

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited)

5. STOCK BASED COMPENSATION

Effective January 1, 2002, the Company adopted the standards of Section 3870 of the CICA Handbook, *Stock-Based Compensation and Other Stock-Based Payments*.

Stock option activity with respect to all of the Company's stock options for the nine months ended September 30, 2002 is shown below:

	Number of Shares	Weighted-Average Exercise Price
Outstanding, December 31, 2001	1,333,667	0.60
Granted	1,416,452	0.25
Cancelled	(479,000)	0.80
Outstanding, September 30, 2002	2,271,119	0.34

For stock options granted to employees, the Company credits any consideration paid by employees on the exercise of stock options to share capital and does not recognize compensation expense. During the quarter ended September 30, 2002, the Company granted 1,416,452 options to employees. If the fair value based method of accounting had been used for the awards granted on or after January 1, 2002, pro-forma net loss would have been \$406,347 and \$1,480,229 for the quarter and nine months ended September 30, 2002 respectively; and pro-forma net loss per share would have been \$0.03 and \$0.09 for the quarter and nine months ended September 30, 2002 respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted average assumptions used for grants in the quarter ended September 30, 2002: dividend yield of 0%, expected volatility of 116%; risk-free interest rate of 4.0%; and expected grant life of 3 years. The weighted average fair value of options granted in the quarter amounted to \$0.12 per share.

Additional information relating to stock options outstanding as at September 30, 2002 is presented below:

Exercise Price \$	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Exercise Price \$
0.25	1,981,452	53 months	551,667	0.25
0.90	179,667	32 months	174,778	0.90
1.00	110,000	45 months	76,667	1.00
	2,271,119	51 months	803,112	0.46

6. SUBSEQUENT EVENT

On October 16, 2002, the Company closed a \$315,000 private placement of 1,575,000 common shares issued at \$0.20 per share.

BOARD OF DIRECTORS:

Michael Broadfoot, Brian Craig, Marcos Lopez, Shelley Kuipers, Justin Ferrara

ISSUED AND OUTSTANDING COMMON SHARES: 18,780,338

ISSUED AND OUTSTANDING PREFERRED SHARES: 2,500,000

TRADING SYMBOL ON TSX-V: "SUM"

2002 Third Quarter Report to Shareholders
September 30, 2002

**Solium
CAPITAL**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Solium Capital Inc. (the "Company") completed the third quarter of 2002 with a net loss of \$392,557 compared to \$885,388 for the same quarter of 2001. This represents an improvement of \$492,831 or 56%. The net loss for the nine months ended September 30, 2002 amounted to \$1,466,439 compared to \$2,731,601 in the previous year. This represents an improvement of \$1,265,162 or 46%.

Revenue from E-SOAP related services for the quarter ended September 30, 2002 was \$120,170 compared to only \$60,943 for the corresponding quarter in 2001. The Company ended the quarter with 11,250 active participants enrolled on the E-SOAP system. This represents a growth of 80% from the 6,252 enrolled as at September 30, 2001. During the third quarter of 2002, four new corporate clients, including EnCana Corporation and Molson Inc., were activated onto the E-SOAP system adding a total of over 4,500 participants.

Revenue from consulting services consisted of approximately \$16,500 from e-commerce consulting contracts in Stormworks Ltd. ("Stormworks"), the subsidiary acquired effective May 1, 2002, and the remaining \$8,000 was derived from miscellaneous stock option consulting services provided to the Company's corporate clients.

Salaries and wages expense for the quarter was \$236,880 compared to \$281,468 in the same quarter of 2001, a decrease of \$44,588. Salaries and wages expense for the nine months ended September 30, 2002 was \$830,975 compared to \$807,392 for the corresponding period in 2001. The increase for the nine month period is due mainly to severance paid during the second quarter in 2002.

General and administrative costs totaled \$272,489 for the third quarter of 2002 and \$811,380 for the nine months ended September 30, 2002, compared to \$249,776 and \$677,032 in the comparable periods in 2001. The increase is attributable to an increase in insurance costs resulting from the addition of directors and officers liability insurance and errors and omissions insurance which were added in the latter part of 2001. In addition, rent costs increased at the end of June 2001 following a period of free occupancy costs under the lease.

No development costs were incurred in the third quarter of 2002 compared to \$226,125 in the same quarter of 2001. Year-to-date development costs decreased to \$78,252 from \$733,400 a year ago, as E-SOAP is now fully developed and commercial.

The Company is actively moving toward closing the acquisition and integration of Bitonic Solutions Inc. ("Bitonic"). It is estimated that the acquisition of Bitonic will close by December 15, 2002. Should the acquisition not occur, the Company would be billed for approximately \$88,000 of development time incurred by Bitonic staff on Solium's E-SOAP application during the quarter.

Cash on hand at September 30, 2002 was \$152,986. Working capital at September 30, 2002 was negative \$106,906. Subsequent to the quarter, the Company closed a private placement of 1,575,000 common shares for gross proceeds of \$315,000. In addition, the closing of the acquisition of Bitonic will result in further free cash and receivables, which will be available to fund ongoing operations of the Company. The Bitonic acquisition is still subject to the approval of the TSX Venture Exchange.



Brian Craig
President and Chief Executive Officer

November 21, 2002



Lynn Leong
Chief Financial Officer

CONSOLIDATED STATEMENT OF
LOSS AND DEFICIT

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>	<i>2001</i>	<i>September 30,</i>	<i>2001</i>
<i>(unaudited)</i>	2002		2002	
Revenue				
E-SOAP related services	120,170	60,943	323,409	65,279
Consulting services	24,563	–	111,080	–
	144,733	60,943	434,489	65,279
Expenses				
Salaries and wages	236,880	281,468	830,975	807,392
General and administrative	272,489	249,776	811,380	677,032
Development costs	–	226,125	78,252	733,400
Amortization	27,921	40,851	66,740	118,890
	537,290	798,220	1,787,347	2,336,714
Loss from continuing operations	392,557	737,277	1,352,858	2,271,435
Loss from discontinued operations	–	148,111	113,581	460,166
Net loss	392,557	885,388	1,466,439	2,731,601
Deficit, beginning of period	6,972,943	4,329,313	5,899,061	2,483,100
Deficit, end of period	7,365,500	5,214,701	7,365,500	5,214,701
Loss per share:				
From continuing operations	0.02	0.07	0.08	0.21
From discontinued operations	–	0.01	0.01	0.04
Net loss per share	0.02	0.08	0.09	0.25

CONSOLIDATED BALANCE SHEET

	<i>September 30,</i>	<i>December 31,</i>
	2002	2001
<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Current		
Cash	152,986	512,207
Accounts receivable	81,847	30,156
Loans receivable	41,832	72,361
Prepaid expenses	47,093	82,010
	323,758	696,734
Capital assets	289,576	171,539
	613,334	868,273
LIABILITIES		
Current		
Accounts payable and accrued liabilities	215,697	441,416
Deferred revenue	84,967	30,102
Promissory note	130,000	–
Refundable deposit	–	10,000
	430,664	481,518
SHAREHOLDERS' EQUITY		
Share capital	7,548,170	6,285,816
Deficit	(7,365,500)	(5,899,061)
	182,670	386,755
	613,334	868,273

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>	<i>2001</i>	<i>September 30,</i>	<i>2001</i>
<i>(unaudited)</i>	2002		2002	
Cash flows related to the following activities:				
Operating				
Net loss from continuing operations	(392,557)	(737,277)	(1,352,858)	(2,271,435)
Adjustment for amortization	27,921	40,851	66,740	118,890
Adjustment for non-cash expenses	–	–	43,029	–
	(364,636)	(696,426)	(1,243,089)	(2,152,545)
Changes in non-cash working capital	33,153	88,837	(58,017)	(119,238)
Loss from discontinued operations	–	(148,111)	(113,581)	(460,166)
	(331,483)	(755,700)	(1,414,687)	(2,731,949)
Financing				
Repayment of refundable deposit	–	–	(10,000)	–
Issuance of promissory notes	130,000	–	130,000	–
Issuance of convertible debentures	–	–	500,000	–
Issuance of common shares for cash, net of issue costs	(3,475)	(80,260)	354,854	1,973,427
	126,525	(80,260)	974,854	1,973,427
Investing				
Cash acquired on purchase of subsidiary, net of acquisition costs	–	–	58,353	–
Proceeds on sale of subsidiary	–	–	25,000	–
Purchase of capital assets, net of disposals	807	(16,617)	(2,741)	(76,751)
	807	(16,617)	80,612	(76,751)
Net decrease in cash	(204,151)	(852,577)	(359,221)	(835,273)
Cash, beginning of period	357,137	1,868,695	512,207	1,851,391
Cash, end of period	152,986	1,016,118	152,986	1,016,118

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS *(Unaudited)*

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Solum Capital Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. These interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements dated December 31, 2001. These interim financial statements should be read in conjunction with the Company's December 31, 2001 audited annual financial statements. Certain of the prior periods' comparative figures have been reclassified to conform to the current period's presentation.

2. FINANCIAL CONDITION

These consolidated financial statements have been prepared using the accounting principles applicable to a going concern, which assumes the Company will continue operations in the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business.

The Company's ability to continue as a going concern is principally dependent upon obtaining the necessary financing to fund ongoing activities, achieving successful sales of the Company's products and the establishment of profitable operations. If all going concern assumptions were not appropriate for these consolidated financial statements, adjustments would be necessary in the carrying value of assets and liabilities.

3. PROMISSORY NOTE

On September 24, 2002, the Company issued a promissory note in the amount of \$130,000 to a director of the Company. The note was non-interest bearing and has been repaid subsequent to September 30, 2002.

4. SHARE CAPITAL

On September 19, 2002, the Company converted \$500,000 of convertible debentures into 2,500,000 preferred shares at a deemed price of \$0.20 per share. The preferred shares are entitled to dividends on the same basis as any dividends that may be declared on common shares.

The preferred shares are redeemable by the Company at any time after the fifth anniversary of their issuance, at \$0.20 per preferred share. Upon redemption, the Company is required to pay to each holder, any accrued and unpaid dividends, and an accrued interest equivalent computed at a rate of return equal to 8% per annum for each \$0.20 of preferred share, compounded annually, from the issue date.

The preferred shares are also convertible, at the option of the holder, into common shares on a one-for-one basis in the first two years after the issue date; and thereafter at \$0.25 per common share in the third year, \$0.30 per common share in the fourth year, and \$0.35 in the fifth year after the issue date. Upon conversion, the Company is required to pay to each holder, any accrued and unpaid dividends.