

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated as of May 20, 2005 for Solium Capital Inc. ("Solium" or the "Company") should be read in conjunction with the unaudited Financial Statements and the accompanying notes for the quarter ended March 31, 2005, and the MD&A included in the Company's 2004 Annual Report. The Financial Statements and comparative information have been prepared in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company is available on SEDAR at www.sedar.com under Solium Capital Inc.

Special Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements which reflect Management's expectations regarding the Company's growth, results of operations, performance, and business prospects and opportunities. 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 Company's projected capital expenditure levels; and the Company's expected changes to staffing levels.

Forward-looking statements involve significant risks, uncertainties and assumptions. 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 significant risks and uncertainties that could cause actual results to differ materially from those anticipated. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances. 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, product capability and acceptance, 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. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in the Risk Assessment section of this MD&A.

The foregoing is not exhaustive and other risks are detailed from time to time in other continuous disclosure filings of the Company. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected.

Summary of Quarterly Results

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

	2005	2004				2003		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
E-SOAP participants	32,164	29,906	24,404	21,898	21,857	20,294	13,677	10,974
Share Purchase participants	115,241	102,867	101,290	100,731	–	–	–	–
Revenues	\$1,382,258	\$ 1,091,340	\$ 763,137	\$ 803,902	\$ 395,561	\$ 252,329	\$ 201,187	\$ 200,577
Expenses	\$1,032,130	\$ 1,010,230	\$ 727,864	\$ 838,194	\$ 611,674	\$ 630,461	\$ 608,428	\$ 603,947
EBITDA ¹	\$ 392,937	\$ 149,694	\$ 111,119	\$ 40,899	\$(142,180)	\$(301,348)	\$(332,816)	\$(329,843)
Net earnings (loss)	\$ 350,128	\$ 81,110	\$ 35,273	\$ (34,292)	\$(216,113)	\$(378,132)	\$(407,241)	\$(403,370)
Per share								
– basic	\$ 0.012	\$ 0.003	\$ 0.001	\$ (0.001)	\$ (0.008)	\$ (0.015)	\$ (0.019)	\$ (0.019)
– fully diluted	\$ 0.012	\$ 0.003	\$ 0.001	N/A	N/A	N/A	N/A	N/A

Notes:

¹ EBITDA is a non-GAAP financial measure which does not have any standardized meaning prescribed by GAAP (generally accepted accounting principles) and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings or loss prior to the effect of non-operating expenses such as interest, tax, depreciation and amortization. The following is a reconciliation of EBITDA to net earnings (loss):

	2005	2004				2003		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
EBITDA	392,937	149,694	111,119	40,899	(142,180)	(301,348)	(332,816)	(329,843)
Interest expense	(12,500)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Amortization	(30,309)	(43,584)	(50,846)	(50,191)	(48,933)	(51,784)	(49,425)	(48,527)
Net earnings (loss)	350,128	81,110	35,273	(34,292)	(216,113)	(378,132)	(407,241)	(403,370)

Factors Affecting Quarterly Results

Seasonality

Fees collected from clients in the form of annual access fees are recurring in nature and are not affected by seasonal factors. However, transaction fees collected from participants upon the exercising of stock options or the withdrawal of assets from share purchase plans have displayed a slight seasonal trend. Market activity in Canada generally peaks during the first two months of the year as a result of RRSP season in Canada. The Company has experienced increased transaction fees during the months of January and/or February in both 2005 and 2004 in line with the seasonal nature of the market.

The Company has also experienced seasonality in its sales cycle. Following the completion of year-end reporting activities in the financial and human resource departments of issuers, requests for proposals and sales interest from prospective clients generally peak during the second quarter of the year. Successfully closing sales during the second quarter results in increased implementation activity during the latter parts of the year for the Company.

Channel Revenue Arrangement

During the fourth quarter of 2003, the Company finalized a strategic alliance with GRS Securities Inc. ("GRS Securities"). GRS Securities is a wholly-owned subsidiary of The Canada Life Assurance Company, which is a wholly-owned subsidiary of The Great-West Life Assurance Company. Under a revenue sharing arrangement, GRS Securities utilizes Solium's E-SOAP and Share Purchase platforms as part of its service delivery to clients in Canada. Approximately 100,000 employee participants across 47 companies were migrated onto Solium's platforms by the end of April 2004.

Launch of Solium Share Purchase

During the third quarter of 2004, the Company launched its own branded version of the Share Purchase application to direct sales clients.

Results From Operations for the First Quarter of 2005

Net Financial Results

The Company completed the first quarter of 2005 with net earnings of \$350,128 compared to a net loss of \$216,113 in the same quarter of 2004. The improvement is a result of a 249% increase in total revenue offset by a 69% increase in total expenses.

Revenue

Gross revenue in the first quarter of 2005 was \$1,382,258 compared to \$395,561 in the first quarter of 2004. This represents an increase of \$986,697 or 249%. The increase is attributable to (1) the introduction of Share Purchase channel revenue beginning in April 2004 from the relationship with GRS Securities; (2) increased E-SOAP and Share Purchase license fees due to the growth of the Company's client base through direct sales; and (3) an increase in transaction fees resulting from greater transaction volume.

Share Purchase channel revenue from GRS Securities totaled \$567,339 in the first quarter of 2005 compared to \$Nil in the first quarter of 2004. Share Purchase license and implementation fees from direct sales clients totaled \$70,094 in the first quarter of 2005 compared to \$Nil in the same quarter of 2004. As at March 31, 2005, the Company had 115,241 participants generating revenue on the Share Purchase application. Total transaction fees generated from Share Purchase participants totaled \$30,527 in the first quarter of 2005.

E-SOAP channel revenue from GRS Securities totaled \$20,492 in the first quarter of 2005 compared to \$29,760 in the same quarter of 2004. The drop in fees represents a decline in the number of plan participants within the stock option plans managed by GRS Securities. E-SOAP license and implementation fees from direct sales clients totaled \$446,996 in the first quarter of 2005 compared with \$250,276 in the first quarter of 2004. The Company finished the first quarter of 2005 with 32,164 participants generating revenue on E-SOAP. This represents a growth of 47% from the 21,857 enrolled as at March 31, 2004. Total exercise and special transaction fees generated from E-SOAP participants totaled \$236,810 in the first quarter of 2005 compared to \$115,525 in the first quarter of 2004.

Consulting services revenue totaled \$10,000 in the first quarter of 2005 compared to \$Nil in the first quarter of 2004.

Expenses

Total expenses in the first quarter of 2005 were \$1,032,130 compared to \$611,674 in the first quarter of 2004. This represents an increase of 69%.

Salaries and wages expense in the first quarter of 2005 was \$690,930 compared to \$370,799 in the first quarter of 2004. The increase is largely attributable to the addition of nine new staff members throughout 2004 and six during the first quarter of 2005. Stock-based compensation expense recognized in the first quarter of 2005 totaled \$33,418 compared to \$4,540 in the same quarter of 2004. In addition, the Company has accrued \$82,800 in relation to its annual bonus plan for 2005. Bonuses were not yet accrued at the end of the first quarter of 2004.

General and administrative expense totaled \$298,391 in the first quarter of 2005 compared to \$166,942 in the first quarter of 2004. The increase of \$131,449 is attributable to the changes in the following categories:

	2005 \$	2004 \$
Data feeds	48,851	28,161
Insurance	15,280	9,730
IT systems and phones	49,573	29,438
Professional fees	31,510	11,076
Regulatory compliance	3,642	4,234
Rent and occupancy	59,511	44,761
Travel and entertainment	33,082	13,862
Other	57,240	30,743
Operating interest revenue	(298)	(5,063)
	298,391	166,942

Amortization expense was \$30,309 in the first quarter of 2005 compared to \$48,933 in the first quarter of 2004. The decrease in quarterly amortization expense reflects the fact that intangible assets were fully amortized during 2004.

\$12,500 in debenture interest was incurred in the first quarter of 2005 compared to \$25,000 in the first quarter of 2004. The decrease is a result of the repayment of \$500,000 of the demand debentures on December 31, 2004.

Financial Condition, Liquidity and Capital Resources

Cash on hand as at March 31, 2005 was \$553,279 compared to \$589,207 as at December 31, 2004 and \$987,038 as at March 31, 2004. Working capital as at March 31, 2005 was \$651,687 compared to \$253,432 as at December 31, 2004 and a working capital deficiency of \$64,424 as at March 31, 2004. These balances include the demand debentures in current liabilities.

The Company has experienced net earnings and positive cash flows from operating activities in the last three preceding quarters. The Company anticipates that this trend will continue throughout 2005. Management believes that the Company has sufficient cash to meet all current and expected financial requirements over the next twelve months. As at March 31, 2005, commitments to purchase capital assets amounted to approximately \$100,000. These computer hardware and software purchases will be funded by operations.

On December 30, 2004, the Company finalized a revolving credit facility of \$500,000 with a Canadian bank. The credit facility is secured by a fixed and floating charge on the assets of the Company. Interest is charged at the bank's prime rate plus 1% per annum. The provisions under this facility require the maintenance of certain financial ratios. In connection with the credit facility, the holders of the demand debentures have assigned and postponed their security in favor of the bank. The credit facility will be utilized to fund working capital requirements as operations continue to expand. As at March 31, 2005, no amounts had been drawn on the credit facility.

The Board has approved the repayment of \$250,000 of the \$500,000 in outstanding demand debentures prior to May 31, 2005. Subject to the continued financial strength of the Company, Management plans to repay the final \$250,000 of the outstanding demand debentures in 2005.

Transactions with Related Parties

During the first quarter of 2005, the Company had demand debentures outstanding in the amount of \$500,000. \$250,000 of the debentures was owing to a Director of the Company. The other \$250,000 debenture was owing to the spouse of the President and Chief Executive Officer and a Director of the Company. During the quarter ended March 31, 2005, \$12,500 of interest expense was incurred on the debentures.

During the quarter ended March 31, 2005, the Company utilized legal services totaling \$2,220, plus applicable taxes, which were provided by a firm with which a Director of the Company is a partner. As at March 31, 2005, \$1,741 was payable, inclusive of applicable taxes.

Business Prospects and Outlook

Business Prospects

During the first quarter of 2005, Solium added four corporate clients with approximately 2,500 participants through direct sales onto E-SOAP and three corporate clients with approximately 12,000 participants through direct sales onto Share Purchase. As at March 31, 2005, the Company had in progress, seven direct sales clients with approximately 2,000 participants being implemented onto E-SOAP and three direct sales clients with approximately 4,000 participants being implemented onto Share Purchase. Implementation of these clients is expected to be completed during the second and third quarters of 2005.

Overall, economic and industry factors are substantially unchanged from those described in the MD&A for the year ended December 31, 2004.

U.S. Market

The Company is continuing to develop its operations in the U.S. In April 2005, the Company appointed a President to Solium Capital Ltd., the Company's U.S. subsidiary. The Company's Executive Chairman has also been engaged to assist in the development of the U.S. market strategy.

The Company has been exploring the establishment of a small business office in New York and will begin seeking out sales in the U.S.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at the date of this MD&A, there were only 28,352,428 common shares outstanding.

Employees, directors, officers and consultants have been granted options to purchase common shares under the Company's stock option plan. As at the date of this MD&A, there were 2,750,468 options outstanding.

Risk Assessment

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Company. The risks that could affect the Company have been described in the MD&A of the Company for the year ended December 31, 2004. The risks identified therein do not constitute an exhaustive list of all possible risks as there may be additional risks of which management is currently unaware of.

AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the period ended March 31, 2005 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, 2005.



Brian Craig
President & Chief Executive Officer



Lynn Leong, CA
Chief Financial Officer

BALANCE SHEETS

<i>As At</i>	March 31, 2005 \$ <i>(Unaudited)</i>	December 31, 2004 \$ <i>(Audited)</i>
Assets		
Current		
Cash and cash equivalents	553,279	589,207
Accounts receivable	832,253	468,963
Prepaid expenses	303,463	136,005
	1,688,995	1,194,175
Capital assets	114,543	112,265
	1,803,538	1,306,440
Liabilities		
Current		
Accounts payable and accrued liabilities	480,011	384,330
Deferred revenue	57,297	56,413
Demand debentures	500,000	500,000
	1,037,308	940,743
Deferred revenue	57,099	57,069
	1,094,407	997,812
Shareholders' Equity		
Share capital <i>(Note 2)</i>	9,676,046	9,659,089
Contributed surplus <i>(Note 3)</i>	153,085	119,667
Deficit	(9,120,000)	(9,470,128)
	709,131	308,628
	1,803,538	1,306,440

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>	2005	2004
	\$	\$
Revenue		
E-SOAP services	704,298	395,561
Share Purchase services	667,960	–
Consulting services	10,000	–
	1,382,258	395,561
Expenses		
Salaries and wages <i>(Note 3)</i>	690,930	370,799
General and administrative	298,391	166,942
Amortization	30,309	48,933
Debenture interest	12,500	25,000
	1,032,130	611,674
Net earnings (loss)	350,128	(216,113)
Deficit, beginning of period	(9,470,128)	(9,336,106)
Deficit, end of period	(9,120,000)	(9,552,219)
Net earnings (loss) per share		
Basic	0.012	(0.008)
Fully diluted	0.012	N/A

STATEMENTS OF CASH FLOWS

<i>Three Months Ended March 31, (Unaudited)</i>	2005	2004
	\$	\$
Cash flows related to the following activities:		
Operating		
Net earnings (loss)	350,128	(216,113)
Adjustments for:		
Amortization	30,309	48,933
Stock-based compensation expense <i>(Note 3)</i>	33,418	4,540
	413,855	(162,640)
Changes in non-cash working capital	(434,153)	(49,824)
	(20,298)	(212,464)
Financing		
Issuance of common shares	16,957	5,542
Changes in non-cash working capital	–	(6,169)
	16,957	(627)
Investing		
Purchase of capital assets	(32,587)	(15,329)
Changes in non-cash working capital	–	(7,149)
	(32,587)	(22,478)
Net decrease in cash and cash equivalents	(35,928)	(235,569)
Cash and cash equivalents, beginning of period	589,207	1,222,607
Cash and cash equivalents, end of period	553,279	987,038

NOTES TO THE FINANCIAL STATEMENTS

Three Months Ended March 31, 2005 (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, 2004. These interim financial statements should be read in conjunction with the Company's December 31, 2004 audited annual financial statements.

2. SHARE CAPITAL

	Number of Shares	Amount \$
Issued – common shares		
Balance, December 31, 2004	28,284,598	9,659,089
Issued on exercise of stock options (Note 3)	67,830	16,957
Balance, March 31, 2005	28,352,428	9,676,046

3. STOCK-BASED COMPENSATION

Stock option activity with respect to the Company's stock option plan for the three months ended March 31, 2005 is shown below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, December 31, 2004	2,818,298	0.32
Exercised	(67,830)	0.25
Outstanding, March 31, 2005	2,750,468	0.33

The following table summarizes additional information relating to stock options outstanding and vested as at March 31, 2005:

Exercise Price \$	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Exercise Price \$
0.25	1,755,402	30 months	925,867	0.25
0.26 to 0.50	900,000	50 months	75,001	0.40
0.51 to 0.75	87,000	56 months	–	–
0.76 to 1.00	8,066	10 months	8,066	0.90
	2,750,468	37 months	1,008,934	0.27

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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, \$33,418 was recorded as total stock-based compensation expense and charged to contributed surplus for the quarter ended March 31, 2005 (2004 – \$4,540)

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

	2005 \$	2004 \$
Net earnings (loss), as reported	350,128	(216,113)
Total additional stock-based compensation expense determined under fair value method	(9,972)	(11,586)
Pro-forma net earnings (loss)	340,156	(227,699)
Pro-forma earnings (loss) per share		
Basic	0.012	(0.009)
Fully diluted	0.011	N/A

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:

	2005	2004
Weighted-average fair value (per share) of options granted	–	\$ 0.3652
Dividend yield	–	0%
Expected volatility	–	196%
Risk-free interest rate	–	2.50%
Expected life	–	3 years

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

*Director,
Solium Capital Inc.*

Brian Craig

*President and Chief Executive Officer,
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Justin Ferrara

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INVESTOR INFORMATION

Transfer Agent

Valiant Trust Company

Legal Counsel

Macleod Dixon LLP

Auditors

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Stock Listing and Symbol

TSX Venture Exchange
Symbol: SUM

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