

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 November 19, 2004.

Special Note Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements and/or assumptions that involve known and/or unknown risks. Such statements and assumptions may include: the size and/or economics of the market; plans and intentions to increase market share, expand geographically and/or further develop product capabilities; the results of strategic initiatives; and the impact of competition.

Statements about the Company's future plans and intentions, results, level of activity, performance, goals or achievements or other future events, constitute forward-looking statements. Forward-looking statements involve significant risks, uncertainties and assumptions. These forward-looking statements and assumptions are based on the expectations of Solium and involve known and unknown risks, uncertainties and other factors that may cause or influence the actual results, market performance, or achievements to differ materially from any future expected results, performance or achievements expressed or implied by such forward-looking statements.

No representation can be, or is being, made by Solium that future performance and operational results will conform to any estimates and projections contained or implied in this document. Important factors that could cause or influence such differences include, but are not limited to: inaccurate assumptions on the size and/or economic parameters of the market; changes in economic or business conditions in general; changes in the competitive market; changes in services provided by Solium's suppliers, alliance partners, and channel partners; changes in customer needs and expectations; product capability and acceptance; and any governmental or regulatory actions.

The foregoing is not exhaustive and other risks are detailed from time to time in other continuous disclosure filings of the Company.

These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. In making an investment decision, prospective investors must make their own determinations as to the reliability of these projections, assumptions and forward-looking statements.

Summary of Quarterly Results

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

	2004			2003				2002
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
E-SOAP participants	24,404	21,898	21,857	20,294	13,677	10,974	13,255	12,300
Share Purchase participants	101,290	100,731	–	–	–	–	–	–
Revenues	\$ 763,137	\$ 803,902	\$ 395,564	\$ 252,329	\$ 201,187	\$ 200,577	\$ 217,965	\$ 210,737
Expenses	\$ 727,864	\$ 838,194	\$ 611,677	\$ 630,461	\$ 608,428	\$ 603,947	\$ 547,722	\$ 650,342
Net earnings (loss)	\$ 35,273	\$ (34,292)	\$ (216,113)	\$ (378,132)	\$ (407,241)	\$ (403,370)	\$ (329,757)	\$ (\$439,605)
Per share								
– basic	\$ 0.001	\$ (0.001)	\$ (0.008)	\$ (0.015)	\$ (0.019)	\$ (0.019)	\$ (0.017)	\$ (0.024)
– fully diluted	\$ 0.001	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Results From Operations

Net Financial Results

The Company completed the third quarter with a profit of \$35,273 compared to a net loss of \$407,241 in the same quarter of 2003. This represents the first quarter of positive net earnings for the Company, and is a major milestone.

The net loss for the nine months ended September 30, 2004 was \$215,132 compared to a net loss of \$1,140,368 in the comparable period of 2003.

Revenue

Gross revenue in the third quarter of 2004 was \$763,137 compared to \$201,187 in the third quarter of 2003, and \$1,962,603 for the nine months ended September 30, 2004 compared to \$619,729 for the nine months ended September 30, 2003. This represents an increase of 279% on a quarterly basis, and 217% on a year-to-date basis. The increase in revenue between the comparable periods is mainly attributable to (1) the introduction of Share Purchase channel revenue beginning in April 2004 from the relationship with GRS Securities Inc. ("GRS Securities"), a subsidiary of The Great-West Life Assurance Company; (2) increased E-SOAP and Share Purchase license fees through the growth of the Company's client base from direct sales; and (3) an increase in transaction fees resulting from greater transaction volume.

Gross revenue of \$763,137 in the third quarter declined from \$803,902 in the second quarter of 2004, as a result of a negative adjustment recorded in the third quarter of approximately \$35,000 for Share Purchase revenue from GRS Securities. This adjustment reflects a difference in the amount accrued for the second quarter of 2004, and the actual number that subsequently became known.

Share Purchase channel revenue from GRS Securities totaled \$391,593 in the third quarter of 2004, after the effect of the adjustment described above, and \$846,511 in the nine months ended September 30, 2004. During the third quarter of 2004, the Company also began generating revenue from direct sales clients on its Share Purchase application. Total Share Purchase license revenue from direct sales clients totaled \$3,495 in the third quarter.

Corporate E-SOAP license and implementation fees totaled \$300,240 in the third quarter of 2004 compared to \$178,050 in the comparable quarter of 2003, and \$861,470 for the nine months ended September 30, 2004 compared to \$514,567 for the nine months ended September 30, 2003. E-SOAP revenue included stock option channel revenue from GRS Securities in the amount of \$13,073 for the quarter and \$56,698 for the nine months ended September 30, 2004. A key corporate client in the Toronto market

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

was activated onto the E-SOAP application during the third quarter, adding over 2,300 participants. In addition, three existing clients began utilizing the share units component of the application, adding additional fees from this module. The Company ended the current quarter with 24,404 participants generating revenue on E-SOAP. This represents a growth of 78% from the 13,677 participants enrolled as at September 30, 2003.

E-SOAP and Share Purchase transaction fees for the third quarter of 2004 were \$67,809 compared to \$23,137 in the third quarter of 2003, and \$251,127 in the nine months ended September 30, 2004 compared to \$105,162 for the nine months ended September 30, 2003. Transaction fees are comprised of exercise fees and service fees charged to participants as they utilize the applications.

Expenses

Total expenses in the third quarter of 2004 were \$727,864 compared to \$608,428 in the third quarter of 2003, and \$2,177,735 for the nine months ended September 30, 2004 compared to \$1,760,097 for the nine months ended September 30, 2003. This represents an increase of 20% on a quarterly basis, and 24% on a year-to-date basis.

Salaries and wages expense for the third quarter of 2004 was \$433,770 compared to \$350,911 in the third quarter of 2003, and \$1,413,287 for the nine months ended September 30, 2004 compared to \$978,259 for the nine months ended September 20, 2003. The increase between the comparable nine-month periods is mainly attributable to a bonus of \$212,000 awarded to certain employees in April 2004 as recognition for the development of the Share Purchase application and the successful implementation of GRS Securities' clients onto this new application. Also a factor in the increase to salaries and wages expense on a quarterly and year-to-date basis is the addition of five employees in the latter part of 2003 and beginning of 2004. Stock options granted between the periods also caused an increase in stock-based compensation expense, totaling \$22,511 in the third quarter of 2004 compared to \$7,599 in the third quarter of 2003, and \$44,577 in the nine months ended September 30, 2004 compared to \$14,526 in the nine months ended September 30, 2003.

General and administrative expense totaled \$218,249 in the third quarter of 2004 compared to \$183,092 in the comparable quarter of 2003, and \$600,965 in the nine months ended September 30, 2004 compared to \$644,239 in the nine months ended September 30, 2003. The increase of \$35,157 between the comparable quarters, and the decrease of \$43,274 between the comparable nine-month periods is attributable to the changes in the following categories:

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Data feeds	32,909	17,888	94,853	150,488
Insurance	10,822	8,308	31,376	24,138
IT systems and phones	40,186	37,355	103,445	95,572
Professional fees	24,876	5,749	52,136	36,604
Regulatory compliance	6,542	8,143	26,442	21,422
Rent and occupancy	47,837	46,316	136,318	151,678
Travel and entertainment	31,975	43,043	87,426	82,060
Other	25,657	18,539	78,179	93,271
Operating interest revenue	(2,555)	(2,249)	(9,210)	(10,994)
	218,249	183,092	600,965	644,239

Tax credit refunds recorded in both 2004 and 2003 relate to scientific research and development performed by the Company in 2000. Included in the refunds were \$10,595 and \$26,849 of interest in 2004 and 2003, respectively.

Financial Condition, Liquidity and Capital Resources

Cash on hand as at September 30, 2004 was \$1,106,479. Management believes that the Company has sufficient cash to meet all current and expected financial requirements over the next twelve months. Working capital as at September 30, 2004 was \$41,178 with the inclusion of the demand debentures in current liabilities.

The Company is in the process of finalizing an operating line of credit with a major financial institution. The line of credit will initially be for a maximum of \$500,000. The credit facility will be available to fund working capital requirements as operations continue to expand.

Transactions with Related Parties

The Company incurred \$25,000 in interest expense during the third quarter of 2004 and \$75,000 for the nine months ended September 30, 2004, relating to the \$1,000,000 debentures outstanding during the period. \$500,000 of the demand debentures is due to a Director of the Company. The second demand debenture of \$500,000 is due to the spouse of the President and Chief Executive Officer 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 Company utilized legal services totaling \$8,406 during the third quarter of 2004 and \$10,262 for the nine months ended September 30, 2004. These services were provided by a firm with which a Director of the Company is employed.

On August 24, 2004, holders of the 2,500,000 preferred shares converted their shares into 2,500,000 common shares of the Company. 1,250,000 of these shares are held by the President and Chief Executive Officer of the Company, who is also a Director of the Company. The other 1,250,000 shares are held by the Chairman of the Company.

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.

To date in 2004, Solium has added five corporate clients with approximately 4,200 participants through direct sales onto E-SOAP and three corporate clients with approximately 2,200 participants onto Share Purchase. In addition, the Company has in progress, six direct sales clients with approximately 4,000 participants being implemented onto E-SOAP and three direct sales clients with approximately 11,000 participants being implemented onto Share Purchase. Implementation of these clients is expected to be completed by the end of the first quarter in 2005.

The Company has been exploring the establishment of a small business office in New York in early 2005 to begin seeking out sales in the United States. No commitments have been made to date.

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 28,355,512 common 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 2,823,098 options outstanding.

AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the period ended September 30, 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 September 30, 2004.



Brian Craig
President & Chief Executive Officer



Lynn Leong, CA
Chief Financial Officer

BALANCE SHEETS

<i>As At</i>	September 30, 2004 \$ <i>(Unaudited)</i>	December 31, 2003 \$ <i>(Audited)</i>
Assets		
Current		
Cash and cash equivalents	1,106,479	1,222,607
Accounts receivable	536,396	64,523
Prepaid expenses	97,743	88,654
	1,740,618	1,375,784
Capital assets	165,315	263,503
	1,905,933	1,639,287
Liabilities		
Current		
Accounts payable and accrued liabilities	304,137	133,606
Deferred revenue	395,303	134,175
Demand debentures	1,000,000	1,000,000
	1,699,440	1,267,781
Shareholders' Equity		
Share capital <i>(Note 3)</i>	9,671,181	9,665,639
Contributed surplus <i>(Note 4)</i>	86,550	41,973
Deficit	(9,551,238)	(9,336,106)
	206,493	371,506
	1,905,933	1,639,287

APPROVED BY THE BOARD OF DIRECTORS



Michael Broadfoot
Director



Brian Craig
Director

STATEMENTS OF EARNINGS AND DEFICIT

<i>(Unaudited)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2004 \$	2003 \$	2004 \$	2003 \$
Revenue				
E-SOAP services	366,460	201,187	1,111,007	619,729
Share Purchase services	396,677	–	851,596	–
	763,137	201,187	1,962,603	619,729
Expenses				
Salaries and wages <i>(Note 4)</i>	433,770	350,911	1,413,287	978,259
General and administrative	218,249	183,092	600,965	644,239
Write-off of goodwill	–	–	–	188,046
Amortization	50,845	49,425	149,970	130,957
Debenture interest	25,000	25,000	75,000	75,000
Tax credit refund	–	–	(61,487)	(256,404)
	727,864	608,428	2,177,735	1,760,097
Net earnings (loss)	35,273	(407,241)	(215,132)	(1,140,368)
Deficit, beginning of period	(9,586,511)	(8,550,733)	(9,336,106)	(7,817,606)
Deficit, end of period	(9,551,238)	(8,957,974)	(9,551,238)	(8,957,974)
Net earnings (loss) per share				
Basic	0.001	(0.019)	(0.008)	(0.052)
Fully diluted	0.001	N/A	N/A	N/A

STATEMENTS OF CASH FLOWS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004 \$	2003 \$	2004 \$	2003 \$
<i>(Unaudited)</i>				
Cash flows related to the following activities:				
Operating				
Net earnings (loss)	35,273	(407,241)	(215,132)	(1,140,368)
Adjustments for:				
Amortization	50,845	49,425	149,970	130,957
Stock-based compensation <i>(Note 4)</i>	22,511	7,599	44,577	14,526
Write-off of goodwill	–	–	–	188,046
Loss on sale of capital assets	–	–	–	24,076
	108,629	(350,217)	(20,585)	(782,763)
Changes in non-cash working capital	252,861	(14,115)	(29,613)	(29,567)
	361,490	(364,332)	(50,198)	(812,330)
Financing				
Issuance of common shares	–	1,103,695	5,542	1,103,695
Loan repayment received	–	29,471	–	29,471
Changes in non-cash working capital	60,052	–	(6,169)	–
	60,052	1,133,166	(627)	1,133,166
Investing				
Purchase of capital assets	(4,449)	(11,101)	(51,782)	(29,771)
Proceeds from sale of capital assets	–	–	–	18,981
Cash acquired on purchase of subsidiary, net of acquisition costs	–	–	–	195,750
Changes in non-cash working capital	3,114	–	(13,521)	–
	(1,335)	(11,101)	(65,303)	184,960
Net increase (decrease) in cash and cash equivalents	420,207	757,733	(116,128)	505,796
Cash and cash equivalents, beginning of period	686,272	671,388	1,222,607	923,325
Cash and cash equivalents, end of period	1,106,479	1,429,121	1,106,479	1,429,121

NOTES TO THE FINANCIAL STATEMENTS

Nine Months Ended September 30, 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 continuing 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.

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
Conversion of preferred shares	2,500,000	500,000
Balance, September 30, 2004	28,355,512	9,671,181

On August 24, 2004, holders of the 2,500,000 preferred shares converted their shares into 2,500,000 common shares of the Company. 1,250,000 of these shares are held by the President and Chief Executive Officer of the Company, who is also a Director of the Company. The other 1,250,000 shares are held by the Chairman of the Company.

4. STOCK-BASED COMPENSATION

Stock option activity with respect to the Company's stock option plan for the nine months ended September 30, 2004 is shown below:

	Weighted Average Number of Shares	Exercise Price \$
Outstanding, December 31, 2003	2,306,871	0.27
Granted	825,000	0.46
Exercised	(22,171)	0.25
Forfeited	(361,602)	0.37
Outstanding, September 30, 2004	2,748,098	0.31

Effective August 31, 2004, the Board amended the vesting schedule of all options previously granted to Directors. These options originally vested equally on the first, second and third anniversaries from the date of grant. The vesting schedule was retroactively amended to vest 50% on the second anniversary, and an additional 25% to vest on each of the third and fourth anniversaries from the original grant date. This amendment was made to reflect the long-term commitment of the Directors to the Company. 620,770 options originally granted on July 19, 2002 with an exercise price of \$0.25 per share, 79,230 options originally granted on March 31, 2003 with an exercise price of \$0.25 per share, and 32,790 options originally granted on October 17, 2003 with an exercise price of \$0.35 per share, were amended.

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, \$22,511 was recorded as total stock-based compensation expense and charged to contributed surplus for the quarter ended September 30, 2004 (2003 - \$ 7,599), and \$44,577 for the nine months ended September 30, 2004 (2003 - \$14,526).

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

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2004 \$	2003 \$	2004 \$	2003 \$
Net earnings (loss), as reported	35,273	(407,241)	(215,132)	(1,140,368)
Total additional stock-based compensation expense determined under fair value based method	(28,319)	(11,345)	(51,009)	(34,035)
Pro-forma net earnings (loss)	6,954	(418,586)	(266,141)	(1,174,403)
Pro-forma earnings (loss) per share				
Basic	0.0003	(0.019)	(0.010)	(0.056)
Fully diluted	0.0002	N/A	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 nine months ended September 30, 2004 and 2003:

	2004	2003
Weighted-average fair value (per share) of options granted	\$ 0.4258	\$ 0.1448
Dividend yield	0%	0%
Expected volatility	182.2%	194.6%
Risk-free interest rate	3.0%	3.5%
Expected life	3.7 years	3.0 years

Additional information relating to stock options outstanding as at September 30, 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	34 months	973,421	0.25
0.35	100,000	48 months	—	—
0.40	275,000	53 months	—	—
0.45	75,000	58 months	—	—
0.50	425,000	59 months	—	—
0.90	8,066	16 months	8,066	0.90
	2,748,098	41 months	981,487	0.26

5. SUBSEQUENT EVENTS

Subsequent to the quarter, 75,000 options with an exercise price ranging from \$0.50 to \$0.53 per share were granted to certain employees of the Company. These options vest 50% on the second anniversary, and an additional 25% vest on each of the third and fourth anniversaries. The options expire in five years from the date of grant.

CORPORATE INFORMATION

OFFICERS

Brian Craig

President and Chief Executive Officer

June Davenport

Chief Products Officer

Jeff English

Vice President, Market Development

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.*

Marcos Lopez

*Chief Technology Officer,
Solium Capital Inc.*

Russ Waterhouse

*Former President,
Computershare North America*

Anthony Webb

*Former President and Chief Executive Officer,
Royal Trust*

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Transfer Agent

Valiant Trust Company

Legal Counsel

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Auditors

Deloitte & Touche LLP

Stock Listing and Symbol

TSX Venture Exchange
Symbol: SUM

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