

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Solium Capital Inc. ("Solium" or the "Company") should be read in conjunction with the unaudited Financial Statements and accompanying notes, and the MD&A included in the Company's 2003 Annual Report. The Financial Statements and comparative information have been prepared in accordance with Canadian generally accepted accounting principles. This MD&A is dated as of May 21, 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; the revenue potential with respect to the strategic alliance with 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.

Summary of Quarterly Results

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

	2004	2003				2002		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
E-SOAP participants	22,305	20,294	13,677	10,974	13,255	12,300	11,254	7,281
Revenues	\$ 395,561	\$ 252,329	\$ 201,187	\$ 200,577	\$ 217,965	\$ 210,737	\$ 144,733	\$ 177,559
Expenses	\$ 611,674	\$ 630,461	\$ 608,428	\$ 603,947	\$ 547,722	\$ 650,342	\$ 537,290	\$ 788,430
Net loss	\$ 216,113	\$ 378,132	\$ 407,241	\$ 403,370	\$ 329,757	\$ 439,606	\$ 392,557	\$ 610,871
Per share – basic and fully diluted	\$ 0.008	\$ 0.015	\$ 0.019	\$ 0.019	\$ 0.017	\$ 0.024	\$ 0.023	\$ 0.041

Results From Operations – Comparison of First Quarter 2004 and 2003

Revenue

Gross revenue from E-SOAP services in the first quarter of 2004 was \$395,561, an increase of \$181,664 or 85% from \$213,897 in the first quarter of 2003. This increase is attributable to (1) increased license fees through the growth of the Company's client base; and (2) an increase in exercise fees.

Corporate license and implementation fees for E-SOAP totaled \$280,036 in the first quarter of 2004 compared to \$180,817 in the comparable quarter of 2003. The Company ended the quarter with 22,305 participants generating revenue on E-SOAP. This represents a growth of 68% from the 13,255 participants enrolled as at March 31, 2003. During the first quarter of 2004, three new corporate clients were activated onto E-SOAP through direct sales, adding more than 1,800 new participants since December 31, 2003.

Exercise fees for the first quarter of 2004 were \$115,525 compared to \$32,860 in the first quarter of 2003.

Expenses

Salaries and wages expense for the first quarter of 2004 was \$370,799 compared to \$276,134 in the first quarter of 2003. The increase is mainly attributable to the addition of five employees in the latter part of 2003 and beginning of 2004. In addition, stock-based compensation expense recognized in the first quarter of 2004 totaled \$4,540 compared to \$496 in the first quarter of 2003.

General and administrative expense totaled \$166,942 in the first quarter of 2004 compared to \$255,090 in the comparable quarter of 2003. The decrease is mainly a result of decreases to recurring data feed costs of approximately \$46,000, bad debts of \$11,000, rent costs of \$7,000, professional fees of \$6,000, and travel costs of \$5,000; and an increase in bank interest revenue of \$2,000. The major components of general and administrative expense were as follows:

	2004 \$	2003 \$
Rent and occupancy	44,761	52,016
IT systems and phones	29,438	27,576
Data feeds	28,161	74,287
Sales travel and entertainment	13,862	18,514
Professional fees	11,076	17,000
Other	44,707	68,429
Operating interest revenue	(5,063)	(2,732)
	166,942	255,090

Amortization expense was \$48,933 in the first quarter of 2004 compared to \$33,006 in the first quarter of 2003. The increase is a result of the amortization of capital assets added through the acquisition of Bitonic Solutions Inc.

\$25,000 in debenture interest was incurred in the first quarter of 2004 on the \$1,000,000 of demand debentures.

During the first quarter of 2003, the Company recorded an offset to expenses of \$229,555 representing a tax credit refund received for scientific research and development performed by the Company in 2000. This did not reoccur in 2004. In addition, \$188,047 of goodwill written off in the first quarter of 2003 also did not reoccur in 2004.

Net Financial Results

The net loss for the quarter ended March 31, 2004 was \$216,113 compared to a net loss of \$329,757 in the same quarter of 2003.

The improvement to the financial results are attributable to the factors described herein.

Financial Condition, Liquidity and Capital Resources

Cash on hand as at March 31, 2004 was \$987,038. Management believes that the Company has sufficient cash to meet all current and expected financial requirements during the 2004 fiscal year. The working capital deficiency as at March 31, 2004 was \$64,424 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 strategic alliance with GRS Securities.

Transactions with Related Parties

No related party transactions occurred in the first quarter of 2004.

Business Prospects and Outlook

Overall, economic and industry factors are substantially unchanged from those described in the MD&A for the year ended December 31, 2003.

Share Purchase Platform and Strategic Alliance with GRS Securities Inc.

During the fourth quarter of 2003, Solium finalized a strategic alliance with GRS Securities. GRS Securities is a wholly-owned subsidiary of The Canada Life Assurance Company (Canada Life), which is a wholly-owned subsidiary of The Great-West Life Assurance Company. 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.

During the first quarter of 2004, the Company launched its new Share Purchase platform. Full migration of GRS Securities' corporate clients onto the platform occurred during the first four months of 2004. Approximately 100,000 employee participants across 47 companies are now using Solium's new application. Operating revenue from the arrangement with GRS Securities will begin to be reflected in the April 2004 financial results.

It is expected that incremental capital expenditures of up to \$100,000 may be incurred in the second quarter of 2004, as computer hardware to support the increased client base may be required.

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. The Company expects to begin securing its first direct sales customers for the Share Purchase platform in mid-2004. It is expected that additional staff will need to be hired in the areas of sales and customer service to expand and, in turn, support the new share purchase business of the Company.

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.

AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the period ended March 31, 2004 have not been reviewed by the Company's auditors, Deloitte & Touche LLP. The Company did not engage its auditors to provide a Review Engagement Report on the interim financial statements, and therefore, no such report was issued by the auditors for the period ended March 31, 2004.



Brian Craig
President & Chief Executive Officer



Lynn Leong, CA
Chief Financial Officer

BALANCE SHEETS

<i>As At</i>	March 31, \$ <i>(Unaudited)</i>	December 31, \$ <i>(Audited)</i>
Assets		
Current		
Cash	987,038	1,222,607
Accounts receivable	103,072	64,523
Prepaid expenses	97,960	88,654
	1,188,070	1,375,784
Capital assets	229,899	263,503
	1,417,969	1,639,287
Liabilities		
Current		
Accounts payable and accrued liabilities	159,947	133,606
Deferred revenue	92,547	134,175
Demand debentures	1,000,000	1,000,000
	1,252,494	1,267,781
Shareholders' Equity		
Share capital <i>(Note 3)</i>	9,671,181	9,665,639
Contributed surplus <i>(Note 4)</i>	46,513	41,973
Deficit	(9,552,219)	(9,336,106)
	165,475	371,506
	1,417,969	1,639,287

APPROVED BY THE BOARD OF DIRECTORS



Michael Broadfoot
Director



Brian Craig
Director

STATEMENTS OF LOSS AND DEFICIT

<i>Three Months Ended March 31, (Unaudited)</i>	2004 \$	2003 \$
Revenue		
E-SOAP related services	395,561	213,897
Consulting services	–	4,068
	395,561	217,965
Expenses		
Salaries and wages <i>(Note 4)</i>	370,799	276,134
General and administrative	166,942	255,090
Write-off of goodwill	–	188,047
Amortization	48,933	33,006
Debenture interest	25,000	25,000
Tax credit refund	–	(229,555)
	611,674	547,722
Net loss	216,113	329,757
Deficit, beginning of period	9,336,106	7,817,606
Deficit, end of period	9,552,219	8,147,363
Net loss per share	0.008	0.017

STATEMENTS OF CASH FLOWS

<i>Three Months Ended March 31, (Unaudited)</i>	2004 \$	2003 \$
Cash flows related to the following activities:		
Operating		
Net loss from continuing operations	(216,113)	(329,757)
Adjustments for:		
Amortization	48,933	33,006
Stock-based compensation expense (<i>Note 4</i>)	4,540	496
Write-off of goodwill	–	188,047
Loss on sale of capital assets	–	24,076
	(162,640)	(84,132)
Changes in non-cash working capital	(49,824)	(275,975)
	(212,464)	(360,107)
Financing		
Issuance of common shares	5,542	–
Changes in non-cash working capital	(6,169)	28,014
	(627)	28,014
Investing		
Purchase of capital assets	(15,329)	–
Cash acquired on purchase of subsidiary, net of acquisition costs	–	195,750
Proceeds from sale of capital assets, net of purchase of capital assets	–	2,980
Changes in non-cash working capital	(7,149)	–
	(22,478)	198,730
Net decrease in cash	235,569	133,363
Cash, beginning of period	1,222,607	923,325
Cash, end of period	987,038	789,962

NOTES TO THE FINANCIAL STATEMENTS

Three Months Ended March 31, 2004 (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of Solium Capital Inc. (the "Company" or "Solium") 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, 2003. These interim financial statements should be read in conjunction with the Company's December 31, 2003 audited annual financial statements. Certain of the prior period's comparative figures have been reclassified to conform to the current period's presentation.

2. FINANCIAL CONDITION

These 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 achieving sufficient sales of the Company's products and thus establishing profitable operations. These 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 financial statements, then adjustments would be necessary in the carrying value of assets and liabilities and reported income and balance sheet classification.

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

3. SHARE CAPITAL

	Number of Shares	Amount \$
Issued – common shares		
Balance, December 31, 2003	25,833,341	9,165,639
Issued on exercise of stock options (<i>Note 4</i>)	22,171	5,542
Balance, March 31, 2004	25,855,512	9,171,181
Issued – preferred shares	2,500,000	500,000
Total share capital	28,355,512	9,671,181

4. STOCK-BASED COMPENSATION

Stock option activity with respect to the Company's stock option plan for the three months ended March 31, 2004 is shown below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, December 31, 2003	2,306,871	0.27
Granted	225,000	0.40
Exercised	(22,171)	0.25
Forfeited	(311,602)	0.34
Outstanding, March 31, 2004	2,198,098	0.27

Effective January 1, 2003, the Company adopted the fair value based method of accounting for stock options in accordance with CICA Handbook Section 3870. The Company chose the prospective application of the fair value based method, applied to stock options granted on or after January 1, 2003.

In accordance with the provisions of Section 3870, \$4,540 was recorded as total stock-based compensation expense and charged to contributed surplus for the quarter ended March 31, 2004 (2003 – \$496)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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.

	2004 \$	2003 \$
Net loss, as reported	216,113	329,757
Total additional stock-based compensation expense determined under fair value method	11,586	11,955
Pro-forma net loss	227,699	341,712
Pro-forma basic loss per share	0.009	0.017

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 during the quarter:

	2004	2003
Weighted-average fair value (per share) of options granted	\$ 0.3652	\$ 0.1279
Dividend yield	0%	0%
Expected volatility	196%	189%
Risk-free interest rate	2.50%	3.50%
Expected life	3 years	3 years

Additional information relating to stock options outstanding as at March 31, 2004 is presented below:

Exercise Price \$	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Exercise Price \$
0.25	1,865,032	41 months	585,367	0.25
0.35	100,000	55 months	-	-
0.40	225,000	59 months	-	-
0.90	8,066	23 months	8,066	0.90
	<u>2,198,098</u>	43 months	<u>593,433</u>	0.26

OFFICERS

Brian Craig

President and Chief Executive Officer

June Davenport

Chief Products Officer

Lynn Leong

Chief Financial Officer

Marcos Lopez

Chief Technology Officer

DIRECTORS

Michael Broadfoot

*Chairman,
Solium Capital Inc.*

Brian Craig

*President and Chief Executive Officer,
Solium Capital Inc.*

Justin Ferrara

*Partner,
Macleod Dixon LLP*

William Kyle

*Senior Vice-President,
GRS Securities Inc.*

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*Former President and Chief Executive Officer,
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INVESTOR INFORMATION

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Legal Counsel

Macleod Dixon LLP

Auditors

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Stock Listing and Symbol

TSX Venture Exchange
Symbol: SUM

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