

**3542114 CANADA INC.**  
(Operating as CRS Electronics)  
Interim Financial Statements  
(Expressed in Canadian Dollars – Prepared without Audit)  
As at March 31, 2009

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

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

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

### **NOTICE TO READER**

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

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

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

**3542114 CANADA INC.**  
(Operating as CRS Electronics)  
Statements of Operations and Deficit

Three months ended March 31 - Unaudited

	2009	2008
<b>SALES</b>	<b>\$429,997</b>	\$385,567
Cost of sales	<b>287,598</b>	307,889
<b>GROSS PROFIT</b>	<b>142,399</b>	<b>77,678</b>
	<b>33.1%</b>	20.1%
<b>EXPENSES</b>		
Engineering, research and development	<b>3,886</b>	40,898
Selling, general and administrative	<b>208,633</b>	117,306
Interest on short-term debt	<b>13,102</b>	9,076
Interest on long-term debt	<b>3,375</b>	3,683
Amortization of product development costs	<b>6,632</b>	—
Depreciation	<b>16,283</b>	13,027
	<b>251,911</b>	183,990
<b>LOSS FROM OPERATIONS</b>	<b>(109,512)</b>	(106,312)
<b>OTHER INCOME (EXPENSES)</b>		
SRED refundable tax credits and grant funding	<b>8,886</b>	18,807
Foreign exchange gains (losses)	<b>(4,490)</b>	11,053
Other income	<b>68</b>	2,254
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>4,464</b>	32,114
LOSS BEFORE INCOME TAXES	<b>(105,048)</b>	(74,198)
INCOME TAXES	—	—
<b>NET LOSS</b>	<b>(105,048)</b>	(74,198)
DEFICIT, BEGINNING OF YEAR	<b>(220,779)</b>	(22,746)
Adjustment to prior year's income	—	33,336
<b>DEFICIT, END OF PERIOD</b>	<b>(\$325,827)</b>	(\$63,608)

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

**3542114 CANADA INC.**  
(Operating as CRS Electronics)  
BALANCE SHEETS

As at March 31, 2009 and December 31, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>\$10,316</b>	\$10,512
Accounts receivable (Note 4)	<b>248,973</b>	203,870
Income taxes receivable (Note 14)	<b>151,938</b>	127,414
Inventory (Note 5)	<b>301,539</b>	281,316
Prepaid expenses	<b>8,467</b>	590
	<b>721,233</b>	623,702
<b>Long-term Assets</b>		
<b>Equipment, furniture and leaseholds (Note 6)</b>	<b>218,740</b>	230,206
<b>Assets under capital leases (Note 7)</b>	<b>18,695</b>	10,624
<b>Deferred development costs (Note 8)</b>	<b>139,581</b>	119,063
<b>Deferred charges (Note 9)</b>	<b>40,852</b>	27,438
	<b>\$1,139,101</b>	\$1,011,033
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Indebtedness (Note 10)	<b>\$423,182</b>	\$296,391
Accounts payable and accrued liabilities	<b>746,359</b>	640,006
Deposits	<b>1,230</b>	20,411
Notes payable	<b>25,000</b>	—
Current portion of long-term debt (Note 11)	<b>53,611</b>	52,793
Current portion of long-term lease obligations (Note 12)	<b>7,626</b>	4,972
	<b>1,257,008</b>	1,014,573
<b>Long-term Liabilities</b>		
<b>Long-term debt (Note 11)</b>	<b>43,129</b>	56,867
<b>Long-term lease obligations (Note 12)</b>	<b>9,984</b>	5,565
<b>Future taxes payable (Note 13)</b>	<b>4,707</b>	4,707
<b>Contingent liabilities (Note 19)</b>		
<b>Subsequent events (Note 22)</b>		
	<b>1,314,828</b>	1,081,712
<b>SHAREHOLDERS DEFICIT</b>		
Share capital (Note 15)	<b>150,100</b>	150,100
Retained deficit	<b>(325,827)</b>	(220,779)
	<b>(175,727)</b>	(70,679)
	<b>\$1,139,101</b>	\$1,011,033

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

APPROVED BY THE BOARD OF DIRECTORS:

Signed "Scott Riesebosch" Director

Signed "Paul Haber" Director

**3542114 CANADA INC.**  
(Operating as CRS Electronics)  
STATEMENTS OF CASH FLOWS

For the three months ended March 31

	<u>2009</u>	<u>2008</u>
<b>OPERATING ACTIVITIES</b>		
Net (loss) income	( <b>\$105,048</b> )	(\$74,198)
Items not affecting cash		
Adjustment to prior year's income	—	33,336
Amortization of product development costs	<b>6,632</b>	—
Depreciation	<b>16,283</b>	13,027
	<b>(82,133)</b>	(27,835)
Net change in non-cash working capital items relating to operating activities		
Accounts receivable	<b>(45,103)</b>	60,140
Inventory	<b>(20,223)</b>	(66,772)
Prepaid expenses	<b>(7,878)</b>	—
Accounts payable and accrued liabilities	<b>106,353</b>	53,677
Income taxes receivable	<b>(24,524)</b>	(24,990)
Deposits	<b>(19,181)</b>	—
Other assets	<b>(13,414)</b>	—
<b>Cash used in operating activities</b>	<b>(106,103)</b>	(5,780)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment, furniture, and leaseholds	<b>(12,886)</b>	(1,296)
Deferred development costs	<b>(27,150)</b>	(26,519)
<b>Cash used in investing activities</b>	<b>(40,036)</b>	(27,815)
<b>FINANCING ACTIVITIES</b>		
Long-term debt repayments	<b>(12,920)</b>	(11,675)
Line of credit (repayment) proceeds	<b>126,791</b>	(2,232)
Advances from (to) shareholder	—	59,949
Capital lease obligation advances	<b>9,123</b>	—
Capital lease obligation repayments	<b>(2,051)</b>	—
Note payable advances	<b>25,000</b>	—
<b>Cash provided by financing activities</b>	<b>145,943</b>	46,042
<b>Net increase (decrease) in cash</b>	<b>(196)</b>	12,447
Cash and cash equivalents, beginning of period	<b>10,512</b>	68,953
Cash and cash equivalents, end of period	<b>\$10,316</b>	\$81,400
The following cash flow are included in operating activities:		
Income taxes paid (refunded)	—	—
Interest paid	<b>\$13,477</b>	\$12,759

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

## **1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

### **Basis of presentation**

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

### **Nature of business**

**3542114 CANADA INC. (operating as CRS Electronics) (the "Company")** was incorporated under the Canada Business Corporations Act on October 25, 1998 with its head office located in Welland, Ontario, Canada. The principal activities of the Company are the development, manufacturing and sale primarily in North America of child safety systems for school buses; exterior lighting on school buses based on incandescent and light emitting technology ("LED"); contract manufacturing of LED light boards; and LED based space lighting products.

### **Significant accounting policies**

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

### **Statement of Comprehensive Income**

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

## **2. CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

Effective January 1, 2008, the Company adopted the following sections of the Handbook of the Canadian Institute of Chartered Accountants:

### **(a) Inventories:**

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

### 3. NEW ACCOUNTING PRONOUNCEMENTS

(a) Goodwill and intangible assets

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

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

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

### 4. ACCOUNTS RECEIVABLE

As at March 31, 2009 and December 31, 2008

	2009	2008
Trade accounts receivable	\$ 269,605	\$ 212,412
GST recoverable	8,367	18,094
Other receivables	—	2,364
Allowance for doubtful accounts	(29,000)	(29,000)
	<u>\$ 248,972</u>	<u>\$ 203,870</u>

### 5. INVENTORY

As at March 31, 2009 and December 31, 2008

	2009	2008
Finished goods	\$ 146,566	\$ 152,993
Raw materials	154,972	128,923
	<u>\$ 301,538</u>	<u>\$ 281,916</u>

**3542114 CANADA INC. – Notes to the Financial Statements – March 31, 2009**

**6. EQUIPMENT, FURNITURE AND LEASEHOLDS**

As at March 31, 2009

	Annual Depreciation Rates	Asset at Cost	Accumulated Depreciation	Net Book Value
Office Furniture and equipment	20%	\$ 35,999	\$ 25,848	\$ 10,151
Tools, moulds and dies	33% S.L.	35,482	17,170	18,312
Computer equipment	30%	45,957	35,559	10,398
Computer software	30%	14,135	11,676	2,459
Vehicles	30%	17,454	16,900	554
Production equipment	20%	354,428	207,751	146,677
Leasehold improvements	20% S.L.	47,411	17,221	30,190
		<u>\$ 550,866</u>	<u>\$ 332,125</u>	<u>\$ 218,741</u>

As at December 31, 2008

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

**3542114 CANADA INC. – Notes to the Financial Statements – March 31, 2009**

**7. ASSETS UNDER CAPITAL LEASES**

As at March 31, 2009

	Annual Depreciation Rates	Asset at Cost	Accumulated Depreciation	Net Book Value
Computer software	30%	\$ 8,459	\$ 1,808	\$ 6,651
Production equipment	20%	3,816	553	3,263
Computer hardware	30%	9,123	342	8,781
		<u>\$ 21,398</u>	<u>\$ 2,703</u>	<u>\$ 18,695</u>

As at December 31, 2008

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

**8. DEFERRED DEVELOPMENT COSTS**

As at March 31, 2009 and December 31, 2008

	2009		2008	
	Asset at Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Product development	<u>\$159,442</u>	<u>\$19,861</u>	<u>\$139,581</u>	<u>\$119,063</u>

**9. DEFERRED CHARGES**

The Company signed a definitive agreement from a company to complete a qualifying transaction under the Capital Pool Program offered by the Toronto Venture Exchange that will result in the effective issuance of common shares. Terms of the definitive agreement required certain transaction costs related to accounting and legal fees to be incurred. The fees will be offset against any capital that is received by the company. Subsequent to the end of the period the qualifying transactions was completed.

As at March 31, 2009 and December 31, 2008, other assets consist of the following:

	2009	2008
Accounting fees	\$ 19,852	\$ 21,000
Legal fees	21,000	6,438
	<u>\$ 40,852</u>	<u>\$ 27,438</u>

**3542114 CANADA INC. – Notes to the Financial Statements – March 31, 2009**

**10. BANK INDEBTNESS**

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

	<u>2009</u>	<u>2008</u>
Operating line of credit	\$ 323,182	\$ 296,391
Temporary operating line of credit	100,000	—
	<u>\$ 423,182</u>	<u>\$ 296,391</u>

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

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

In January 2009, the Company received a temporary operating line of credit that expires June 30, 2009. The temporary line of credit bears interest at prime plus 4% per annum and shares in the same security as the operating line of credit.

**11. LONG-TERM DEBT**

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

	<u>2009</u>	<u>2008</u>
Penn Financial Credit Union - Prime plus 2% payable in blended monthly installments of \$3,844, due to June 30, 2010	\$ 62,039	\$ 72,633
Penn Financial Credit Union - 9% interest, payable in blended monthly installments of \$1,038, maturing March 29, 2012	33,936	36,262
Shareholder loan - non-interest bearing, with no specific terms of repayment. By agreement the shareholder has agreed not to call the loan for a period of one year.	765	765
	<u>96,740</u>	<u>109,660</u>
Allocated to current liabilities	53,611	52,793
	<u>\$ 43,129</u>	<u>\$ 56,867</u>

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

## 3542114 CANADA INC. – Notes to the Financial Statements – March 31, 2009

### 12. OBLIGATIONS UNDER CAPITAL LEASES

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

	2009	2008
Software lease - 12% nominal interest rate, payable in blended monthly installments of \$383, maturing October 1, 2010	\$ 5,967	\$ 6,918
Manual stacker lease - 12% nominal interest rate, payable in blended monthly installments of \$115, maturing December 31, 2011	3,461	3,620
Computer hardware lease - 12% nominal interest rate, payable in blended monthly installments of \$568, maturing January 6, 2012	8,182	—
	<u>17,610</u>	<u>10,538</u>
Allocated to current liabilities	<u>7,626</u>	<u>4,972</u>
	<u>\$ 9,984</u>	<u>\$ 5,566</u>

### 13. FUTURE INCOME TAXES

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

### 14. RESEARCH AND DEVELOPMENT TAX CREDITS

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

**3542114 CANADA INC. – Notes to the Financial Statements – March 31, 2009**

**15. SHARE CAPITAL**

**Shares**

**Authorized**

Unlimited number of common shares

**Issued and outstanding**

**37,666,667 common shares**

The common share transactions over the period are as follows:

	Number of shares	Amount
Balance December 31, 2007	100	\$ 100
Stock split 3,666,656.67 common shares for 1 common share	36,666,567	—
Issuance of common shares for cash	1,000,000	150,000
Balance December 31, 2008	<u>37,666,667</u>	<u>\$ 150,100</u>
No transaction to March 31, 2009	—	—
Balance March 31, 2009	<u><u>37,666,667</u></u>	<u><u>\$ 150,100</u></u>

**[a] Stock options**

During the year, the Company established a stock option plan whereby directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. The total number of that may be outstanding at any time is 3,500,000. On November 14, 2008, 1,450,533 options exercisable at \$0.30 per common share were granted. The remaining number of options available to be granted under the plan is 2,049,467. The options expire five years from the date granted with vesting provisions after four months after the date of the grant.

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

	2009		2008	
	Number of options	Weighted- average Exercise Price	Number of options	Weighted- average Exercise Price
Options:				
Outstanding, beginning of year	1,450,533	\$0.30	—	—
Granted	—	—	1,450,533	\$0.30
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding, March 31, 2009	<u>1,450,533</u>	<u>\$0.30</u>	<u>1,450,533</u>	<u>\$0.30</u>

## 3542114 CANADA INC. – Notes to the Financial Statements – March 31, 2009

### [a] Stock options (continued)

The following table summarizes information about options outstanding as at March 31, 2009:

Range of exercise price	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
\$0.10 to \$0.50	1,450,533	4.6 years	\$0.30

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

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

Subsequent to the end of the quarter, as a condition of the qualifying transaction, the CRS Employee Stock Option Plan was cancelled and the employees of CRS were granted stock options in the Podium Employee Stock Option Plan.

## 16. CAPITAL MANAGEMENT

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

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

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

## 17. ECONOMIC DEPENDENCE

The Company has one customer that accounted for 40% of sales during the period (39% - year ended December 31, 2008).

## 18. FINANCIAL INSTRUMENTS

### [a] Fair value

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

### [b] Credit risk

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

### [c] Interest rate risk

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

### [d] Foreign currency risk

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

	2009	2008
Cash	\$ 7,574	\$ 8,320
Trade accounts receivable	154,437	146,028
Trade accounts payable	\$(203,801)	\$(214,018)

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

## 19. CONTINGENT LIABILITY

In August 2008, the Company received notification of from a former consultant claiming damages, for an unspecified amount, for past consulting fees and future loss of income. Management does not know if the outcome of the claim against the Company will be ultimately successful. However, management has provided \$100,000 as a provision against the claim which was charged to professional fees in 2008.

## 3542114 CANADA INC. – Notes to the Financial Statements – March 31, 2009

### 20. COMMITMENTS

- a) The Company leases its premises under a lease agreement which expires November 30, 2009 and requires the following payments:

2009	\$ 44,610
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- b) The company leases a photocopier requiring quarterly payments of \$2,009 until June 2011.

### 21. PRIOR PERIOD ADJUSTMENT

The company has identified that purchases made in 2007 were improperly excluded from inventory at December 31, 2007 in the amount of \$33,336. The financial statements for the first quarter 2008 have been restated to correct this error. The effect of the restatement on those financial statements is summarized below:

	Three months ended March 31, 2008
Increase in cost of goods sold	\$33,336
(Increase) in net loss	(\$33,336)

There is no impact to income tax expense or income tax payable. Opening retained earnings for the year ended December 31, 2008 has been adjusted accordingly.

### 22. SUBSEQUENT EVENTS

- a) On April 14, 2009, the Company arranged a loan supported by the Scientific Research and Experimental Development and the Ontario Innovation Tax Credit refunds with a third party for gross proceeds of \$96,462. The Company provided security in the form of the tax credits equal to \$128,616, a general assignment general security agreement, representing a first and fixed floating charge over the assets, other undertakings of the Company, and an assignment of adequate public liability and fire insurance acknowledging the lender as first loss payees. Two shareholders of the Company provided personal guarantees in the amount of debt. Interest is charged on a monthly basis at a rate of 2% per month.
- b) On May 20, 2009 Podium Capital Corporation and the Company completed the previously announced Qualifying Transaction as defined in and pursuant to the policies of the TSX Venture Exchange. As a result of the Qualifying Transaction, CRS is now a direct, wholly-owned subsidiary of Podium.

### 23. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Some amounts reported for the period ended March 31, 2008 have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.