

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Solium Capital Inc. should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes. The Consolidated Financial Statements and comparative information have been prepared in accordance with Canadian generally accepted accounting principles. This MD&A is dated as of May 6, 2004.

Special Note Regarding Forward-Looking Statements

Certain statements in this MD&A constitute forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: sources of revenue; the sufficiency of cash and working capital for future operations; the timing for completion of various development projects including, without limitation, the launch of the Company's second product, Share Purchase; the revenue potential with respect to the strategic alliance with The Great-West Life Assurance Company's affiliate, GRS Securities Inc. ("GRS Securities"); the Company's projected capital expenditure levels; and, the Company's expected changes to staffing levels.

Readers are cautioned that there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. The forward-looking statements are based on Solium's current expectations and assumptions, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks include, among others, general business and economic conditions, the overall stock market performance, actions from competitors, the corporate governance environment and regulatory reporting requirements for Solium's clients, 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.

Financial Highlights

	2003	2002	2001
Total revenues	\$ 872,058	\$ 644,557	\$ 185,547
Loss before discontinued operations	\$ 1,518,500	\$ 1,804,964	\$ 2,788,616
Per share – basic and fully diluted	\$ 0.062	\$ 0.113	\$ 0.256
Net loss	\$ 1,518,500	\$ 1,918,545	\$ 3,415,961
Per share – basic and fully diluted	\$ 0.062	\$ 0.120	\$ 0.314
Total assets	\$ 1,639,287	\$ 1,320,039	\$ 868,273
Total long-term financial liabilities	\$ Nil	\$ Nil	\$ Nil
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

The financial position and annual results in 2003, 2002 and 2001 reflect the impact of the following major factors:

- Participants enrolled in E-SOAP, the Company's employee stock option plan solution, grew 72% between 2001 to 2002, and 65% between 2002 to 2003.
- The online brokerage business previously operated by Solium Capital Online Inc. ("Online") was sold in March 2002. The disposition of Online was a critical step in the Company being able to focus on its core business of providing share entitlement administration programs. This disposition freed the Company from (1) ongoing losses (\$627,345 in 2001 and \$113,581 in 2002) associated with a business model that was failing; and (2) the significant capital and regulatory requirements of operating a brokerage business. Following this disposition, Online continued until mid-2002 to provide brokerage services as part of Solium's E-SOAP solution, at which time Solium developed a partnership with HSBC InvestDirect, a division of HSBC Securities (Canada) Inc. (previously known as Merrill Lynch HSBC Canada Inc.). The HSBC group of companies is one of the world's largest banking and financial services organizations.
- The Company acquired Stormworks Ltd. ("Stormworks") in May 2002. The acquisition of Stormworks, an e-commerce consulting firm, resulted in the addition of key management, marketing and development skills to the Company. Net assets of \$404,699 were added to Solium's balance sheet upon the acquisition of Stormworks. Stormworks contributed \$140,000 of consulting revenue to the Company in 2002, prior to the winding down of its consulting contracts as planned in July of that year. Following this date, Stormworks' staff were refocused onto Solium's business plan.
- In conjunction with and following the acquisition of Stormworks, several equity and debt financings totaling \$2,185,000 occurred in 2002, which consisted of issuances of common shares for gross proceeds of \$685,000, preferred shares for gross proceeds of \$500,000, and demand debentures for gross proceeds of \$1,000,000. Further equity financings for gross proceeds of \$1,165,000 occurred in 2003. The financings significantly strengthened the asset and working capital positions of the Company.
- The Company signed a Letter of Intent ("LOI") in June 2002 to acquire Bitonic Solutions Inc. ("Bitonic"). This acquisition closed in February 2003. Net assets of \$592,538 were added to Solium's balance sheet upon closing the acquisition. Bitonic had been responsible for the outsourced development of E-SOAP since the inception of the Company. This acquisition was initiated in order to internalize the development of the Company's products, thereby significantly reducing the ongoing development costs of such products. Third party development costs totaled approximately \$800,000 in 2001. These costs were substantially greater than the annualized development-related salaries of approximately \$500,000 at the end of 2003.
- In the fourth quarter of 2002, the Company revised its revenue model by charging an administrative fee to participants for each stock option exercise processed through E-SOAP ("exercise fees"). This source of revenue became significant in 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

- The Company has had an ongoing focus on minimizing the cost structure of the business and the associated cash burn wherever possible and practical. In addition to the savings from decreased development costs as explained above, major cost savings were achieved through the renegotiation of data feed contracts resulting in more than a \$15,000 decrease to monthly data feed costs commencing in the second quarter of 2003 (\$180,000 on an annualized basis). Significant decreases to general and administrative costs such as rent and professional fees have also contributed to a year-over-year decrease in expenses.
- In order to accelerate the development of the Share Purchase platform and meet the targets associated with the GRS Securities alliance, the Company increased its development staff by three individuals in the third and fourth quarters of 2003. These staff additions are expected to be permanent in order to support ongoing development of the Company's products.

Quarterly results for 2003 and 2002

	2003				2002			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
E-SOAP participants	20,294	13,677	10,974	13,255	12,300	11,254	7,281	7,859
Revenues ⁽¹⁾	\$ 252,329	\$ 201,187	\$ 200,577	\$ 217,965	\$ 210,737	\$ 144,733	\$ 177,559	\$ 111,528
Expenses ⁽¹⁾⁽²⁾	\$ 630,461	\$ 608,428	\$ 603,947	\$ 547,722	\$ 650,342	\$ 537,290	\$ 788,430	\$ 473,459
Loss before discontinued operations ⁽²⁾	\$ 378,132	\$ 407,241	\$ 403,370	\$ 329,757	\$ 439,605	\$ 392,557	\$ 610,871	\$ 361,931
Per share – basic and fully diluted	\$ 0.015	\$ 0.019	\$ 0.019	\$ 0.017	\$ 0.024	\$ 0.023	\$ 0.041	\$ 0.027
Net loss ⁽²⁾	\$ 378,132	\$ 407,241	\$ 403,370	\$ 329,757	\$ 439,605	\$ 392,557	\$ 610,871	\$ 475,512
Per share – basic and fully diluted	\$ 0.015	\$ 0.019	\$ 0.019	\$ 0.017	\$ 0.024	\$ 0.023	\$ 0.041	\$ 0.036

⁽¹⁾ A tax credit refund of \$229,555 previously reported as other revenue in the first quarter of 2003 has been reclassified to offset expenses in order to conform to the year-end financial statement presentation.

⁽²⁾ In accordance with new standards issued by the CICA in December 2003, the Company adopted the fair value based method of accounting for stock options. In accordance with the prospective treatment allowable under these new standards, \$29,762 was recorded as an expense in the fourth quarter of 2003. Quarterly results shown in the above table have been restated from those previously reported in interim reports to shareholders as a result of allocating this expense to the appropriate quarters in 2003. \$496, \$6,431, \$7,599 and \$15,236 have been added to expenses and net loss of the first, second, third and fourth quarters of 2003, respectively.

Quarterly results in 2003, as compared to the same periods in 2002, reflect: a) the impact of revenue from increased participants enrolled on the E-SOAP system and the introduction of exercise fees in late 2002; and, b) the impact on costs associated with the addition of staff through the acquisitions of Stormworks in May 2002 and Bitonic in February 2003, and the increase in development staff in late 2003, which are offset by the general reduction of other operating expenses.

Results from Operations – Comparison of Fiscal Year 2003 to 2002

Revenue

Gross revenue from E-SOAP services in 2003 was \$863,496, an increase of \$363,964 or 73% from \$499,532 in 2002. This increase is attributable to (1) increased license fees through the growth of the Company's client base; and (2) a full twelve months of exercise fees applicable to 2003.

Corporate license and implementation fees for E-SOAP totaled \$719,526 in 2003 compared to \$477,127 in 2002. The Company ended 2003 with 20,294 participants generating revenue on E-SOAP. This represents a growth of 65% from the 12,300 enrolled as at December 31, 2002. During 2003, seven new corporate clients were activated onto E-SOAP through direct sales, and one new client was added in the fourth quarter through the relationship with GRS Securities. (See Business Prospects and Outlook for a description of the arrangement with GRS Securities.) At the end of 2003, the Company's direct client list included:

- Adeptron Technologies Corp.
- Big Rock Brewery
- Cott Corporation
- CSI Wireless Inc.
- Domtar Inc.
- Enbridge Inc.
- EnCana Corporation
- Enerflex Systems Ltd.
- Esprit Exploration
(formerly Canadian 88 Energy Corp.)
- EXFO Inc.
- Flint Energy Services Ltd.
- Fording Canadian Coal Trust
- MDS Inc.
- Microcell Telecommunications
- Mitec Telecom
- Molson Inc.
- Olympia Energy Inc.
- Pason Systems Inc.
- Shell Canada Limited
- Suncor Energy Inc.
- SR Telecom Inc.
- Talisman Energy Inc.
- Telesystem International Wireless
- Thunder Energy Inc.
- TransAlta Corporation

2003 was the first full year that exercise fees were charged to E-SOAP participants. These exercise fees totaled \$143,970 in 2003 compared to \$22,405 in 2002.

Consulting services revenue totaled \$8,562 in 2003 compared to \$145,025 in 2002. The decrease is due to the winding down of consulting contracts in Stormworks.

Expenses

Salaries and wages expense for 2003 was \$1,388,908 compared to \$1,069,255 in 2002. Included in the expense for 2003 was \$29,762 of stock option expense. The Company adopted the fair value based method of accounting for stock options in accordance with the CICA Handbook, Stock-Based Compensation and Other Stock-Based Payments. This treatment has been adopted prospectively, with an expense recognized only for options granted on or after January 1, 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

The Company had an employee base of 22 people at the end of 2003 compared to 14 people at the end of 2002. This increase in staff is mainly attributable to the integration of personnel from Bitonic. The increase to salaries and wages expense in 2003 resulting from the acquisition of Bitonic was somewhat offset by a decrease to severance expenses which were incurred in the second quarter of 2002 and did not reoccur in 2003. In the third and fourth quarters of 2003, the Company added three individuals to its development team to aggressively pursue development of the new Share Purchase platform in anticipation of launching this product in the first quarter of 2004 in accordance with the strategic alliance with GRS Securities.

General and administrative costs totaled \$793,043 in 2003 compared to \$1,208,476 in 2002. The decrease is mainly a result of decreases to recurring data feed costs of \$140,000, rent costs of \$112,000, systems and operating costs associated with Stormworks of \$53,000, professional and legal fees of \$45,500, and regulatory costs of \$20,000; and an increase in bank interest revenue of \$45,000. These decreases to expense were offset by an increase of approximately \$35,000 in travel costs incurred mainly in the third quarter relating to increased sales activity in Eastern Canada and work on the strategic alliance with GRS Securities in Ontario.

Amortization expense was \$182,742 in 2003 compared to \$93,538 in 2002. The increase is a result of the amortization of capital assets added through the acquisition of Bitonic.

\$100,000 in debenture interest was incurred in 2003 on the \$1,000,000 of demand debentures that were issued at the end of 2002.

In the year ended December 31, 2003, \$188,047 of expense was incurred through the write-off of goodwill associated with the acquisition of Bitonic. The goodwill arose due to a delay between signing the LOI and closing the acquisition resulting in the net asset value of Bitonic being lower than the agreed upon purchase price by \$188,047. This reduction of \$188,047 in net asset value was economically offset by approximately \$185,000 of salaries incurred by Bitonic during the intervening period, that would have been incurred by Solium if the acquisition had closed immediately. For accounting purposes, the \$188,047 was recorded as goodwill. The goodwill was subsequently written off, as the Company made the decision to wind down all of Bitonic's external contracts and focus all of Bitonic's employees on Solium's internal development projects.

During 2003, the Company recorded \$262,182 in tax credit refunds relating to scientific research and development performed by the Company in 2000 and by Bitonic in 2001.

Development costs of \$78,252 incurred in 2002 did not reoccur as a result of the acquisition of Bitonic.

Net Financial Results

The net loss for the year ended December 31, 2003 was \$1,518,500 compared to a net loss of \$1,918,545 in 2002. The improvements to the financial results are attributable to the factors described herein.

Financial Condition, Liquidity and Capital Resources

During the third quarter of 2003, 2,600,000 share purchase warrants were exercised by certain Directors of the Company into 2,600,000 common shares at a price of \$0.25 per share. In addition, the Company closed a private placement, issuing 1,287,500 common shares at \$0.40 per share for gross proceeds of \$515,000. \$96,132 was also raised through the exercise of stock options in the third and fourth quarters.

As a result of the issuance of capital during the year, cash on hand as at December 31, 2003 was \$1,222,607. Management believes that the Company has sufficient cash to meet all current and expected financial requirements during the 2004 fiscal year. Working capital as at December 31, 2003 was \$108,003 with the inclusion of the demand debentures in current liabilities. However, it is anticipated that these debentures will not be repaid until the Company becomes profitable even though the holders of the debentures are entitled to require payment on demand of the outstanding principal and interest. It is expected that cash and working capital will be significantly improved due to the additional revenues from the arrangement with GRS Securities (see Business Prospects and Outlook section for further explanation).

Transactions with Related Parties

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 in 2002 to provide the Company with general working capital, and to facilitate the execution of its business plan. The debentures are non-convertible, carry an interest rate of 10% per annum, and can be repaid by the Company at any time without penalty.

Effective February 27, 2003, the Company acquired all of the issued and outstanding shares of Bitonic. 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. The acquisition was recorded at fair market value. During the year ended December 31, 2002, the Company incurred \$77,799 in third party development fees from Bitonic.

Effective May 1, 2002, the Company acquired all of the issued and outstanding shares of Stormworks. 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 fair market value.

Business Prospects and Outlook

Development Activities

The acquisition of Bitonic has solidified the application development area of Solium's business. Bitonic's extensive knowledge of the E-SOAP and Share Purchase platforms has strengthened Solium's ability to rapidly implement new functionality and product enhancements. This rapid development is critical to Solium's continued success and strategy to quickly penetrate the Canadian marketplace as it relates to employee share entitlement administration.

Changing Market Conditions in Share Entitlements Industry

With the introduction of new accounting rules making the expensing of stock-based compensation costs in Canada mandatory for fiscal years starting January 1, 2004, it is expected that E-SOAP will benefit from an increased urgency amongst companies who will find the complex logistics of the expense calculations too onerous to handle through traditional methods.

On the other hand, as requirements associated with stock options have become increasingly more complex, the Company has seen an increased usage in the market of alternative stock compensation arrangements. In response to these market conditions, the Company made enhancements to E-SOAP in 2003 to allow for the administration of stock appreciation rights ("SARs"), tandem SARs and cash units. The Company also began its development of a module with share unit functionality during the year, which will enable E-SOAP to manage client needs related to restricted stock units, performance units and deferred stock units. It is expected that this module will be completed in the second quarter of 2004.

Strategic Alliance with GRS Securities Inc.

During the fourth quarter of 2003, Solium finalized a strategic alliance with GRS Securities. Under the arrangement, GRS Securities will utilize Solium's E-SOAP and new Share Purchase platforms as part of its service delivery to clients in Canada. Under a revenue sharing model, Solium's minimum share of revenue from this arrangement is expected to be approximately \$1.6 million in the first year of operations. This \$1.6 million is lower than the amount previously anticipated and communicated to shareholders (press release dated October 23, 2003), and reflects revenue adjustments attributable to extraordinary service delivery charges which have since been further defined. These extraordinary service delivery charges are being incurred by GRS Securities in 2004, until such time that GRS Securities completely transitions off of its previous system provider onto the Solium system. Solium's minimum expected share of revenue has in turn been reduced to reflect the fact that Solium has agreed to share in a portion of these short-term extraordinary service delivery charges.

Full migration of GRS Securities' corporate clients onto Solium's Share Purchase platform occurred during the first four months of 2004. In preparation for this, in the third quarter of 2003, the Company began working aggressively towards completing the development of this new platform, resulting in an increase in staff and associated salary expenses. It is expected that incremental capital expenditures of up to \$100,000 will be incurred in the first half of 2004, as computer hardware is added to strengthen systems to accommodate the influx of new clients from this relationship.

The Company will continue to market its products and service its clients on a direct basis, in addition to supporting the business activities of GRS Securities.

Share Purchase Platform

The Company estimates that, in Canada, the share purchase and group savings industry is substantially larger than the options industry. Solium is positioned to capitalize on this market with the introduction in February 2004 of the new Solium Share Purchase platform. The share purchase industry has not seen changes for many years, with suppliers still providing their services using traditional paper-based manual processes. Solium's new Share Purchase platform offers a shift in the administration of share purchase plans to real-time, automated, web-based systems.

Solium intends to aggressively pursue this market over the next year, with the GRS Securities relationship providing the first complement of clients to be implemented. The Company expects to secure its first direct sales customers for the Share Purchase platform over the next few months with a planned implementation for mid-2004. It is expected that additional staff will need to be hired in mid-2004 in the areas of sales and customer service to expand and, in turn, support the new share purchase business of the Company.

Geographic Expansion

Once Solium has reached a satisfactory level of financial stability, which management expects to achieve during the second half of 2004, the Company intends to expand geographically, first to the United States, and then to the United Kingdom. The Company's plans and strategies for the US expansion are being developed in 2004.

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 25,855,512 common shares and 2,500,000 preferred shares outstanding.

Employees, directors, officers and consultants have been granted options to purchase common shares under a stock option plan. As at the date of this MD&A, there were 2,198,098 options outstanding.