

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated as of October 31, 2005 for Solium Capital Inc. ("Solium" or the "Company") should be read in conjunction with the unaudited Consolidated Financial Statements and the accompanying notes for the quarter ended September 30, 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.

All dollar amounts discussed in the MD&A are in Canadian dollars unless otherwise specified.

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Stock option participants	36,195	34,216	32,164	29,906	24,404	21,898	21,857	20,294
Share purchase participants	119,868	116,144	115,241	102,867	101,290	100,731	–	–
Revenues	\$ 1,608,782	\$ 1,525,227	\$ 1,382,258	\$ 1,091,340	\$ 763,137	\$ 803,902	\$ 395,564	\$ 252,329
Expenses	\$ 1,314,622	\$ 1,178,744	\$ 1,032,130	\$ 1,010,230	\$ 727,864	\$ 838,194	\$ 611,677	\$ 630,461
EBITDA ¹	\$ 350,937	\$ 398,121	\$ 392,937	\$ 149,694	\$ 111,118	\$ 40,899	\$ (142,180)	\$ (301,348)
Net earnings (loss)	\$ 294,160	\$ 346,483	\$ 350,128	\$ 81,110	\$ 35,273	\$ (34,292)	\$ (216,113)	\$ (378,132)
Per share								
– basic	\$ 0.010	\$ 0.012	\$ 0.012	\$ 0.003	\$ 0.001	\$ (0.001)	\$ (0.008)	\$ (0.015)
– fully diluted	\$ 0.010	\$ 0.012	\$ 0.012	\$ 0.003	\$ 0.001	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 Company currently does not have any income tax expense as a result of non-capital losses of approximately \$7.2 million carried forward for tax purposes. The following is a reconciliation of EBITDA to net earnings (loss):

	2005			2004				2003
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
EBITDA	350,937	398,121	392,937	149,694	111,118	40,899	(142,180)	(301,348)
Interest expense	(6,301)	(10,068)	(12,500)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Amortization	(50,476)	(41,570)	(30,309)	(43,584)	(50,845)	(50,191)	(48,933)	(51,784)
Net earnings (loss)	294,160	346,483	350,128	81,110	35,273	(34,292)	(216,113)	(378,132)

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 seasonal trend. The Company has experienced increased transaction fees during the first quarters of 2005 and 2004 in line with the seasonal nature of the market.

The Company has also experienced seasonality in its client implementations. 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 third quarter of the year. Successfully closing sales during the third quarter results in increased implementation activity during the latter part of the year and into the first quarter of the following year for the Company.

Channel Revenue Arrangement

Under a revenue sharing arrangement, GRS Securities Inc. (a wholly-owned subsidiary of The Canada Life Assurance Company, which is a wholly-owned subsidiary of The Great-West Life Assurance Company) utilizes Solium's Shareworks™ platform for the administration of stock option and share purchase plans as part of its service delivery to clients in Canada. Approximately 100,000 employee participants across 47 companies were migrated onto Shareworks™ by the end of April 2004.

Launch of Solium's Share Purchase Product

During the third quarter of 2004, the Company launched its own branded version of the share purchase product to direct sales clients and began earning access fee revenue from these clients in the same quarter.

Results From Operations***Net Financial Results***

The Company had net earnings of \$294,160 in the third quarter of 2005 (2004 – \$35,273) and net earnings of \$990,771 in the nine months ended September 30, 2005 (2004 – net loss of \$215,132).

Revenue

Gross revenue in the third quarter of 2005 was \$1,608,782 (2004 – \$763,137) and \$4,516,267 for the nine months ended September 30, 2005 (2004 – \$1,962,603). This represents an increase of 111% over the results from the third quarter of 2004, and 130% over the results from the nine months ended September 30, 2004.

Share Purchase

Share purchase channel revenue from GRS Securities totaled \$627,398 in the third quarter of 2005 (2004 – \$391,593) and \$1,799,132 in the nine months ended September 30, 2005 (2004 – \$846,512). The Company experienced an increase of \$50,000 per month to channel revenue from GRS Securities beginning in mid February 2005. Revenues collected from GRS Securities until February 2005 included a monthly adjustment which was attributable to extraordinary service delivery charges incurred by GRS Securities from a previous system provider. Under Solium's agreement with GRS Securities, a portion of this extraordinary service delivery charge was netted against Solium's share of revenue from April 2004 to February 2005. The remainder of the increase between 2005 and 2004 is mainly attributable to increased transaction based revenues collected by GRS, resulting in an increased share for Solium.

Share purchase access and implementation fees from direct sales clients totaled \$144,340 in the third quarter of 2005 (2004 – \$3,495) and \$318,729 in the nine months ended September 30, 2005 (2004 – \$3,495). Total transaction fees generated from these share purchase plans totaled \$41,513 in the third quarter of 2005 (2004 – \$1,589) and \$99,549 in the nine months ended September 30, 2005 (2004 – \$1,589).

As at September 30, 2005, the Company had 119,868 participants (2004 – 101,290) utilizing the share purchase module of Shareworks™. 17,036 participants (2004 – 500) were from direct sales clients and 102,832 participants (2004 – 100,790) were from the GRS Securities channel relationship.

Stock Options

Stock option channel revenue from GRS Securities totaled \$13,994 in the third quarter of 2005 (2004 – \$13,073) and \$51,270 in the nine months ended September 30, 2005 (2004 – \$56,698).

Stock option access and implementation fees from direct sales clients totaled \$555,459 in the third quarter of 2005 (2004 – \$285,578) and \$1,530,500 in the nine months ended September 30, 2005 (2004 – \$803,182). Favorable conditions in the stock market drove higher volumes of stock option exercises in 2005 compared to 2004. As a result, total exercise and special transaction fees generated from stock option plans totaled \$203,078 in the third quarter of 2005 (2004 – \$67,809) and \$633,837 in the nine months ended September 30, 2005 (2004 – \$251,127).

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Company finished the third quarter of 2005 with 36,195 participants (2004 – 24,404) utilizing the stock options module of Shareworks™. 34,369 participants (2004 – 22,247) were from direct sales clients and 1,826 participants (2004 – 2,157) were from the GRS Securities channel relationship.

Consulting Services

Consulting services revenue totaled \$23,000 in the third quarter of 2005 (2004 – \$Nil) and \$83,250 in the nine months ended September 30, 2005 (2004 – \$Nil). Consulting services were comprised of special projects associated with the incentive plans of clients.

Expenses

Total expenses in the third quarter of 2005 were \$1,314,622 (2004 – \$727,864) and \$3,525,496 in the nine months ended September 30, 2005 (2004 – \$2,177,735). The overall increase in 2005 was due to costs incurred to scale ongoing operations and to prepare for the additional clients being implemented through the end of the year and into the first quarter of 2006. In addition, expenses totaling approximately \$94,000 were incurred in the ongoing development of the U.S. operations.

Salaries and Wages

Salaries and wages expense in the third quarter of 2005 was \$749,253 (2004 – \$433,770) and \$2,183,777 in the nine months ended September 30, 2005 (2004 – \$1,413,287). The increase between 2005 and 2004 is largely attributable to the addition of nine new staff members throughout 2004 and an additional nine during the first nine months of 2005. Stock-based compensation expense recognized in the third quarter of 2005 totaled \$38,486 (2004 – \$22,511) and \$109,131 in the nine months ended September 30, 2005 (2004 – \$44,577). In addition, the Company has accrued \$87,000 in the third quarter and \$249,250 in the nine months ended September 30, 2005 in relation to its annual bonus plan for 2005. In comparison, bonuses in the amount of \$212,000 were paid to certain employees during the second quarter of 2004 in recognition for the development of the share purchase application and the successful implementation of GRS Securities' clients onto this new application.

General and Administrative

General and administrative expense totaled \$508,592 in the third quarter of 2005 (2004 – \$218,249) and \$1,190,494 in the nine months ended September 30, 2005 (2004 – \$600,965). The increase from prior year is attributable to the changes in the following categories:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2005	2004	2005	2004
	\$	\$	\$	\$
Data feeds	54,563	32,909	153,171	94,853
Insurance	13,172	10,822	44,399	31,376
IT systems and phones	74,091	40,186	186,952	103,445
Professional fees	102,248	24,876	180,192	52,136
Regulatory compliance	4,837	6,542	27,361	26,442
Rent and occupancy	77,963	47,837	213,239	136,318
Travel and entertainment	80,375	31,975	181,991	87,426
Other	101,343	23,102	203,189	68,969
	508,592	218,249	1,190,494	600,965

Data feed expenses increased by \$21,654 between the comparable quarters, and by \$58,318 between the comparable nine month periods in 2005 and 2004 as a result of increased stock quote usage by participants. This increased usage mirrored the increased stock option exercise activity which occurred between the comparable periods.

IT systems and phone expenses increased by \$33,905 between the comparable quarters, and by \$83,507 between the comparable nine month periods in 2005 and 2004 due to increased data services utilized by the Company and increased software license fees for production systems. In addition, call centre phone activity increased in line with increased exercise activity.

Professional fees increased by \$77,372 between the comparable quarters, and by \$128,056 between the comparable nine month periods in 2005 and 2004 due to increased legal, audit, consulting and hiring services utilized by the Company. Legal fees have increased as the complexity of the Company's business has increased. Audit services have increased as the Company has initiated an audit of its internal controls for purposes of satisfying certain clients' requirements under Sarbanes Oxley. Consulting fees paid to a director in connection with the ongoing development of Solium's U.S. market strategy totaled approximately \$29,000 during the third quarter and \$49,000 during the nine months ended September 30, 2005.

Rent and occupancy costs increased by \$30,126 between the comparable quarters, and by \$76,921 between the comparable nine month periods in 2005 and 2004. A portion of the increase is attributable to new lease obligations supporting the Company's U.S. operations. Effective June 1, 2005, the Company entered into a new lease for its head office expansion in Calgary adding \$6,500 in increased rent per month.

Travel and entertainment expenses increased by \$48,400 between the comparable quarters, and by \$94,565 between the comparable nine month periods in 2005 and 2004. The Company experienced an increase to travel activity for sales and business development in Canada and the U.S.

Amortization

Amortization expense was \$50,476 in the third quarter of 2005 (2004 – \$50,845) and \$122,355 in the nine months ended September 30, 2005 (2004 – \$149,970). The decrease in amortization expense for the corresponding year-to-date periods reflects the fact that intangible assets were fully amortized during 2004. The decrease associated with the intangible assets was partially offset by the increased amortization of leasehold improvements. During the second quarter of 2005, the Company undertook certain leasehold improvements on its new head office space totaling approximately \$300,000. These costs are being amortized as a reduction to rent expense over the seven year term of the lease.

Debenture Interest

\$6,301 in debenture interest was incurred in the third quarter of 2005 (2004 – \$25,000) and \$28,870 in the nine months ended September 30, 2005 (2004 – \$75,000). The decrease between 2005 and 2004 is a result of the repayment of \$500,000 of demand debentures on December 31, 2004 and another \$250,000 on May 27, 2005. The final repayment of \$250,000 occurred on September 30, 2005.

Financial Condition, Liquidity and Capital Resources

Cash on hand as at September 30, 2005 was \$714,753 (September 30, 2004 – \$1,106,479; December 31, 2004 – \$589,207). Working capital as at September 30, 2005 was \$1,271,732 (September 30, 2004 – \$41,178; December 31, 2004 – \$253,432). The strengthened working capital in 2005 is attributable to positive cash flow from operations experienced during the first nine months of the year, and the repayment of \$1,000,000 of demand debentures since December 2004.

The Company has experienced net earnings and positive cash flows from operating activities since the second quarter of 2004. 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 September 30, 2005, there were no significant commitments outstanding to purchase capital assets, and no significant payables outstanding in relation to the purchase of capital assets. Included in accounts receivable as at September 30, 2005, was \$244,975 representing the tenant inducement receivable from the landlord for the leasehold improvements. This inducement was received in full in October 2005. Capital purchases of computer equipment, furniture and fixtures planned for the fourth quarter of 2005 are expected to be less than \$50,000.

The Company has a revolving credit facility of \$500,000 with a Canadian bank. As at September 30, 2005, no amounts had been drawn on the credit facility.

Transactions with Related Parties

On May 27, 2005, the Company made a repayment of \$250,000 to the holders of the demand debentures. On September 30, 2005, a final repayment of \$250,000 was made. The debentures were held by a Director of the Company, and by the spouse of the President and Chief Executive Officer and a Director of the Company. Interest expense incurred on the debentures amounted to \$6,301 during the quarter and \$28,870 during the nine months ended September 30, 2005.

Consulting fees paid to a director in connection with the ongoing development of Solium's U.S. market strategy totaled approximately \$29,000 during the third quarter and \$49,000 during the nine months ended September 30, 2005.

During the nine months ended September 30, 2005, the Company utilized legal services totaling \$21,567, plus applicable taxes, which were provided by a firm with which a Director of the Company is a partner.

During the nine months ended September 30, 2005, the Company utilized human resource recruiting services totaling \$6,285, plus applicable taxes, which were provided by a firm owned by the spouse of the President and Chief Executive Officer of the Company.

Business Prospects and Outlook

Business Prospects

During the third quarter of 2005, Solium added five direct sales clients with approximately \$150,000 in annualized access fees onto Shareworks™. As at September 30, 2005, the Company had in progress, 14 direct sales clients with approximately \$1,000,000 in annualized access fees being implemented onto Shareworks™. Implementation of these clients is expected to be completed during the fourth quarter of 2005 and the first quarter of 2006.

The Company continues to strengthen the geographic diversity of its direct sales clients in Canada. As at September 30, 2005, 58% of the Company's access fees were generated from Calgary based clients (2004 – 75%), 29% from Toronto based clients (2004 – 17%), 8% from Vancouver based clients (2004 – Nil) and 5% from Montreal based clients (2004 – 8%).

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 its Chief Technology Officer as President of 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 begun direct sales activities and exploring channel opportunities 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 28,444,369 common shares outstanding. There were no preferred 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 2,885,195 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 interim consolidated financial statements for the period ended September 30, 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 September 30, 2005.



Brian Craig
President & Chief Executive Officer



Lynn Leong, CA
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

<i>As At</i>	September 30, 2005 \$ <i>(Unaudited)</i>	December 31, 2004 \$ <i>(Audited)</i>
Assets		
Current		
Cash and cash equivalents	714,753	589,207
Accounts receivable <i>(Note 2)</i>	1,153,529	468,963
Prepaid expenses	147,019	136,005
	2,015,301	1,194,175
Capital assets	463,314	112,265
	2,478,615	1,306,440
Liabilities		
Current		
Accounts payable and accrued liabilities	631,802	384,330
Current portion of deferred revenue	76,771	56,413
Current portion of deferred tenant inducement <i>(Note 2)</i>	34,996	–
Demand debentures <i>(Notes 3)</i>	–	500,000
	743,569	940,743
Deferred revenue	88,260	57,069
Deferred tenant inducement <i>(Note 2)</i>	198,314	–
	1,030,143	997,812
Shareholders' Equity		
Share capital <i>(Note 4)</i>	9,703,725	9,659,089
Contributed surplus <i>(Note 6)</i>	224,104	119,667
Deficit	(8,479,357)	(9,470,128)
	1,448,472	308,628
	2,478,615	1,306,440

APPROVED BY THE BOARD OF DIRECTORS



Michael Broadfoot
Director



Brian Craig
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

<i>(Unaudited)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenue				
Stock option services	772,531	366,460	2,215,607	1,111,007
Share purchase services	813,251	396,677	2,217,410	851,596
Consulting services	23,000	–	83,250	–
	1,608,782	763,137	4,516,267	1,962,603
Expenses				
Salaries and wages <i>(Note 5)</i>	749,253	433,770	2,183,777	1,413,287
General and administrative	508,592	218,249	1,190,494	600,965
Amortization	50,476	50,845	122,355	149,970
Debenture interest <i>(Note 3)</i>	6,301	25,000	28,870	75,000
Tax credit refund	–	–	–	(61,487)
	1,314,622	727,864	3,525,496	2,177,735
Net earnings (loss)	294,160	35,273	990,771	(215,132)
Deficit, beginning of period	(8,773,517)	(9,586,511)	(9,470,128)	(9,336,106)
Deficit, end of period	(8,479,357)	(9,551,238)	(8,479,357)	(9,551,238)
Net earnings (loss) per share				
Basic	0.010	0.001	0.035	(0.008)
Fully diluted	0.010	0.001	0.033	N/A

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash flows related to the following activities:				
Operating				
Net earnings (loss)	294,160	35,273	990,771	(215,132)
Adjustments for:				
Amortization of capital assets	50,476	50,845	122,355	149,970
Amortization of tenant inducement <i>(Note 2)</i>	(8,749)	–	(11,665)	–
Stock-based compensation expense <i>(Note 5)</i>	38,486	22,511	109,131	44,577
Loss on disposal of capital assets	8,698	–	8,698	–
	383,071	108,629	1,219,290	(20,585)
Changes in non-cash working capital	(341,455)	252,861	(156,616)	(29,613)
	41,616	361,490	1,062,674	(50,198)
Financing				
Issuance of common shares	10,485	–	39,942	5,542
Repayment of debentures <i>(Note 3)</i>	(250,000)	–	(500,000)	–
Changes in non-cash working capital	–	60,052	–	(6,169)
	(239,515)	60,052	(460,058)	(627)
Investing				
Purchase of capital assets	(41,257)	(4,449)	(483,102)	(51,782)
Proceeds on sale of capital assets	1,000	–	1,000	–
Tenant inducement <i>(Note 2)</i>	–	–	244,975	–
Changes in non-cash working capital	155,353	3,114	(239,943)	(13,521)
	115,096	(1,335)	(477,070)	(65,303)
Net increase (decrease) in cash and cash equivalents	(82,803)	420,207	125,546	(116,128)
Cash and cash equivalents, beginning of period	797,556	686,272	589,207	1,222,607
Cash and cash equivalents, end of period	714,753	1,106,479	714,753	1,106,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended September 30, 2005 (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated 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 consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements dated December 31, 2004. These interim consolidated financial statements should be read in conjunction with the Company's December 31, 2004 audited annual financial statements.

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiary Solium Capital Ltd.

2. DEFERRED TENANT INDUCEMENT

Effective June 1, 2005, the Company entered into a lease for new head office space. During the quarter ended June 30, 2005, the Company undertook certain leasehold improvements on this new office space. At September 30, 2005, a tenant inducement in the amount of \$244,975 was receivable from the landlord with respect to the leasehold improvements. The cash was subsequently received in October of 2005. The tenant inducement has been deferred and will be recognized as a reduction of rent during the seven year term of the lease.

3. DEMAND DEBENTURES

On September 30, 2005, the Company made a final repayment of \$250,000 to the holders of the demand debentures. As a result of the repayment, the holders' security interest in all of the Company's present and after-acquired property was discharged. \$125,000 of the debentures was owing to a Director of the Company. The other \$125,000 was owing to the spouse of the President and Chief Executive Officer and a Director of the Company. Interest expense incurred on the debentures amounted to \$6,301 during the quarter (2004 – \$25,000), and \$28,870 during the nine months (2004 – \$75,000) ended September 30, 2005.

4. 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 5)	159,771	39,942
Adjustment on exercise of stock options (Note 6)	–	4,694
Balance, September 30, 2005	28,444,369	9,703,725

5. STOCK-BASED COMPENSATION

Stock option activity with respect to the Company's stock option plan for the nine months ended September 30, 2005 is shown below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, December 31, 2004	2,818,298	0.32
Granted	325,000	0.83
Exercised	(159,771)	0.25
Cancelled	(98,332)	0.40
Outstanding, September 30, 2005	2,885,195	0.38

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. STOCK-BASED COMPENSATION (continued)

The following table summarizes additional information relating to stock options that are outstanding and vested as at September 30, 2005:

Exercise Price	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Exercise Price
\$0.25	1,630,129	24 months	1,291,149	\$0.25
\$0.26 to \$0.50	850,000	44 months	75,001	\$0.40
\$0.51 to \$0.75	297,000	54 months	–	–
\$0.76 to \$1.00	108,066	55 months	8,066	\$0.90
	2,885,195	34 months	1,374,216	\$0.26

Using the fair value method of accounting for stock options granted to employees and directors on or after January 1, 2003, the Company recognized \$38,486 of stock-based compensation expense in the quarter (2004 – \$22,511), and \$109,131 in the nine months ended September 30, 2005 (2004 – \$44,577). A corresponding increase to contributed surplus was recorded in those periods (see Note 6).

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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005 \$	2004 \$	2005 \$	2004 \$
Net earnings (loss), as reported	294,160	35,273	990,771	(215,132)
Total additional stock-based compensation expense determined under fair value method	(5,539)	(28,319)	(23,132)	(51,009)
Pro-forma net earnings (loss)	288,621	6,954	967,639	(266,141)
Pro-forma earnings (loss) per share				
Basic	0.010	0.0003	0.034	(0.019)
Fully diluted	0.010	0.0002	0.032	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 nine months ended September 30, 2005 and 2004:

	2005	2004
Weighted-average fair value (per share) of options granted	\$ 0.7461	\$ 0.4258
Dividend yield	0%	0%
Expected volatility	159%	182%
Risk-free interest rate	2.90%	3.00%
Expected life	4 years	3.7 years

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. CONTRIBUTED SURPLUS

	Amount \$
Balance, December 31, 2004	119,667
Stock-based compensation expense for the period <i>(Note 5)</i>	109,131
Stock options exercised during the period <i>(Note 4)</i>	(4,694)
Balance, September 30, 2005	224,104

Amounts recorded as stock-based compensation expense are recorded as a corresponding increase to contributed surplus. To the extent that they have been expensed, when the stock options are exercised the fair value amount is removed from contributed surplus and credited to share capital.

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

Ron Ratzlaff

Vice President, Customer Operations

DIRECTORS

Michael Broadfoot

*Director,
Solium Capital Inc.*

Brian Craig

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

Justin Ferrara

*Partner,
Macleod Dixon LLP*

Russ Waterhouse

*Former President,
Computershare Ltd. North America*

Anthony Webb

*Former President and Chief Executive Officer,
Royal Trust*

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INVESTOR INFORMATION

Transfer Agent

Valiant Trust Company

Legal Counsel

Macleod Dixon LLP

Auditors

Deloitte & Touche LLP

Stock Listing and Symbol

TSX Venture Exchange
Symbol: SUM

Investor Contact

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