

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and all other information included in this annual report are the responsibility of the Company's management. The 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. The financial information elsewhere in the annual report has been reviewed to ensure consistency with the consolidated 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 consolidated 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 auditing standards in Canada. Deloitte & Touche LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings. Their auditors' report is presented with the consolidated financial statements.



Brian Craig
President and Chief Executive Officer

May 6, 2004



Lynn Leong, CA
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Solium Capital Inc.:

We have audited the consolidated balance sheets of **Solium Capital Inc.** as at December 31, 2003 and 2002 and the consolidated statements of loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 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

*Calgary, Alberta
January 23, 2004*

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

<i>Years Ended December 31,</i>	2003 \$	2002 \$
Revenue		
E-SOAP related services	863,496	499,532
Consulting services	8,562	145,025
	872,058	644,557
Expenses		
Salaries and wages <i>(Note 12)</i>	1,388,908	1,069,255
General and administrative <i>(Note 13)</i>	793,043	1,208,476
Write-off of goodwill <i>(Note 4)</i>	188,047	-
Amortization	182,742	93,538
Debenture interest <i>(Note 10)</i>	100,000	-
Tax credit refunds <i>(Note 6)</i>	(262,182)	-
Development costs	-	78,252
	2,390,558	2,449,521
Loss from continuing operations	1,518,500	1,804,964
Loss from discontinued operations <i>(Note 7)</i>	-	113,581
Net loss	1,518,500	1,918,545
Deficit, beginning of year	7,817,606	5,899,061
Deficit, end of year	9,336,106	7,817,606
Loss per share		
From continuing operations	0.062	0.113
From discontinued operations	-	0.007
Net loss per share	0.062	0.120

See Notes to the Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

<i>As at December 31,</i>	2003 \$	2002 \$
Assets		
Current		
Cash	1,222,607	923,325
Accounts receivable	64,523	62,400
Loans receivable <i>(Note 8)</i>	–	35,404
Prepaid expenses	88,654	63,491
	1,375,784	1,084,620
Capital assets <i>(Note 9)</i>	263,503	235,419
	1,639,287	1,320,039
Liabilities		
Current		
Accounts payable and accrued liabilities	133,606	219,840
Deferred revenue	134,175	54,835
Demand debentures <i>(Note 10)</i>	1,000,000	1,000,000
	1,267,781	1,274,675
Shareholders' Equity		
Share capital <i>(Note 11)</i>	9,665,639	7,862,970
Contributed surplus <i>(Note 8 and 12)</i>	41,973	–
Deficit	(9,336,106)	(7,817,606)
	371,506	45,364
	1,639,287	1,320,039

See Notes to the Consolidated Financial Statements

APPROVED BY THE BOARD:



Michael Broadfoot
Director



Brian Craig
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2003 \$	2002 \$
Cash flows related to the following activities:		
Operating		
Loss from continuing operations	(1,518,500)	(1,804,964)
Adjustments for:		
Write-off of goodwill (Note 4)	188,047	–
Amortization	182,742	93,538
Stock-based compensation expense (Note 12)	29,762	–
Loss on sale of capital assets	24,250	18,396
Non-cash expenses	–	43,029
Loss on write-down of loan receivable	–	6,428
	(1,093,699)	(1,643,573)
Changes in non-cash working capital (Note 18)	(34,003)	(106,161)
	(1,127,702)	(1,749,734)
Loss from discontinued operations (Note 7)	–	(113,581)
	(1,127,702)	(1,863,315)
Financing		
Loan repayment received (Note 8)	29,471	–
Issuance of demand debentures	–	1,000,000
Issuance of common shares, net of issue costs	1,254,730	669,654
Issuance of preferred shares	–	500,000
Changes in non-cash working capital (Note 18)	34	6,135
	1,284,235	2,175,789
Investing		
Cash acquired on purchase of subsidiary, net of acquisition costs incurred (Note 4)	195,750	–
Cash acquired on purchase of subsidiary, net of acquisition costs incurred (Note 5)	–	58,353
Proceeds on sale of subsidiary (Note 7)	–	25,000
Purchase of capital assets	(71,394)	(7,263)
Proceeds on disposal of capital assets	23,940	13,486
Refundable deposit	–	(10,000)
Changes in non-cash working capital (Note 18)	(5,547)	19,068
	142,749	98,644
Net increase in cash	299,282	411,118
Cash, beginning of year	923,325	512,207
Cash, end of year	1,222,607	923,325

See Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2003 and 2002

1. DESCRIPTION OF BUSINESS

Solium Capital Inc. (the “Company” or “Solium”) was incorporated under the Business Corporations Act of Alberta. The consolidated financial statements include the accounts of the Company’s wholly-owned subsidiaries Stormworks Ltd. (“Stormworks”) and Bitonic Solutions Inc. (“Bitonic”). Effective December 31, 2003, Solium, Stormworks and Bitonic were amalgamated into Solium Capital Inc.

The Company has developed and markets a proprietary web-based solution, called E-SOAP, for the administration and management of employee stock option plans.

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.

Solium’s E-SOAP solution is early in its life cycle. The Company’s ability to continue as a going concern is principally dependent upon achieving sufficient sales of the Company’s products and thus establishing profitable operations and raising additional equity. These consolidated financial statements do not include any adjustments or disclosures that might result from the Company’s inability to continue as a going concern. If the going concern assumption is not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities and reported income and balance sheet classification.

Although Solium is achieving substantial presence in its marketplace, at this time it cannot be predicted or assumed with certainty whether Solium will establish profitable operations.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Capital assets

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

Furniture and office equipment	5 years
Computer equipment	3 years
Computer software	1 year
Intangibles	2 years
Leasehold improvements	Term of the lease
Trademarks	3 years

Intangibles consist of development libraries obtained through the acquisition of Bitonic (see Note 4).

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax liabilities and assets are recorded based on temporary differences between the carrying amounts of assets and liabilities on the consolidated balance sheet and their tax bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Revenue recognition

The Company derives revenues from corporate solutions for the administration of employee stock option plans on E-SOAP. Corporate license fees are recognized monthly as they are earned over the term of the contract with the client. Corporate implementation fees are deferred and recognized monthly over the term of the contract. Participant fees are recognized as stock options are exercised through E-SOAP.

The Company also derives revenues from consulting services. These revenues are recognized as the services are provided.

Research and development costs

Research costs are expensed as incurred. Development costs are also expensed unless they meet specific criteria under Canadian generally accepted accounting principles, in which case they are deferred to be matched against future revenues.

Investment tax credits are recognized as a decrease to expenses in the year of receipt.

Stock-based compensation plan

The Company has a stock-based compensation plan which is described in Note 12. Effective January 1, 2002, the Company adopted the standards of Section 3870 of the CICA Handbook, Stock-Based Compensation and Other Stock-Based Payments. Effective January 1, 2003, the Company adopted the fair value based method of accounting for stock options in accordance with the standards of Section 3870. Compensation expense is recognized on a straight-line basis over the vesting period of the stock options.

The Company has chosen prospective application of the fair value based method, and accordingly, the results of prior years have not been restated. For stock options granted prior to January 1, 2003, no compensation expense has been recognized by Solium at the time of grant.

Financial instruments

The Company's accounts receivable, loans receivable, accounts payable and accrued liabilities, and demand debentures constitute financial instruments. Based on available market information, the carrying value of the Company's financial instruments approximates their fair value at December 31, 2003 and 2002.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. ACQUISITION OF BITONIC

Effective February 27, 2003, the Company acquired all of the issued and outstanding shares of Bitonic, the company which had been responsible for the outsourced development of E-SOAP since the inception of the Company. Bitonic was acquired for 2,830,415 common shares of the Company, priced at \$0.20 per share, for a purchase price of \$566,083.

The acquisition of Bitonic was initiated by the management of Solium in order to internalize the development of the Company's products, which will significantly reduce the cost of ongoing development of the Company's current and future products.

Prior to the acquisition, Bitonic was substantially owned by a Director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Solium obtained the following net assets when Bitonic was acquired:

	\$
Net current liabilities, excluding cash	(5,336)
Capital assets	187,622
Goodwill	188,047
	370,333
Cash acquired	222,205
Net assets acquired	592,538
Consideration:	
Common shares issued	566,083
Acquisition costs incurred	26,455
	592,538

The Letter of Intent (“LOI”) for the Bitonic acquisition was signed on June 21, 2002. At that time, the value of the acquisition was determined based primarily upon the book value of the net assets on Bitonic’s balance sheet. The acquisition did not close until February 27, 2003. During the intervening period, Solium and Bitonic operated under the assumption that the acquisition would close. As a result, certain Bitonic employees were assigned to work exclusively on Solium projects with the associated salaries continuing to be paid out of Bitonic. Consequently, during this period, Bitonic’s cash resources were decreased by the amount of these salaries thereby decreasing the net assets ultimately available to Solium on the closing date of the transaction. As a result of this decrease to the net assets, the total purchase price of \$592,538 that was determined under the LOI exceeded the net assets acquired at February 27, 2003 by \$188,047. This amount has been shown as goodwill in the table above.

Upon closing the Bitonic acquisition, the Company made the decision to focus all of Bitonic’s development staff on Solium’s internal development projects. As a result, Bitonic’s external contracts were wound down. Based on this decision, the goodwill of \$188,047 associated with the purchase of the Bitonic business was written off.

5. ACQUISITION OF STORMWORKS

Effective May 1, 2002, the Company acquired all of the issued and outstanding shares of Stormworks, a company providing e-commerce consulting services. Stormworks was acquired for 1,975,000 common shares of the Company, priced at \$0.20 per share, for a purchase price of \$395,000.

The acquisition of Stormworks was initiated by the management of Solium in order to achieve a restructuring of the Company. The acquisition was consummated in conjunction with a private placement (see Note 11(e)).

As part of the Stormworks acquisition and concurrent private placement, and as consideration for the subject restructuring, the Company issued 1,250,000 detachable warrants to the key principals of Stormworks. Each warrant entitled the holder thereof the right to purchase one Solium common share at \$0.25 per share for a period of three years (see Note 11(f)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Solium obtained the following net assets when Stormworks was acquired:

	\$
Net current assets, excluding cash	154,610
Capital assets	182,037
	336,647
Cash acquired	68,052
Net assets acquired	404,699
Consideration:	
Common shares issued	395,000
Acquisition costs incurred	9,699
	404,699

6. TAX CREDIT REFUNDS

The Company made a claim for the refund of investment tax credits ("ITCs") associated with scientific research and development performed in the year 2000. During the first quarter of 2003, the Company's claim was approved by Canada Customs and Revenue Agency ("CCRA") in the amount of \$322,740. Professional fees of \$103,816 associated with the successful filing of the claim have been offset against the refund, resulting in net proceeds of \$218,924 to the Company.

Bitonic made a claim for the refund of ITCs associated with scientific research and development performed in the year 2001. During the fourth quarter of 2003, Bitonic's claim was approved by CCRA and proceeds in the amount of \$43,258 were received.

7. DISCONTINUED OPERATIONS

At December 31, 2001, the Company's Board of Directors made the decision to dispose of its online financial services (brokerage) business, which was operating in a wholly-owned subsidiary, Solium Capital Online Inc. ("Online"). Effective March 28, 2002, the Company disposed of all of the issued and outstanding shares of Online to Tristone Capital Advisors Inc. for net proceeds of \$25,000.

Additional details relating to the discontinued operations of Online were as follows:

	2003 \$	2002 \$
Revenue	–	33,177
Operating loss	–	113,581
Loss on disposal	–	–
Loss from discontinued operations	–	113,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. LOANS RECEIVABLE

During the year, the Company received full repayment of a loan balance in the amount of \$29,471 which was due from a former officer of the Company.

During the year, the Company cancelled 49,440 common shares previously held as security on a loan balance in the amount of \$5,933 due from a second former officer of the Company. Share capital was decreased by \$18,144 to reflect the value of the 49,440 common shares at their average recorded per-share amount at the time of cancellation (see Note 11). Correspondingly, the loan balance of \$5,933 was decreased to nil, and the residual of \$12,211 was reflected as contributed surplus.

At present, the Company does not envision providing loans to any officers, employees or Directors in the future.

9. CAPITAL ASSETS

	2003		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computer equipment	191,729	123,056	68,673
Furniture and office equipment	188,270	115,220	73,050
Intangibles	175,000	72,917	102,083
Computer software	124,534	123,582	952
Leasehold improvements	30,259	11,514	18,745
Trademarks	2,823	2,823	–
	712,615	449,112	263,503
	2002		
Furniture and office equipment	224,239	81,550	142,689
Computer equipment	119,182	64,286	54,896
Computer software	120,320	107,770	12,550
Leasehold improvements	30,259	5,462	24,797
Trademarks	2,823	2,336	487
	496,823	261,404	235,419

10. DEMAND DEBENTURES

In December 2002, the Company issued two \$500,000 debentures to a current Director and a former Director of the Company. Both individuals are current shareholders of the Company. The debentures were issued to provide the Company with general working capital, and to facilitate the execution of its business plan. During the year, an aggregate of \$100,000 of interest expense was incurred on the debentures, of which \$25,000 remained payable at December 31, 2003.

	2003 \$	2002 \$
Demand debentures; issued December 2002; with annual interest at 10% payable quarterly; secured and supported by a fixed and floating charge covering all of the present and after-acquired assets, undertakings and property of the Company; non-convertible; the loan principle or a portion thereof may be paid back by the Company at any time without penalty.	1,000,000	1,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

11. SHARE CAPITAL

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

	Number of Shares	Amount \$
Issued – common shares		
Balance, December 31, 2001	13,255,338	6,285,816
Issued through private placement (Note 11(c))	1,575,000	315,000
Issued through private placement (Note 11(e))	1,850,000	370,000
Issued on acquisition of Stormworks (Note 11(f))	1,975,000	395,000
Issued in payment of liability (Note 11(g))	125,000	12,500
Share issue costs	–	(15,346)
Balance, December 31, 2002	18,780,338	7,362,970
Issued through private placement (Note 11(a))	1,287,500	515,000
Issued on acquisition of Bitonic (Note 11(b))	2,830,415	566,083
Issued on exercise of warrants (Note 11(e) and (f))	2,600,000	650,000
Issued on exercise of stock options (Note 12)	384,528	96,132
Cancelled as repayment of loan receivable (Note 8)	(49,440)	(18,144)
Share issue costs	–	(6,402)
Balance, December 31, 2003	25,833,341	9,165,639
Issued – preferred shares		
Issued on conversion of debentures (Note 11(d))	2,500,000	500,000
Total share capital	28,333,341	9,665,639
Common shares – fully diluted		
Balance, December 31, 2003	25,833,341	9,165,639
Preferred shares convertible on one to one basis (Note 11(d))	2,500,000	500,000
Stock options outstanding (Note 12)	2,306,871	621,251
Total common shares – fully diluted	30,640,212	10,286,890

- a) On September 30, 2003 and October 1, 2003, the Company closed two tranches of a private placement, issuing 1,287,500 common shares at \$0.40 per share for gross proceeds of \$515,000.
- b) Effective February 27, 2003, the Company issued 2,830,415 common shares as payment for the acquisition of Bitonic (see Note 4).
- c) On October 16, 2002, the Company closed a \$315,000 private placement of 1,575,000 common shares issued at \$0.20 per share. The private placement was part of the financial restructuring of the Company initiated in May 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- d) On September 19, 2002, the Company converted \$500,000 of convertible debentures, which had been issued on May 23, 2002, into 2,500,000 preferred shares at a deemed price of \$0.20 per share. The demand convertible debentures were part of the financial restructuring of the Company in May 2002. 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 May 23, 2007, at \$0.20 per 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 into common shares at the option of the holder. They are convertible on a one-for-one basis in the first two years after the issue date, and thereafter at a ratio of four common shares for five preferred shares (equivalent to \$0.25 per common share) in the third year, two common shares for three preferred shares (equivalent to \$0.30 per common share) in the fourth year, and four common shares for seven preferred shares (equivalent to \$0.35 per common share) in the fifth year after the issue date. Upon conversion, the Company is required to pay to each holder, any accrued and unpaid dividends.

- e) On May 23, 2002, the Company issued 1,850,000 common shares at a price of \$0.20 per share by way of a private placement for gross proceeds of \$370,000. This private placement was in conjunction with the acquisition of Stormworks (see Note 5 and Note 11(f)) and the associated financial restructuring of the Company. In addition, 1,350,000 detachable warrants were issued in conjunction with 1,350,000 of the common shares issued pursuant to the private placement. Each warrant entitled the holder to the right to purchase one common share at \$0.25 per share for a period of three years. These warrants were issued as consideration as part of the foregoing private placement. On September 25, 2003, the 1,350,000 warrants were exercised in full for proceeds of \$337,500.
- f) Effective May 1, 2002, the Company issued 1,975,000 common shares as payment for the acquisition of Stormworks (see Note 5). This acquisition was in conjunction with the private placement described above (see Note 11(e)) and the associated financial restructuring of the Company. In addition, 1,250,000 detachable warrants were issued in conjunction with 1,250,000 of the common shares issued pursuant to the acquisition. Each warrant entitled the holder to the right to purchase one common share at \$0.25 per share for a period of three years. These warrants were issued to the key Stormworks principals as consideration for restructuring the Company. On September 25, 2003, the 1,250,000 warrants were exercised in full for proceeds of \$312,500.
- g) Effective March 26, 2002, the Company issued 125,000 common shares as part of a severance arrangement of a former employee. The transaction was recorded at \$0.10 per common share, being the fair value of the shares at the time of issuance.

Escrowed shares

At December 31, 2003, 257,250 (December 31, 2002 – 771,750) issued and outstanding common shares are subject to an escrow agreement dated May 10, 2001. Pursuant to the escrow agreement, these common shares are to be released on November 11, 2004.

At December 31, 2003, 291,666 issued and outstanding common shares are subject to an escrow agreement dated February 27, 2003 in connection with the acquisition of Bitonic (see Note 4). Pursuant to the escrow agreement, these common shares are to be released on December 1, 2004 subject to certain criteria associated with the retention of certain Bitonic employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. STOCK-BASED COMPENSATION

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 a total of 3,241,613 without additional shareholder approval. Options expire in five years from the date of grant and generally vest in equal proportions over the first three years of the term.

Effective January 1, 2002, the Company adopted the standards of Section 3870 of the CICA Handbook, Stock-Based Compensation and Other Stock-Based Payments. Effective January 1, 2003, the Company adopted the fair value based method of accounting for stock options in accordance with the standards of Section 3870. The Company has chosen prospective application of the fair value based method.

In accordance with the provisions of Section 3870, \$29,762 was recorded as total stock-based compensation expense and charged to contributed surplus for the year ended December 31, 2003.

The following table illustrates the pro-forma effect on net loss and loss per share if the fair value method had also been applied to all stock options granted in 2002.

	2003 \$	2002 \$
Net loss, as reported	1,518,500	1,918,545
Total additional stock-based compensation expense determined under fair value method	51,600	22,051
Pro-forma net loss	1,570,100	1,940,596
Pro-forma basic loss per share	0.064	0.122

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:

	2003	2002
Weighted-average fair value (per share) of options granted	\$ 0.2047	\$ 0.1168
Dividend yield	0%	0%
Expected volatility	200%	116%
Risk-free interest rate	3.33%	4.00%
Expected life	3 years	3 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The following table summarizes the stock option activity with respect to all of the Company's stock options for the years ended December 31, 2003 and 2002:

	Number of Options \$	Weighted Average Exercise Price \$
Outstanding options		
Outstanding, December 31, 2001	1,333,667	0.60
Granted	1,416,452	0.25
Cancelled	(479,000)	0.80
Outstanding, December 31, 2002	2,271,119	0.34
Granted	1,070,059	0.28
Exercised	(384,528)	0.25
Forfeited	(639,779)	0.53
Expired	(10,000)	1.00
Outstanding, December 31, 2003	2,306,871	0.27
Vested options		
Vested options, December 31, 2001	597,898	0.66
Vested during the year	423,551	0.44
Forfeited	(218,337)	0.95
Vested options, December 31, 2002	803,112	0.46
Vested during the year	523,714	0.31
Exercised	(384,528)	0.25
Forfeited	(372,171)	0.74
Expired	(10,000)	1.00
Vested options, December 31, 2003	560,127	0.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The following table summarizes additional information relating to stock options outstanding and vested as at December 31, 2003 and 2002:

2003				
Exercise Price \$	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Exercise Price \$
0.25	1,942,204	44 months	545,460	0.25
0.35	350,000	58 months	—	—
0.90	14,667	25 months	14,667	0.90
	<u>2,306,871</u>	<u>46 months</u>	<u>560,127</u>	<u>0.27</u>
2002				
0.25	1,981,452	50 months	551,667	0.25
0.90	179,667	29 months	174,778	0.90
1.00	100,000	42 months	76,667	1.00
	<u>2,271,119</u>	<u>48 months</u>	<u>803,112</u>	<u>0.46</u>

13. GENERAL AND ADMINISTRATIVE EXPENSE

The major components of general and administrative expense are as follows:

	2003 \$	2002 \$
Rent and occupancy	194,752	307,070
Data feeds	176,765	316,016
IT systems	94,254	118,340
Sales	84,602	49,137
Professional and legal fees	72,602	118,141
Other	218,381	302,922
Operating interest revenue	(48,313)	(3,150)
	<u>793,043</u>	<u>1,208,476</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. INCOME TAXES

The Company has non-capital losses carried forward for tax purposes which will begin to expire in 2006. Losses carried forward are approximately as follows:

Expiry	\$
2006	30,000
2007	1,100,000
2008	2,800,000
2009	1,700,000
2010	1,700,000
	7,330,000

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

The Company has approximately \$600,000 in a research and development expenditures pool available to offset future business income.

The benefit of these tax losses has not been recognized in the financial statements.

15. RELATED PARTY TRANSACTIONS

One of the demand debentures outstanding as at December 31, 2003 of \$500,000 is due to a Director of the Company. The second demand debenture of \$500,000 outstanding as at December 31, 2003 is due to the spouse of the President and Chief Executive Officer and a Director of the Company. Both holders of the debentures are also current shareholders of the Company. The debentures were issued to provide the Company with general working capital, and to facilitate the execution of its business plan.

During the year ended December 31, 2003, the Company utilized legal services totaling \$46,442 (2002 – \$30,951), plus applicable taxes, which were provided by a firm with which a Director of the Company is employed. At December 31, 2003, \$6,169 (2002 – \$31,184) remained payable, inclusive of applicable taxes.

Effective February 27, 2003, the Company acquired all of the issued and outstanding shares of Bitonic (see Note 4). The former President and Chief Executive Officer of Bitonic is the Chief Technology Officer and a Director of the Company. Solium initiated the acquisition of Bitonic in order to internalize the development of and the intellectual capital associated with the Company's products. During the year ended December 31, 2002, the Company incurred \$77,799 in third party development fees from Bitonic. The acquisition was recorded at the exchange amount, which was fair market value.

Effective May 1, 2002, the Company acquired all of the issued and outstanding shares of Stormworks (see Note 5). Prior to the acquisition, Stormworks was substantially owned by a Director of the Company. The acquisition of Stormworks was initiated by the management of Solium in order to achieve a restructuring of the Company. The transaction was recorded at the exchange amount, which was fair market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. CONTINGENCIES AND COMMITMENTS

Operating leases

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

	\$
2004	115,736
2005	109,603
2006	78,936
2007	13,156
	317,431

17. 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 consolidated financial statements with respect to these indemnification guarantees.

18. CHANGES IN NON-CASH WORKING CAPITAL

	2003 \$	2002 \$
(Increase) decrease in accounts receivable	(2,123)	194,133
(Increase) decrease in prepaid expenses	(25,163)	30,109
Increase in interest payable	25,000	-
Decrease in accounts payable	(111,057)	(355,136)
Increase in deferred revenue	79,340	24,733
Changes in non-cash operating working capital	(34,003)	(106,161)
Increase in accounts payable	34	6,135
Changes in non-cash financing working capital	34	6,135
(Decrease) increase in accounts payable	(5,547)	19,068
Changes in non-cash investing working capital	(5,547)	19,068
Total changes in non-cash working capital	(39,516)	(80,958)