very grateful for our past partnership with HSBC, as they were as our first trade execution partner and as such helped facilitate the success of Solium in its formative years.

With the acquisition of the Computershare assets, 2010 was another successful inflection point in the company's journey. Looking forward, 2011 is sure to bring more success for Solium as the organization continues to invest in further innovation and organizational capacity to scale the business, with an overarching vision to position the company as the leading global player in the plans administration business.

In closing, on behalf of the whole Solium team, I would like to thank all shareholders, partners and clients for their continued support and commitment to the company.

Sincerely,

Mike Broadfoot

Managing Director & Chief Executive Officer
Solium Capital Inc.

Management's Discussion and Analysis

For the Year Ended December 31, 2010

Special Note Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") dated as of March 28, 2011 for Solium Capital Inc. ("Solium" or the "Company") should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2010. 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; the timing and the completion of various development projects; and the acquisition of intellectual property from Computershare Inc.

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; the effect of new accounting pronouncements or guidance; and the ability of the Company to make all required payments pursuant to its agreements with Computershare Inc.

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.

Overview of the Company

Solium provides online equity-based incentive and savings plan administration products to enable companies to automate and manage their grant-based incentive and share purchase plans primarily in Canada and the United States. Solium's technology platforms, Shareworks™, StockVantage™, and Express Options™ assist companies with the management of multiple equity plan types including stock options, share appreciation rights ("SARs"), share units, restricted stock awards, and employee share purchase and holdings plans ("incentives").

Solium's technology provides functionality that streamlines a client's workflow relating to the issuance of incentives, the exercise of incentives, reporting of incentives and day-to-day maintenance of the incentives database. The technology provides constant online access to reports for securities regulators, internal management and financial disclosure purposes.

Solium's solutions empower plan participants by providing online access to participants to review their stock incentive portfolios from any Internet-connected computer, anywhere in the world. Plan participants have direct access to the financial markets through Solium's national online brokerage partners.

Revenue is derived from corporate clients and from the employee participants. Each implementation of a corporate client typically results in a one-time implementation fee, as well as recurring monthly access, subscription or maintenance fees based on the number of employee participants in the application. Revenue is generated from employee participants in the form of transaction and money movement fees when an exercise of a stock option, share unit, restricted stock award or SAR occurs, or upon withdrawal of assets from a share purchase or holdings plan. Revenue is also generated through access and administration fees paid to Solium by its brokerage partners in connection with the volume of share transactions driven to the brokerage partners from Solium's clients.

Business Acquisition

On November 8, 2010, the Company completed the acquisition of substantially all of the assets used by Computershare Inc. ("Computershare") to provide record keeping and administration services for grant-based incentive plans and awards to issuers in the United States and Canada.

Solium acquired substantially all of Computershare's property, assets and client contracts associated with this business, and also entered 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, as long as the Company has made all required payments to Computershare, Solium will own all of the intellectual property associated with Computershare's product offerings in this business. Under the transition services agreement, Solium will pay Computershare U.S.$22 million over five years.

The consideration for the acquired assets was U.S.$11,662,500, payable by the issuance of 7,775,000 common shares of Solium at a deemed price of $1.50 per share at the time of negotiation. Additional cash consideration of U.S.$3 million will be payable as long as certain revenues are generated by Solium from the acquired assets in the third year after the acquisition.

Financial Highlights

	2010	% Change	2009	% Change	2008
Total revenues	**$26,913,543**	37%	$19,691,478	16%	$17,039,855
EBITDA[1]	**$5,348,410**	41%	$3,783,920	69%	$2,240,273
Earnings before taxes	**$3,999,945**	30%	$3,075,012	153%	$1,215,176
Net earnings	**$2,355,843**	37%	$1,722,974	156%	$674,116
Per share - basic	**$0.072**	29%	$0.056	155%	$0.022
Per share - diluted	**$0.072**	31%	$0.055	150%	$0.022
Margins					
EBITDA	**20%**	1%	19%	6%	13%
Earnings before taxes	**15%**	(1%)	16%	9%	7%
Net earnings	**9%**	-	9%	5%	4%
Total assets	**$60,467,930**	243%	$17,654,338	16%	$15,233,944
Total long-term liabilities	**$15,555,045**	1,152%	$1,242,031	(42%)	$2,144,459
Cash dividends declared	**$Nil**	-	$Nil	-	$Nil

Notes:

1. 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. Management monitors EBITDA against budget and past results on a regular basis. The measure is a component in determining the annual bonus pool for staff and management.

   The following is a reconciliation of EBITDA to net earnings:

	2010	2009	2008
EBITDA	**5,348,410**	3,783,920	2,240,273
Interest expense	**(204,775)**	(53,665)	(161,967)
Amortization	**(1,143,690)**	(655,243)	(863,130)
Income tax expense	**(1,644,102)**	(1,352,038)	(541,060)
Net earnings	**2,355,843**	1,722,974	674,116

Key Aspects of Overall Performance in 2010

An increase in participant share trading activity was the largest contributor to the increase in revenue and earnings (before office relocation costs discussed below) for the year ended December 31, 2010 as compared to 2009. Earnings for the year ended December 31, 2010 were also positively impacted by the completion of a business acquisition in November 2010, and adversely impacted by one-time costs totaling approximately $340,000 relating to the Company's U.S. head office relocation from Michigan to Arizona.

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 compared to the prior year.

Results during the year ended December 31, 2010 were as follows:

- Revenue grew by 37% to $26,913,543 in 2010 (2009 - $19,691,478).
- Operating expenses grew by 38% to $22,655,251 in 2010 (2009 - $16,371,161). One-time costs associated with the Company's relocation of its U.S. head office from Michigan to Arizona contributed approximately $340,000 of expenses to the year ended December 31, 2010.
- EBITDA increased by 41% to $5,348,410 in 2010 (2009 - $3,783,920).
- Net earnings increased by 37% to $2,355,843 in 2010 (2009 - $1,722,974).
- Earnings per share increased by 29% to $0.072 in 2010 (2009 - $0.056).

Results by geographic segment during the year ended December 31, 2010 were as follows:

- Canadian revenue grew by 29% to $18,422,324 in 2010 (2009 - $14,281,464).
- U.S. revenue grew by 57% to $8,491,219 in 2010 (2009 - $5,410,014).
- Net earnings in Canada increased by 40% to $3,584,277 in 2010 (2009 - $2,568,156).
- The net loss in the U.S. increased to $1,228,434 in 2010 (2009 - $845,182). The results in the U.S. include the one-time costs of approximately $340,000 relating to the Company's relocation of its U.S. head office during the third quarter of 2010.

Results From Operations – Comparison of Fiscal Year 2010 to 2009

Revenue

Revenue was $26,913,543 in 2010 (2009 - $19,691,478). This represents an increase of $7,222,065 over the results from 2009.

Revenue from Canadian operations was $18,422,324 in 2010 (2009 - $14,281,464), while revenue from US operations was $8,491,219 in 2010 (2009 - $5,410,014).

Revenue in 2010 increased over 2009 mainly due to an increase in participant share trading and related transactions activity.

The Company continues to experience organic growth with the addition of clients added through direct sales net of client attrition. Client attrition, due to client reorganizations and bankruptcies, decreased significantly compared to the attrition experienced during 2009.

Expenses

Total expenses in 2010 were $22,913,598 (2009 - $16,616,466).

Expenses incurred in the U.S. operations were $9,771,339 in 2010 (2009 - $6,339,768).

Operating Expenses

Operating expenses were $22,655,251 in 2010 (2009 - $16,371,161). One-time costs associated with the Company's relocation of its U.S. head office from Michigan to Arizona contributed approximately $340,000 of expenses in 2010.

Foreign Exchange Gain or Loss

A foreign exchange loss of $53,572 was recorded during 2010 (2009 - loss $191,640). The foreign exchange loss during 2010 reflects the weakening of the U.S. dollar against the Canadian dollar during the year. The majority of the foreign exchange loss 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 December 31, 2010.

Income Taxes

$1,644,102 of income tax expense was recorded in 2010 (2009 - $1,352,038).

Deferred Revenue

Deferred revenue increased to $6,814,028 as at December 31, 2010 (2009 - $1,223,649). The increase is predominantly due to the annual advanced billing process followed for a large portion of the clients acquired from Computershare.

Summary of Quarterly Results

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

	2010				2009			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$9,663,590**	**$5,785,541**	**$5,589,877**	**$5,874,535**	$5,061,457	$4,955,850	$4,801,386	$4,872,785
Expenses	**$8,416,155**	**$5,036,659**	**$4,851,287**	**$4,609,497**	$4,283,572	$4,052,400	$4,261,360	$4,019,134
EBITDA[1]	**$2,149,272**	**$914,561**	**$881,637**	**$1,402,940**	$893,228	$1,078,928	$723,477	$1,088,287
Earnings from operations	**$1,459,995**	**$791,762**	**$679,547**	**$1,326,988**	$814,892	$1,043,428	$693,941	$768,056
Earnings before taxes	**$1,247,435**	**$748,882**	**$738,590**	**$1,265,038**	$777,885	$903,450	$540,026	$853,651
Net earnings	**$714,541**	**$421,570**	**$356,060**	**$863,672**	$387,058	$544,271	$244,067	$547,578
Per share								
- basic	**$0.019**	**$0.014**	**$0.011**	**$0.028**	$0.012	$0.018	$0.008	$0.018
- diluted	**$0.019**	**$0.013**	**$0.011**	**$0.028**	$0.012	$0.018	$0.008	$0.017

Notes:

1. 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. Management monitors EBITDA against budget and past results on a regular basis. The measure is a component in determining the annual bonus pool for staff and management.

The following is a reconciliation of EBITDA to net earnings:

	2010				2009			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
EBITDA	**2,149,272**	**914,561**	**881,637**	**1,402,940**	893,228	1,078,928	723,477	1,088,287
Interest expense	**(197,703)**	**(219)**	**(1,499)**	**(5,354)**	(8,324)	(11,339)	(14,354)	(19,648)
Amortization	**(704,134)**	**(165,460)**	**(141,548)**	**(132,548)**	(107,019)	(164,139)	(169,097)	(214,988)
Income tax	**(532,894)**	**(327,312)**	**(382,530)**	**(401,366)**	(390,827)	(359,179)	(295,959)	(306,073)
Net earnings	**714,541**	**421,570**	**356,060**	**863,672**	387,058	544,271	244,067	547,578

Factors Contributing to Quarterly Results

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 affected by market volatility. 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 2010, the share prices of Solium's clients showed some recovery relative to the strike prices of their stock compensation awards.

U.S. Head Office Relocation

The Company incurred approximately $340,000 as a result of the relocation of its U.S. head office from Michigan to Arizona during the third quarter of 2010.

Analysis of Fourth Quarter 2010

- Revenue grew by 91% to $9,663,590 in the fourth quarter of 2010 (2009 - $5,061,457).
- Expenses grew by 96% to $8,416,155 in the fourth quarter of 2010 (2009 - $4,283,572).
- EBITDA increased by 141% to $2,149,272 in the fourth quarter of 2010 (2009 - $893,228).
- Net earnings increased by 85% to $714,541 in the fourth quarter of 2010 (2009 - $387,058).
- Earnings per share increased by 58% to $0.019 in the fourth quarter of 2010 (2009 - $0.012).

Results by geographic segment during the fourth quarter ended December 31, 2010 were as follows:

- Canadian revenue grew by 51% to $5,589,543 in the fourth quarter of 2010 (2009 - $3,708,877).
- U.S. revenue grew by 201% to $4,074,047 in the fourth quarter of 2010 (2009 - $1,352,580).
- Net earnings in Canada increased by 4% to $857,149 in the fourth quarter of 2010 (2009 - $820,899).
- The net loss in the U.S. decreased to $142,608 in the fourth quarter of 2010 (2009 – loss $433,841).

Financial Condition, Liquidity and Capital Resources

Cash and Working Capital

Cash on hand as at December 31, 2010 was $12,463,890 (December 31, 2009 - $5,703,898). Working capital as at December 31, 2010 was $5,430,947 (December 31, 2009 - $4,652,024).

Cash Flows

Overall, the Company's cash position increased by $6,759,992 during 2010 (2009 – increased by $3,454,581).

Cash generated from operations was $4,123,436 during 2010 (2009 - $2,995,508). Working capital used for operating activities totaled $2,720,720 in 2010 (2009 – positive $1,625,241).

Cash generated from financing activities was $2,507,616 in 2010 (2009 – decreased by $1,023,856). $3,623,559 was raised through a private placement of common shares during the fourth quarter of 2010. This was partially offset by the repayment of debt of $680,533 and the issuance of a note receivable of $300,000 during 2010.

Cash generated from investing activities was $2,395,384 in 2010 (2009 – decreased by $222,503). $3,983,375 of cash was received from the business acquired from Computershare in the fourth quarter of 2010. $1,606,770 was used in the purchase of capital assets during 2010 (2009 - $264,618).

Liquidity

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

Capital Expenditures

Capital expenditures of $1,606,770 in 2010 (2009 - $264,618) were comprised of computer hardware, computer software, office furniture, and leasehold improvements.

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. Current economic conditions have not caused a change in the company's objectives, policies or procedures for managing capital.

Share Capital

On November 15, 2010, the Company closed a private placement of 2,188,206 common shares of the Company at a price of $1.50 per share for gross proceeds of $3,282,309.

During the period from 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 2010 at a cost of $73,494 (average of $1.20 per share). A cumulative total of 179,700 common shares were purchased under the NCIB at a total cost of $213,924 (average of $1.19 per share).

Contractual Obligations

	Payments Due by Fiscal Period					
	Total	2011	2012	2013	2014	2015
Operating leases	2,872,675	728,565	628,542	529,395	517,853	468,320
Due to Computershare (USD)	21,641,667	4,358,333	5,000,000	4,941,667	4,225,000	3,116,667

Transactions with Related Parties

On November 18, 2010, the Company issued a promissory note in the amount of $300,000 to an officer of the Company (the "Borrower") to facilitate his purchase of common shares in the Company. The Borrower is also a director of the Company. The note is due on November 15, 2015 and is secured by 1,600,000 Solium common shares owned by the Borrower (the "Collateral"). Interest is payable quarterly and is determined based on the market value of the Collateral relative to the value of the unpaid portion of the principal amount of the loan.

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. From January 1, 2010 to the date of the AGM, the Company utilized legal services for general corporate matters totaling $75,386 (2009 - $139,546).

Critical Accounting Estimates

The Company's significant accounting policies are detailed in Note 2 of the December 31, 2010 audited consolidated financial statements. In the determination of financial results, the Company must make certain significant accounting estimates as follows:

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, using substantively enacted rates, future income tax liabilities and assets are recorded based on temporary differences between the carrying amounts of assets and liabilities on the balance sheet and their tax bases as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. In establishing the appropriate income tax valuation allowances, the Company assesses its ability to realize its net future income tax assets and based on all available evidence, both positive and negative, determines whether it is more likely than not that the remaining net future income tax assets or a portion thereof will be realized.

In determining the valuation allowance to establish against these future tax benefits, the Company considers many factors, including the specific tax jurisdiction, the carry forward period, income tax strategies, and forecasted earnings. A valuation allowance is recognized if, based on the weight of available evidence, the Company concludes that it is more likely than not that some portion or all of the future tax benefits will not be realized. On the basis of consecutive quarters of profitability and the Company's forecasts of operating results for the foreseeable future, it has determined that it is more likely than not that a portion of the future income tax assets will be realized.

In evaluating the realizability of the future income tax asset, the financial results of the last four financial quarters are used as a key indicator. In addition, assumptions about the continued ability to service existing clients and add new clients, the sustainability of the capital markets, and the continued ability to manage costs due to growth are inherent in estimating the realizability of the future tax benefits.

Intangible Assets and Goodwill

Goodwill is not amortized but is evaluated for impairment annually during the fourth quarter or more often if events or circumstances indicate there may be an impairment. The impairment test for goodwill is based on a comparison of the carrying amount of the business unit, including the goodwill, with its fair value. When the carrying amount of a business unit exceeds its fair value, any impairment of goodwill is measured by comparing the carrying value of the goodwill with its implied fair value. The implied fair value of goodwill is the excess of the fair value of the business unit over the fair value of its net tangible and other intangible assets.

Intangible assets with a finite life are amortized over their estimated useful lives and are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to recover its carrying amount.

The valuation approaches used to test for impairment use key judgments and assumptions that are sensitive to change, which include appropriate sales growth rates, operating margins, weighted average costs of capital (WACC), and comparable company market multiples. When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the estimated fair value of the business unit or intangible assets. However, estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments. These estimates and key judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. For example, should a significant or prolonged deterioration in economic conditions occur, key judgments and assumptions could be impacted. A decline in estimated operating income or an increase in WACC or a prolonged decline in market conditions could result in an additional indication of impairment.

The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. At the end of fiscal 2010, the market capitalization of Solium was $61 million compared to a book value of $30 million. Consequently, a potential impairment of goodwill and intangible assets was not more than likely.

Based on results of the impairment tests as at December 31, 2010, the carrying values of goodwill for the U.S. operations and intangible assets exceeded their fair values and no impairment existed.

Future Adoption Of Recently Issued 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 expects to be ready for the transition in the first quarter of 2011.

Significant components of Solium's IFRS conversion project completed to date include:

- Compilation of a diagnostic analysis that identified key differences between existing Canadian GAAP and IFRS, as they relate to the Company;
- Preparation of company specific accounting position papers;
- Implementation of modifications to information systems required to accumulate and process information in order to generate IFRS financial information; and
- Review of required changes to internal controls over financial reporting and disclosure controls and procedures. The Company does not anticipate a material change to internal controls over financial reporting as a result of the transition to IFRS.

IFRS Expected Accounting Policy Impacts

In addition to the policy changes outlined below, the Company continues to monitor IFRS developments. Accounting policies discussed below remain subject to change.

The areas listed below are the key areas where changes in accounting policies under IFRS are expected to impact Solium's consolidated financial statements. The amounts disclosed are estimates based on management's current expectations. Exemptions available under IFRS 1, First-Time Adoption of International Financial Reporting Standards, are discussed. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

	Accounting Policy Difference	Opening Balance Sheet Impact	Ongoing Financial Statement Impact
Business Combinations	Under IFRS 3, *Business Combinations*,. 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 Canadian GAAP, contingent consideration or adjustments to the original consideration are recognized as an additional element of the cost of the acquisition when the contingency is resolved beyond a reasonable doubt and the additional consideration is issued or becomes issuable. Under IFRS, contingent consideration must be included in the purchase price at fair value at the acquisition date and classified as a liability. The fair value of all consideration at the acquisition date must be reassessed at the end of each reporting period and any subsequent changes in the fair value of the obligation will no longer affect the acquisition-date fair value of the consideration transferred, but will be considered to relate to post-combination events and changes will be recognized in profit or loss.	IFRS 3 requires entities to retrospectively adjust business combinations that occurred prior to January 1, 2010. The IFRS 1 exemption allows entities to apply IFRS 3 prospectively. Solium will elect the exemption. Business combinations occurring subsequent to January 1, 2007 will be restated. The Company is currently working on quantifying the impact of this policy on the opening balance sheet as at January 1, 2010.	Applying IFRS guidelines to the accounting for the acquisition of Computershare's businesses on November 7, 2010, will result in an adjustment to the purchase price due to the exclusion of transaction costs but the inclusion of the contingent consideration in the purchase price calculation. The contingent consideration will be recorded at its fair value using a discounted cash flow model as at the acquisition date and will be estimated based on Management's expectation of the contingency's ultimate resolution. These differences are expected to increase the purchase price on acquisition by approximately $1,550,000. Any changes to the fair value of the discounted processing fees or the contingent consideration subsequent to the date of acquisition will result in an expense being recognized in the periods in which the fair value change occurs. The interest expense to be recognized over the remaining term of the payments is expected to be in aggregate approximately $3,600,000.
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 apply IFRS 2 only to equity instruments granted after November 7, 2002 and which are unvested as at January 1, 2010. The Company currently expects to apply the elective exemption upon adoption to IFRS on January 1, 2010. The application of the graded vesting method for stock-based compensation for unvested equity instruments as at January 1, 2010 is expected to result in $468,000 increase to contributed surplus and a corresponding decrease to retained earnings at January 1, 2010.	Stock-based compensation expense will continue to be recognized based on graded vesting.

	Accounting Policy Difference	Opening Balance Sheet Impact	Ongoing Financial Statement Impact
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 will apply the elective exemption upon adoption to IFRS and as such, no adjustment will be necessary to restate opening retained earnings for cumulative translation gains or losses as at January 1, 2010.	For reporting periods subsequent to January 1, 2010, translation gains and losses resulting from the consolidation of foreign operations in the U.S. will result in translation gains or losses being recognized in other comprehensive income in the statement of earnings and a cumulative translation gain or loss being recognized as a separate component of shareholders' equity on the balance sheet. The Company is currently working on quantifying the impact of this treatment to the financial statements for the year ended December 31, 2010.

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 currently has no interest rate risk as the Company has no long-term debt outstanding.

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 December 31, 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, 2010, 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, 2010, 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, 2010.

No changes were made in the Company's internal control over financial reporting during the year ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 41,506,904 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 options outstanding to purchase 2,676,019 common shares.

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 299,883 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 following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware of.

Operational Trading Risk

The Company's end-to-end services often involve the execution of an equity trade in the stock market through one of the Company's brokerage partners. If the Company fails to send instructions to the brokerage partner to conduct a trade on behalf of a client or participant, forwards incorrect trade instructions to the brokerage partner, or fails to send a trade instruction to the brokerage partner in a timely manner, the market value of a trade could fluctuate adversely and result in a financial loss that may be the responsibility of the Company. Such losses could adversely affect the Company's operating results. The Company currently carries errors & omissions insurance of $5 million to cover the risk of significant loss due to errors made by its employees or systems that result in third-party claims against the Company.

Economic Conditions

The Company's revenues and operating results are and will continue to be influenced by prevailing general economic conditions and financial market conditions. In such cases, customers may reduce their purchases of new outsourced services. In addition, the deterioration of economic conditions could adversely affect payment patterns which could increase the Company's bad debt expense. During an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected.

Dependence on Market Growth

There can be no assurance that the market for the Company's existing solutions will continue to grow, that customers will continue to adopt the Company's solutions or that the Company will be successful in establishing markets for its new products. If the various markets in which the Company's products are offered fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its new products, the Company's business, operating results and financial condition could be materially adversely affected.

Dependance on Partners

The Company has engaged certain partners as part of the delivery of its solutions. Although Solium believes that it has a good relationship with its partners, the termination of these relationships for any reason whatsoever could have a short-term adverse effect on the Company's business, and results of operation.

Regulatory Environment

The Company conducts business in a highly regulated industry. Any changes in regulations could have an adverse effect on the Company's business, results of operation and financial condition.

Dependence on Key Personnel

The success of the Company is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact on the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. The departure of any of the members of the Company's executive team and key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to Manage Growth Successfully

The Company's business has grown rapidly in the last several years. The accelerated growth of the Company's revenue places a strain on managerial and financial resources. The Company's recent expansion has resulted in substantial growth in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations, resulting in increased responsibility for both existing and new management personnel. The Company's future growth will depend upon a number of factors, including the ability to:

- build and train sales and marketing staff to create an expanding presence in the evolving marketplace for Solium's solutions, and to keep staff informed regarding the technical features, issues and key selling points of Solium's solutions;
- attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments; and
- expand Solium's internal management and enhance financial controls significantly to maintain control over operations and provide support to other functional areas within Solium.

Solium's inability to achieve any of these objectives could harm the Company's business, financial condition and operating results.

Competition

The market for the administration of alternative stock compensation arrangements for public companies and their employees is highly competitive. The Company has experienced and will continue to experience intense competition from other organizations with more established sales and marketing presence, more technical services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Furthermore, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operation and financial condition.

Risk Associated with a Change in the Company's Pricing Model

The competitive market in which the Company conducts business may require Solium to change its pricing model. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would likely result in a reduction of gross margins and could adversely affect the Company's operating results.

Failure to Continue to Adapt to Technological Change and New Product Development

Solium believes that the future success of the Company depends upon its ability to enhance current products or develop and introduce new products. The Company's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's business, results of operations and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain technically competent research and development staff and to adapt to technological changes and advances in the industry. There can be no assurance that the Company will be successful in these efforts.

Lengthy Sales Cycle

The Company's sales cycle, beginning with an interested customer and culminating in entering into a commercial agreement with the customer, typically ranges from one to twelve months and may be significantly longer. The purchaser typically needs to obtain approval at a number of management levels, which may delay a decision to purchase any of the Company's solutions.

Intellectual Property Risks

In part, the Company's operations and value lies in its ownership and use of intellectual property. As such, its failure to protect its intellectual property may negatively affect its operations and value. Solium regards its software as proprietary and attempts to protect it with copyrights, trademarks and trade secret measures, including restrictions on disclosure and technical measures. Despite these precautions, it may be possible for third parties to copy Solium's programs or aspects of its trade secrets. Solium has no patents, and existing legal and technical precautions afford only limited practical protection. Solium could incur substantial costs in protecting and enforcing its intellectual property rights.

Although Solium is not aware that any of its products infringe the proprietary rights of third parties, there can be no assurance that third parties will not assert patent, trademark, copyright and other intellectual property rights to technologies that are important to Solium. In such event, Solium may be required to incur significant costs in litigating a resolution to the asserted claim. There can be no assurance that such a resolution would not require that Solium pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered, or, if such license is required, that it will be available on terms acceptable to Solium.

Risk of Defects in the Company's Solution

Software products as complex as those offered by the Company may contain errors or defects, especially when first introduced or when new versions or updates are released. The Company regularly introduces new releases and periodically introduces new versions of its software. There can be no assurance that, despite testing by the Company and by its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after the commencement of commercial deployment. Any such defects and errors could result in litigation, adverse customer reactions, negative publicity regarding the Company and its products, harm to the Company's reputation, loss or delay in market acceptance or required product changes, any of which could have a material adverse effect upon the Company's business, results of operations and financial condition.

Management's Report

The accompanying consolidated financial statements of Solium Capital Inc. are the responsibility of the Company's management. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where necessary, reflects management's best estimates based on available information. Financial information contained in documents such as the annual report is reviewed to ensure consistency with the financial statements.

The Company maintains appropriate internal control systems designed to ensure that assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") ensures that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which consists solely of outside directors. The Audit Committee meets periodically with the external auditors, with and without the Company's management, to ensure that management responsibilities are discharged and to review the financial statements before they are presented to the Board for approval. The Board has approved the Company's consolidated financial statements on the recommendation of the Audit Committee.

The Company's external auditors, Deloitte & Touche LLP, have audited the consolidated financial statements in accordance with generally accepted standards in Canada. Deloitte & Touche LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings. Their auditor's report is presented with the consolidated financial statements.

Mike Broadfoot
Managing Director & Chief Executive Officer

Lynn Leong
Executive Vice President, Finance & Administration

March 28, 2011

Auditor's Report

To the Shareholders of Solium Capital Inc.

We have audited the accompanying consolidated financial statements of Solium Capital Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of earnings, comprehensive income and deficit and cash flows for the years then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Solium Capital Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 28, 2011
Calgary, Alberta

Consolidated Financial Statements of Solium Capital Inc.

December 31, 2010 and 2009

Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings

(Amounts in Canadian dollars)
Years Ended December 31, 2010 and 2009

	2010 $	2009 $
REVENUE	**26,913,543**	19,691,478
OPERATING EXPENSES (Note 13)	**22,655,251**	16,371,161
EARNINGS FROM OPERATIONS	**4,258,292**	3,320,317
Interest (Notes 7 and 8)	**204,775**	53,665
Foreign exchange loss	**53,572**	191,640
EARNINGS BEFORE TAXES	**3,999,945**	3,075,012
Income taxes (Note 14)	**1,644,102**	1,352,038
NET EARNINGS AND COMPREHENSIVE INCOME	**2,355,843**	1,722,974
DEFICIT, BEGINNING OF YEAR	**(1,580,142)**	(3,303,116)
RETAINED EARNINGS (DEFICIT), END OF YEAR	**775,701**	(1,580,142)
NET EARNINGS PER SHARE (Note 10)		
Basic	**0.072**	0.056
Diluted	**0.072**	0.055

See Notes to the Consolidated Financial Statements

Consolidated Balance Sheets

(Amounts in Canadian dollars)
As at December 31, 2010 and 2009

	2010 $	2009 $
ASSETS		
CURRENT		
Cash	**12,463,890**	5,703,898
Accounts receivable	**7,139,968**	2,628,116
Prepaid expenses	**887,597**	366,695
Current portion of deferred charges	**89,098**	120,221
	20,580,553	8,818,930
Deferred charges	**25,309**	203,105
Note receivable (Note 4)	**280,162**	-
Future income taxes (Note 14)	**128,556**	160,167
Capital assets (Note 5)	**1,601,862**	470,207
Intangible assets (Note 6)	**27,985,034**	1,252,848
Goodwill (Note 3)	**9,866,454**	6,749,081
	60,467,930	17,654,338
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**4,470,154**	2,891,674
Current portion of due to Computershare (Note 7)	**4,215,570**	-
Current portion of deferred revenue	**6,424,954**	557,275
Current portion of deferred tenant inducement	**38,928**	38,927
Current portion of long-term debt (Note 8)	**-**	679,030
	15,149,606	4,166,906
Due to Computershare (Note 7)	**14,495,975**	-
Deferred revenue	**389,074**	666,374
Deferred tenant inducement	**278,701**	56,447
Future income taxes (Note 14)	**391,295**	519,210
	30,704,651	5,408,937
Commitments and Guarantees (Notes 19 and 22)		
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**27,441,038**	12,472,447
Contributed surplus (Note 11)	**1,546,540**	1,353,096
Retained earnings (deficit)	**775,701**	(1,580,142)
	29,763,279	12,245,401
	60,467,930	17,654,338

APPROVED BY THE BOARD:

Brian Craig Michael Broadfoot

See Notes to the Consolidated Financial Statements

Consolidated Statement of Cash Flows

(Amounts in Canadian dollars)
Years Ended December 31, 2010 and 2009

	2010 $	2009 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**2,355,843**	1,722,974
Adjustments for items not involving cash:		
Future income taxes (Note 14)	**(96,304)**	1,910
Amortization	**1,143,690**	655,243
Loss on disposal of capital assets	**26,658**	
Stock-based compensation expense	**730,974**	649,519
Amortization of tenant inducement	**(38,928)**	(42,859)
Deferred financing costs	**1,503**	8,721
	4,123,436	2,995,508
Future income taxes	**-**	21,146
Tenant inducements received	**268,346**	-
Changes in non-cash working capital (Note 21)	**(2,720,720)**	1,625,241
	1,671,062	4,641,895
FINANCING		
Issuance of note receivable (Note 4)	**(300,000)**	-
Repayment of note receivable (Note 4)	**19,838**	-
Repayments of long-term debt	**(680,533)**	(1,166,676)
Issuance of common shares (Note 10)	**3,623,559**	283,250
Purchase of common shares in issuer bid (Note 10)	**(73,494)**	(140,430)
Payroll and withholding tax on vesting of share units (Note 12)	**(81,754)**	-
	2,507,616	(1,023,856)
INVESTING		
Purchase of capital assets	**(1,606,770)**	(264,618)
Proceeds from disposal of capital assets	**765**	-
Cash acquired in business combination (Note 3)	**3,983,375**	-
Changes in non-cash working capital (Note 21)	**18,014**	42,115
	2,395,384	(222,503)
Effect of foreign exchange on cash held in foreign currency	**185,930**	59,045
NET INCREASE IN CASH	**6,759,992**	3,454,581
CASH, BEGINNING OF YEAR	**5,703,898**	2,249,317
CASH, END OF YEAR	**12,463,890**	5,703,898
Supplemental cash flow information:		
Interest paid	**7,289**	46,903
Income taxes paid	**1,960,752**	323,541

Notes to the Consolidated Financial Statements

Years Ended December 31, 2010 and 2009
(Amounts in Canadian dollars, unless otherwise stated)

1. Description of Business

Solium Capital Inc. ("Solium" or the "Company") is a corporation existing under the laws of Alberta. The Company provides online equity-based incentive and savings plan administration products to enable companies to automate and manage their grant-based incentive and savings plans.

2. Significant Accounting Policies

a) Basis of Presentation

These consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries.

Certain of the prior year comparative figures have been reclassified to conform with the current year's presentation.

b) Translation of Foreign Currencies

Assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Income and expenses are translated at average exchange rates prevailing during the year with the exception of amortization which is translated at historical exchange rates. Exchange gains or losses are included in earnings.

c) Cash Equivalents

Cash may include cash equivalents, which are short-term, highly liquid investments that have an original maturity of 90 days or less at the time of purchase.

d) Deferred Charges

Deferred charges include costs incurred in the implementation of certain client contracts. Where such costs can be readily identified, the costs are deferred and amortized on a straight-line basis over the life of the applicable contract in line with the implementation fees charged to the client, which are also deferred and amortized on a straight-line basis over the life of the client contract.

e) Capital Assets

Capital assets are recorded at cost and amortization is provided on a straight-line basis over the following periods:

Computer equipment	3 years
Furniture and office equipment	5 years
Leasehold improvements	5 to 8 years
Computer software	1 year

f) Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the purchase method. Identifiable intangible assets are recognized separately from goodwill. Goodwill represents the excess of the price paid for the business acquired over the fair value of the net identifiable assets acquired.

Goodwill is not amortized but is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. The impairment test for goodwill is based on a comparison of the carrying amount of the business unit, including the goodwill, with its fair value. When the carrying amount of a business unit exceeds its fair value, any impairment of goodwill is measured by comparing the carrying value of the goodwill with its implied fair value. The implied fair value of goodwill is the excess of the fair value of the business unit over the fair value of its net tangible and other intangible assets. The Company has evaluated goodwill and no impairment exists for 2010 or 2009.

Intangible assets with a finite life are amortized over their estimated useful lives and are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to recover its carrying amount.

Acquired intangible assets include customer contracts, brands and intellectual property. Amortization is provided on a straight-line basis over the following periods:

Customer contracts	10 years
Brand	10 years
Intellectual property	5 years

g) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, using substantively enacted tax rates, future income tax liabilities and assets are recorded based on temporary differences between the carrying amounts of assets and liabilities on the balance sheet and their tax basis as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. In establishing the appropriate income tax valuation allowances, the Company assesses the ability to realize its net future income tax assets and based on all available evidence, both positive and negative, determines whether it is more likely than not that the remaining net future income tax assets or a portion thereof will be realized.

h) Revenue Recognition

Fees for the Company's services are recognized as they are earned on a monthly basis, other than corporate implementation fees which are deferred and recognized monthly over the life of the applicable client contract or a period of 24 to 36 months if the contract has no finite life.

i) Research and Development Costs

Research costs are expensed as incurred. Development costs are also expensed as incurred unless they meet specific criteria under Canadian generally accepted accounting principles, in which case they are deferred and amortized on a systematic basis, when possible, to the sale or use of the product or process.

Investment tax credits are recognized using the cost reduction method when there is reasonable assurance of realizability (see Note 13).

j) Stock-Based Compensation Plans

The Company applies the fair value based method of accounting for stock options. On the grant date, accruals of compensation cost are calculated based on the best available estimate of the number of options that are expected to vest. Compensation cost is adjusted for subsequent changes in the actual outcome of service until the vesting date. The cumulative effect of a change in the estimated number of options expected to vest is recognized in the period of change.

The Company applies the fair value based method of accounting for share units. On the grant date, accruals of compensation cost are calculated based on the fair value of the shares.

Compensation expense is recognized on a straight-line basis over the vesting period of the stock options and share units with a corresponding increase in contributed surplus. When the options are exercised or when the share units are vested, the exercise price proceeds together with the fair value amount initially recorded in contributed surplus are credited to common shares. For share units where the Company withholds and cancels shares for tax remittance purposes, the value of the cancelled shares in excess of the original fair value is charged against contributed surplus.

The Company's contributions to the employee profit sharing and share purchase plans are expensed as incurred.

k) Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during each reporting period. The Company uses the treasury stock method for calculating diluted earnings per share. Under the treasury stock method, the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and share units, if dilutive. The number of dilutive shares is calculated by assuming that outstanding in-the-money stock options and share units are exercised and that the proceeds from such exercises, including any unamortized stock-based compensation costs, are used to acquire shares of common stock at the average market price during the reporting period.

l) Financial Instruments

The Company classifies its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative instruments, if utilized, are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in earnings except for derivatives designated as effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation, the changes in fair value of which are recognized in other comprehensive income.

The Company has designated its financial instruments as follows:

- Cash and cash equivalents are classified as held-for-trading and are recorded at fair value. Due to the relatively short period to maturity of these financial instruments, the carrying values approximate their fair values.
- Accounts receivable and note receivable are classified as loans and receivables. These financial assets are recorded at values that approximate their amortized cost using the effective interest method. Due to the relatively short period to maturity of these financial instruments, the carrying values approximate their fair values.
- Bank overdrafts, accounts payable and accrued liabilities, due to Computershare and long-term debt are classified as other financial liabilities. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method. Due to the relatively short period to maturity of these financial instruments, the carrying values approximate their fair values.

Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition.

m) Use of Estimates

The preparation of financial statements involves the use of estimates when accounting for items such as allowance for doubtful accounts, useful lives of long-lived and intangible assets, long-lived asset impairment testing, goodwill, realization of future tax assets, realization of investment tax credits, and valuation of stock-based compensation. Management makes its estimates based on historical experience and on various other assumptions it believes are reasonable. Actual results could differ from these estimates.

n) Future Adoption of Recent Changes to Accounting Pronouncements

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.

Consolidations

In January 2009, CICA Handbook Section 1601 – *Consolidated Financial Statements* was issued which, together with new CICA Handbook 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.

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. The Company does not anticipate that this section will have a material impact on its consolidated financial statements.

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.

3. Acquisition of Computershare Business

On November 8, 2010, the Company completed the acquisition (the "Acquisition") of substantially all of the assets used by Computershare Inc. ("Computershare") to provide record keeping and administration services for grant based incentive plans and awards to issuers in the United States and Canada (the "Business").

Solium issued 7,775,000 common shares to Computershare as consideration for the Business. In addition, Computershare will be entitled to additional cash consideration of up to U.S. $3 million from Solium if the revenue generated by Solium from the clients acquired from Computershare during the 12 most recently completed calendar months preceding the third anniversary of the closing of the Acquisition is greater than or equal to U.S. $17,116,055. If the consideration is payable, three contingent cash payments will be paid to Computershare in the amount of U.S. $1 million each (the "Contingent Payments"), which will be payable 75 days after the third anniversary of the closing date of the Acquisition and at or prior to each of the fourth and fifth anniversaries of the closing date of the Acquisition.

In connection with the closing of the Acquisition, Solium and Computershare entered into a transition services agreement pursuant to which Solium will pay to Computershare an aggregate of U.S. $22 million over five years in exchange for licensing from Computershare certain intellectual property (the "Intellectual Property") required to conduct the Business for up to five years after the closing of the Acquisition. The consideration payable by Solium under the Transition Services Agreement is U.S.$4.3 million during the first year, U.S.$5.0 million during each of the second and third years, U.S.$4.3 million during the fourth year and U.S.$3.4 million during the fifth year (collectively, the "Processing Fees"). Ownership of the Intellectual Property transfers to Solium following the full payment of the Processing Fees. Solium has the right to acquire the Intellectual Property at any time by making full payment of the Processing Fees at any time during the five year term. If Solium fails to pay the Contingent Payments or the Processing Fees when due and owing, subject to any applicable cure period, any rights to the Intellectual Property will revert to Computershare and Solium will not be entitled to acquire the Intellectual Property pursuant to the Transition Services Agreement. If a change of control of Solium occurs, payment of any outstanding Processing Fees and Contingent Payments will be accelerated and will be due and owing to Computershare upon or within two business days of such change of control.

The Acquisition is accounted for using the purchase method of accounting in accordance with CICA Handbook Section 1581 – *Business Combinations*.

Cost of purchase:	
Common shares issued	**10,962,750**
Fair value of Processing Fees under Transition Services Agreement	**18,981,590**
Transaction costs	**600,000**
	30,544,340

Share consideration in the form of 7,775,000 Solium Common Shares were assigned an ascribed value of $1.50 per share at the time of the agreement. Solium has accounted for the issuance of the Solium Common Shares at the weighted average market share price for the two days preceding, the date of, and two days following the date the Acquisition was announced to the public on August 16, 2010. As such, the market value used in calculating the purchase consideration is $1.41 per share.

Due to the nature of the Processing Fees under the Transition Services Agreement, the U.S. $22 million in Processing Fees payable over the next five years has been included in the determination of the purchase price for the Acquisition. The fair value of the Processing Fees has been calculating using a discounted cash flow model using a discount factor of 6.5% (see Note 7).

The contingent consideration of U.S. $3 million that is payable based on future revenues generated by the contracts acquired from Computershare has not been included in the calculation of the cost of the Acquisition. In accordance with Handbook Section 1581, the outcome of the contingency cannot be determined beyond reasonable doubt and therefore cannot be recognized as part of the cost of the Acquisition at the closing date. Under Handbook Section 1581, the contingent consideration would be recognized as an additional cost of the Acquisition at the time it is resolved and such consideration allocated to the assets acquired.

The estimated preliminary fair value of the assets acquired and liabilities assumed in the Acquisition are as follows:

	Amount $
Cash acquired – delivered on closing date	3,983,375
Cash acquired – delivered in January 2011	364,778
Accounts receivable	1,899,372
Prepaid expenses	161,132
Intangible assets:	
Customer contracts	16,546,616
Intellectual Property	8,320,327
Brand	2,560,024
Goodwill	3,117,373
Deferred revenue	(6,408,657)
Net assets acquired	**30,544,340**

Approximately $190,000 of the goodwill is not deductible for income tax purposes.

Net earnings of the Business have been included in consolidated results since November 8, 2010.

4. Note Receivable

On November 18, 2010, the Company issued a Promissory Note in the amount of $300,000 to an officer of the Company (the "Borrower") to facilitate his purchase of common shares in the Company. This individual is also a director of the Company.

The Note is due on November 15, 2015 and is secured by 1,600,000 Solium Common Shares owned by the Borrower (the "Collateral"). Interest is payable quarterly. The interest rate ranges from 1.75% to 4.25% above the Bank of Canada Prime Interest Rate and is determined based on the market value of the Collateral relative to the value of the unpaid portion of the principal amount of the Loan.

On November 25, 2010, the Borrower made a repayment of $19,838 on the principal of the Note.

5. Capital Assets

	2010		
	Cost $	Accumulated Amortization $	**Net Book Value $**
Computer equipment	1,698,559	1,248,929	**449,630**
Furniture and office equipment	746,312	535,289	**211,023**
Leasehold improvements	1,191,464	339,676	**851,788**
Computer software	541,094	451,673	**89,421**
	4,177,429	2,575,567	**1,601,862**

	2009		
	Cost $	Accumulated Amortization $	**Net Book Value $**
Computer equipment	1,227,046	1,041,078	185,968
Furniture and office equipment	650,634	519,962	130,672
Leasehold improvements	423,551	276,840	146,711
Computer software	357,441	350,585	6,856
	2,658,672	2,188,465	470,207

6. Intangible Assets

	2010		
	Cost $	Accumulated Amortization $	**Net Book Value $**
Customer contracts (Note 3)	18,205,781	817,033	**17,388,748**
Intellectual property (Note 3)	8,320,327	246,190	**8,074,137**
Brand (Note 3)	2,560,024	37,875	**2,522,149**
	29,086,132	1,101,098	**27,985,034**

	2009		
	Cost $	Accumulated Amortization $	**Net Book Value $**
Customer contracts	1,659,165	406,317	1,252,848
	1,659,165	406,317	1,252,848

7. Due to Computershare

In connection with the acquisition of the Computershare Business that was completed on November 8, 2010, the Company has an obligation to pay to Computershare an aggregate of U.S. $22 million over five years for Processing Fees pursuant to the Transition Services Agreement (see Note 3). The amounts payable by Solium are U.S.$4.3 million during the first year, U.S.$5.0 million during each of the second and third years, U.S.$4.3 million during the fourth year and U.S.$3.4 million during the fifth year from the acquisition date. The payments are secured by an interest in all the Company's assets.

The fair value of the Processing Fees was calculated using a discounted cash flow model using a discount factor of 6.5%. As at December 31, 2010, the accretion on the outstanding obligation resulted in $199,503 being recorded as interest expense. The difference between the face value of the Processing Fees and the fair value (the accretion amount) will be recognized as interest expense over the term of the payments.

	2010	2009
Fair value of obligation	**18,711,545**	-
Less: current portion of obligation	**4,215,570**	
Long-term portion of obligation	**14,495,975**	-

8. Long-Term Debt

	2010	2009
Term loan, due on July 19, 2010, bearing interest at prime plus 1% per annum, payable in installments of $97,223 per month. Secured by an interest in all the Company's assets.	**-**	$680,533
Less: net unamortized financing costs	**-**	(1,503)
	-	679,030
Less: current portion of long-term debt	**-**	(680,533)
Add: current portion of amortization	**-**	1,503
	-	-

The term loan was fully repaid on July 19, 2010.

9. Credit Facility

The Company has a revolving credit facility of $1,500,000 with a Canadian bank. The credit facility is secured by a fixed and floating charge on the assets of the Company. Interest is charged at the bank's prime rate plus 0.75% per annum. As at December 31, 2010, no amounts were drawn on the credit facility.

10. Share Capital

The Company has authorized an unlimited number of common shares and an unlimited number of preferred shares.

Issued - common shares	Number of Shares	**Amount $**
Balance, December 31, 2008	30,623,679	**11,962,766**
Issued on exercise of stock options	600,000	**283,250**
Cancellation of shares purchased in issuer bid	(118,400)	**(47,358)**
Adjustment on exercise of stock options	-	**273,789**
Balance, December 31, 2009	31,105,279	12,472,447
Issued on acquisition of Computershare Business (Note 3)	7,775,000	**10,962,750**
Private placement	2,188,206	**3,282,309**
Issued on exercise of stock options	315,000	**341,250**
Issued on vesting of share units	157,233	**140,749**
Cancellation of shares purchased in issuer bid	(61,300)	**(24,520)**
Adjustment on exercise of stock options	-	**266,053**
Balance, December 31, 2010	41,479,418	**27,441,038**

On November 15, 2010, the Company closed a private placement for 2,188,206 common shares of the Company at a price of $1.50 per share.

During the twelve months ended December 31, 2010, the Company purchased 61,300 common shares at a cost of $73,494 (average cost of $1.20 per share) (2009 - $140,430) in the open market under a Normal Course Issuer Bid. $24,520 (2009 - $47,358) was applied against share capital representing the book value of such shares. The remaining $48,974 (2009 - $93,072) was applied against contributed surplus.

Earnings per share

Earnings per common share are calculated by dividing the earnings applicable to common shareholders by the weighted average number of common shares outstanding. The treasury stock method is used to determine the dilutive impact of stock options. This method assumes that any proceeds from the exercise of stock options would be used to purchase common shares at the average market price during the period.

11. Contributed Surplus

	Amount $
Balance, December 31, 2008	1,070,438
Stock-based compensation expense for the year	649,519
Cancellation of shares purchased in issuer bid	(93,072)
Adjustment on exercise of stock options during the year	(273,789)
Balance, December 31, 2009	1,353,096
Stock-based compensation expense for the year	730,974
Cancellation of shares purchased in issuer bid	(48,974)
Adjustment on exercise of stock options during the year	(266,053)
Adjustment on vesting of share units during the year	(222,503)
Balance, December 31, 2010	**1,546,540**

12. Stock-based Compensation Plans

Stock Options

The Company has a stock option plan open to Directors, officers, employees, consultants and other key personnel of the Company and its subsidiaries. Under this plan, options granted to Directors, officers, employees and consultants may not exceed 15% of the aggregate number of issued and outstanding common shares of the Company on a non-diluted basis at the time of grant. Options expire in five years from the date of grant. Options granted vest 50% on the second anniversary, and an additional 25% on each of the third and fourth anniversaries from the original grant date.

The Company has used the Black-Scholes option pricing model in order to quantify the compensation expense of an option grant. The following table sets forth the weighted-average assumptions used:

	2010	2009
Weighted-average fair value (per share) of options granted	**$0.93**	$0.76
Expected dividend yield	**0%**	0%
Expected volatility	**91.99%**	88.02%
Risk-free interest rate	**1.97%**	2.20%
Expected life	**4 years**	4 years

Compensation expense related to stock options totaled $537,717 for the year ended December 31, 2010 (2009 - $533,617).

The following table summarizes the stock option activity with respect to all of the Company's stock options for the years ended December 31, 2010 and 2009:

Outstanding options	Number of Options	Weighted Average Exercise Price $
Outstanding, December 31, 2008	3,032,500	1.86
Granted	330,123	1.18
Exercised	(600,000)	0.47
Cancelled	(316,250)	2.65
Forfeited	(261,750)	2.03
Outstanding, December 31, 2009	2,184,623	2.00
Granted	1,161,080	1.50
Exercised	(315,000)	1.08
Forfeited	(245,175)	2.02
Expired	(46,875)	2.97
Outstanding, December 31, 2010	**2,738,653**	**1.87**

During the second quarter of 2009, the Company adopted a new policy for the granting of stock options to employees. Under the new policy, rather than an individual receiving 100% of their targeted aggregate amount of options every five years, an annual grant in the amount of 20% of an individual's targeted aggregate amount of options is granted annually. In order to be eligible for annual grants under the new policy, employees were required to agree to cancel a certain percentage of their existing options. Those individuals who retained 100% of their existing options will only become eligible to participate in the annual grants once all of their current options have expired. An annual grant for an individual is subject to an assessment of the individual's job performance for that period.

316,250 options were cancelled at the end of the second quarter of 2009 in connection with certain individuals' election to cancel existing options and adopt the annual grant program. For accounting purposes, the cancellation and corresponding new annual grants are accounted for as a modification of the pre-existing awards. The incremental fair value associated with the future annual grants is amortized from the cancellation date through to the final vesting date. The fair value of each estimated new annual grant is reset at each reporting date during the period up to the legal grant date. In the period in which the legal grant date occurs, cumulative compensation cost is adjusted to reflect the cumulative effect of measuring compensation cost based on the fair value at the legal grant date rather than the fair value previously used at the cancellation date and subsequent reporting dates. On September 14, 2009 and August 23, 2010, 61,750 and 49,050 options, respectively, were granted to individuals who had elected to cancel previously outstanding options.

Vested options	Number of Options	Weighted Average Exercise Price $
Vested options, December 31, 2008	882,500	0.69
Vested during the year	715,323	2.33
Exercised	(600,000)	0.47
Forfeited	(25,000)	1.50
Vested options, December 31, 2009	972,823	2.01
Vested during the year	550,455	2.18
Exercised	(315,000)	1.08
Forfeited	(115,625)	2.43
Expired	(46,875)	2.97
Vested options, December 31, 2010	**1,045,778**	**2.29**

The following table summarizes additional information relating to stock options outstanding and vested as at December 31, 2010:

Exercise Price	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
$1.51 to $2.00	1,642,403	3.9 years	$1.42	237,028	$1.28
$2.01 to $2.50	612,500	1.9 years	$2.23	418,750	$2.23
$2.51 to $3.00	483,750	1.6 years	$2.97	390,000	$2.97
	2,738,653	**3.1 years**	**$1.87**	**1,045,778**	**$2.29**

Share Award Incentive Plan

As at December 31, 2010, 312,369 restricted share unit awards ("RSUs") were outstanding (2009 – 526,877). The Company's share units vest over a period of three years from the date of grant. Payment in respect of the share units is made by delivering common shares of the Company on the vesting dates. The Board of Directors may elect in its sole discretion, on any vesting date pertaining to an RSU award, to pay, in lieu of delivering all or any part of the common shares that would otherwise be deliverable, a cash amount equal to the aggregate fair market value of such common shares that would otherwise be delivered, less all amounts as may be required by law to be withheld.

During the year ended December 31, 2010, 214,508 share units vested. The Company issued 157,233 common shares, and withheld and cancelled 57,275 vested RSUs for tax remittance purposes. Consequently, the Company paid the cash equivalent amount of $81,754 to the corresponding tax authorities. The value of vested RSU cancellations was in excess of the original RSU fair value and as a result, the excess of $30,477 was charged against contributed surplus.

The amortized fair value of RSUs totaling $193,257 was included in compensation expense for the year ended December 31, 2010 (2009 - $115,902).

Employee Profit Sharing Plan and Share Purchase Plan

Under the Company's Employee Profit Sharing Plan ("EPSP"), employees can contribute up to 5% of their eligible earnings towards the EPSP. The Company contributes out of the Company's profits 50% of the contributions made by employees. Contributions are used to purchase the Company's shares in the open market and are subject to certain vesting rules.

Under the Company's Employee Share Purchase Plan ("ESPP"), employees can contribute annually up to 20% of their eligible earnings to the ESPP. The Company matches employee contributions by 10%, and all such contributions are used to purchase the Company's shares in the open market. Employees are able to participate in either the EPSP or the ESPP, but not both. Executives of the Company are only permitted to participate in the ESPP.

The Company's contributions to the EPSP and ESPP, and costs associated with administering the plans totaled $111,789 for the year ended December 31, 2010 (2009 - $105,107).

Director Share Purchase Plan

Under the Company's Director Share Purchase Plan ("DSPP"), directors contribute the cash compensation portion of Director Fees, net of any withholding taxes, towards the DSPP. The Company does not make any matching contributions to the DSPP. Director contributions are used to purchase the Company's shares in the open market.

13. Investment Tax Credit

The Company has applied for investment tax credits under the Canadian government's scientific and experimental development ("SRED") program. During the year ended December 31, 2010, the application for 2008 SRED expenditures was approved resulting in an investment tax credit of $385,510 (2009 - $294,732) which was recorded as a reduction to operating expenses. This investment tax credit is available to offset Canadian federal income tax payable and has been fully utilized to offset a portion of the tax otherwise payable for the year ended December 31, 2010.

14. Income Taxes

The provision for income taxes reflects an effective tax rate that differs from the combined federal and provincial statutory rates as follows:

	2010 $	2009 $
Earnings before income taxes	**3,999,945**	3,075,012
Corporate income tax rate	**28.20%**	29.73%
Computed income tax provision	**1,127,960**	914,201
Increase (decrease) resulting from:		
Losses of Canadian subsidiaries not yet utilized	**14,052**	24,809
Losses in foreign jurisdiction not yet utilized	**833,669**	274,081
Capital loss not yet utilized	**70,522**	-
Tenant inducement addition	**(47,983)**	-
Timing differences	**(402,261)**	(68,912)
Non-deductible or non-taxable amounts	**139,107**	207,859
Rate adjustments	**(68,722)**	-
Other	**(22,242)**	-
Total income tax expense	**1,644,102**	1,352,038
Current	**1,740,406**	1,350,128
Future	**(96,304)**	1,910
	1,644,102	1,352,038

The Company's future income taxes consist of the following:

	2010 $	2009 $
Future income tax assets		
Capital and intangible assets	**661,541**	106,818
Tenant inducement	**63,348**	25,961
Non-capital loss carryforwards	**1,610,219**	1,035,230
Capital loss carryforwards	**74,872**	4,350
	2,409,980	1,172,359
Valuation allowance	**(2,281,424)**	(1,012,192)
	128,556	160,167
Future income tax liabilities		
Intangible assets	**(391,295)**	(451,025)
Investment tax credit recapture in subsequent year	**-**	(68,185)
	(391,295)	(519,210)

In assessing the realizability of a future tax asset, management considers whether it is more likely than not that some portion or all of the future tax asset will be realized. The financial results of the last four financial quarters is used as a key indicator. In addition, assumptions are made about the continued ability to service existing clients and add new clients, the sustainability of the capital markets, and the continued ability to manage costs due to growth.

The Company's Canadian subsidiaries have unused non-capital losses of approximately $177,000 carried forward for Canadian tax purposes. These losses begin to expire in 2028. The Company has not recorded the benefit of such tax loss carryforwards.

The Company also has U.S. federal net operating loss carryforwards of approximately U.S.$4.1 million, which begin to expire in 2025. The Company has not recorded the benefit of such tax loss carryforwards.

The Company has capital losses of approximately $29,000 available to offset future Canadian capital gains.

15. Capital Disclosures

The Company's objective is to maintain a cost effective capital structure that supports its long-term growth strategy while maintaining operating flexibility.

The Company defines its capital as shareholders' equity, long-term debt, and the fair value of the amount Due to Computershare.

	December 31, 2010 $	December 31, 2009 $
Shareholders' equity	**29,763,279**	12,245,401
Long-term debt (principal payments outstanding)	**-**	680,533
Due to Computershare	**18,711,545**	-
Total capital	**48,474,824**	12,925,934

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

16. Financial Instruments

Cash is classified as held-for-trading. Its fair value is equal to its carrying value and is classified as a Level 1 valuation.

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.

17. 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. The Company mitigates this risk by dealing with financially sound companies and, accordingly, does not anticipate any significant credit losses.

Total accounts receivable (net of allowances) held by the Company at December 31, 2010 amounted to $7,139,968. Allowances are provided against accounts receivable based on estimated unrecoverable amounts. In determining the recoverability of an account receivable, the Company considers the client's financial position, service history and payment history.

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. Of the accounts receivable balance at December 31, 2010, no one customer represented as much as 10% of the balance and only one customer represented greater than 5% of the balance.

As at December 31, 2010, approximately $615,191 (2009 - $263,678) of the Company's accounts receivables were greater than 60 days outstanding. The Company had no allowance for doubtful accounts as at December 31, 2010 (2009 – Nil).

Foreign Currency Risk

The Company operates in Canada and the United States. The Company's functional currency 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 December 31, 2010 are as follows:

	December 31, 2010 USD	December 31, 2009 USD
Monetary assets	**8,837,669**	1,248,956
Monetary liabilities	**(20,201,865)**	(360,241)
Net monetary (liabilities) assets exposed to foreign currency risk	**(11,364,196)**	888,715

Included in the monetary liabilities is the amount Due to Computershare, which is denominated in USD (see Note 7).

Based on the balance of net monetary assets as at December 31, 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 year ended December 31, 2010 of approximately $114,000.

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 through the availability of funding from committed credit facilities. As at December 31, 2010, the Company had cash of $12,463,890 on hand and a $1,500,000 credit facility available to be drawn against.

The following are the contractual maturities of financial liabilities as at December 31, 2010:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	After 12 months
Accounts payable and accrued liabilities	4,470,154	4,470,154	4,470,154	-	-
Due to Computershare	18,711,545	21,641,667	2,150,000	2,208,333	17,283,334
Total	23,181,699	26,111,821	6,620,154	2,208,333	17,283,334

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

18. Related Party Transactions

During the year ended December 31, 2010, a promissory note in the amount of $300,000 was issued to an officer, who is also a director, of the Company (see Note 4).

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. From January 1, 2010 to the date of the AGM, the Company utilized legal services for general corporate matters totaling $75,386 (2009 - $139,546).

19. Commitments

Operating Leases

The Company's obligations under operating leases for occupied premises are as follows:

	$
2011	728,565
2012	628,542
2013	529,395
2014	517,853
2015	468,320
	2,872,675

20. Segmented Information

The Company's operations fall into one dominant industry segment, the administration of equity-based incentive and savings programs for public corporations and their employees. Operations are located in Canada and the United States.

The accounting policies used in the Company's segments are the same as those described in Note 2 to the consolidated financial statements. Where applicable, inter-segment transactions are reflected at the exchange value, which is the amount agreed to by the parties.

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

Years ended December 31, 2010 and 2009	2010 $	2009 $
Revenue		
Canada	18,422,324	14,281,464
United States	8,491,219	5,410,014
	26,913,543	19,691,478
Earnings from Operations		
Canada	5,341,444	4,196,406
United States	(1,083,152)	(876,089)
	4,258,292	3,320,317
Capital expenditures		
Canada	1,297,628	240,494
United States	309,142	24,124
	1,606,770	264,618
Depreciation and amortization		
Canada	398,667	271,722
United States	745,023	383,521
	1,143,690	655,243

As att December 31, 2010 and 2009	2010 $	2009 $
Total assets		
Canada	18,035,151	8,030,772
United States	42,432,779	9,623,566
	60,467,930	17,654,338

Total assets in Canada includes $749,883 of intangible assets and $143,400 of goodwill. Total assets in the U.S. includes $27,235,150 of intangible assets and $9,723,055 of goodwill.

21. Information Included in Cash Flows

Changes in working capital items are detailed as follows:

	2010 **$**	2009 $
(Increase) decrease in accounts receivable	**(1,449,434)**	194,500
(Increase) decrease in prepaid expenses	**(773,293)**	56,067
(Increase) decrease in deferred charges	**211,038**	(75,105)
Increase in accounts payable	**1,181,072**	1,412,178
Increase (decrease) in deferred revenue	**(1,890,103)**	37,601
Changes in non-cash operating working capital	**(2,720,720)**	1,625,241
Increase in accounts payable	**18,014**	42,115
Changes in non-cash investing working capital	**18,014**	42,115
Total changes in non-cash working capital	**(2,702,706)**	1,667,356

22. Guarantees

In the normal course of operations, the Company provides indemnifications that are often standard contractual terms to counterparties in transactions such as purchase and sale contracts, service agreements, and leasing transactions. These indemnification agreements may require the Company to compensate the counterparties for costs incurred as a result of various events, changes in (or in the interpretation of) laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay counterparties. Historically, the Company has not made any payments under such indemnifications and no amounts have been accrued in the accompanying financial statements with respect to these indemnification guarantees.

Corporate Information

Executive Officers

Mike Broadfoot
Managing Director and Chief Executive Officer

Brian Craig
Managing Director

Jeff English
Managing Director

Marcos Lopez
Managing Director

Rudi Bester
Executive Vice President, Global Sales

June Davenport
Executive Vice President, Business Integration

Jeannie Kezama
Executive Vice President, Business Service Operations

Lynn Leong
Executive Vice President, Finance & Administration

Tim Breitkreutz
Chief Technical Officer

Directors

Mike Broadfoot
Director, Solium Capital Inc.

Brian Craig
Executive Chairman, Solium Capital Inc.

Michael Deleray
Director, Solium Capital Inc.

Jeff English
Director, Solium Capital Inc.

Marcos Lopez
Director, Solium Capital Inc.

Margot M. Micallef
Director, Solium Capital Inc.

Colleen Moorehead
Lead Director, Solium Capital Inc.

Tom Muir
Director, Solium Capital Inc.

Investor Information

Transfer Agent
Valiant Trust Company

Lead Counsel
Macleod Dixon LLP

Auditors
Deloitte & Touche LLP

Stock Listing and Symbol
TSX, Symbol:SUM

Investor Contact

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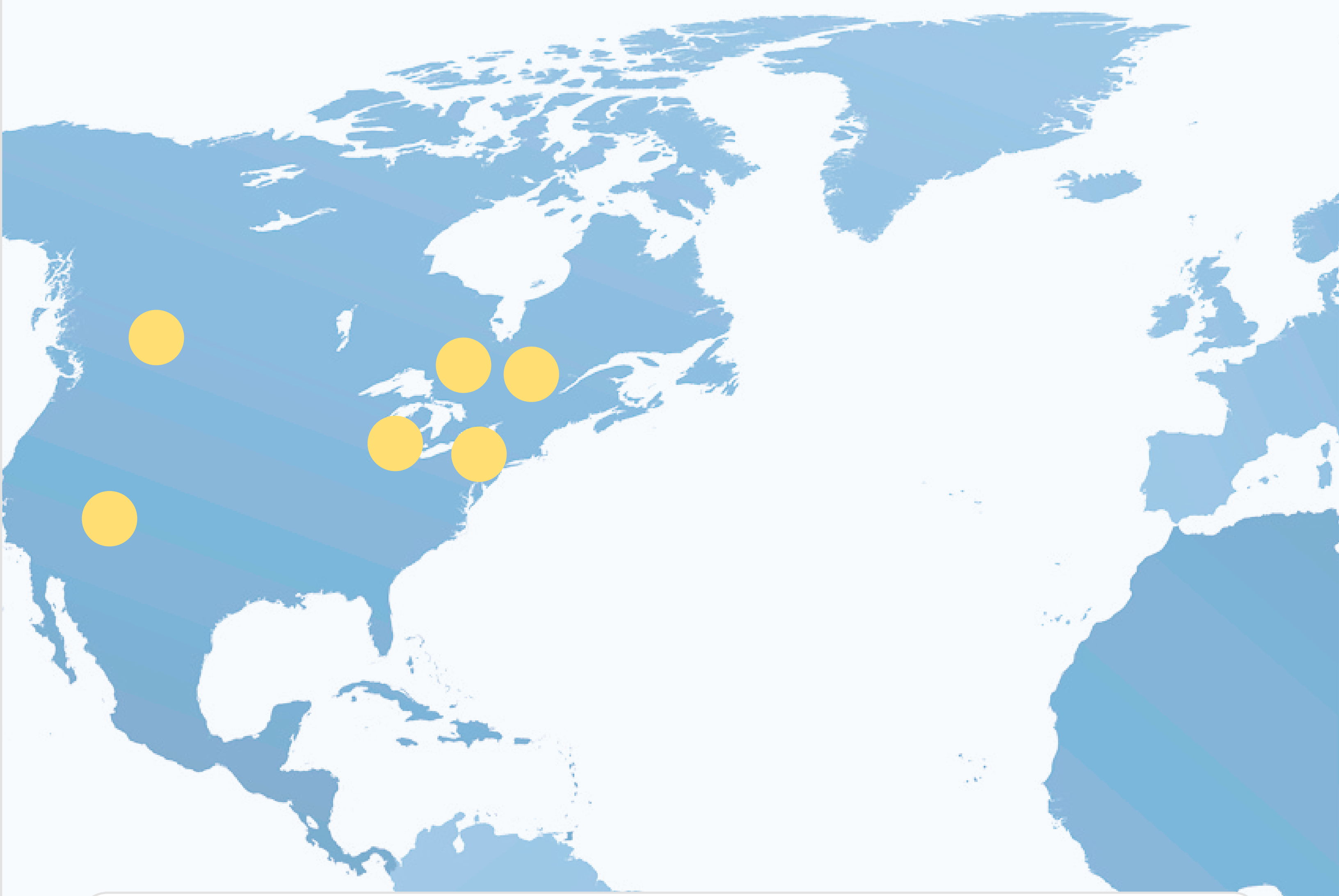

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