

Commercial Solutions Inc.
Consolidated Statement of Income (loss) and Retained Earnings
(Unaudited - Prepared by Management)

	Three Months	
	Ended December 31 2003	Ended December 31 2002
Revenue	\$ 18,854,931	\$ 14,619,701
Cost of goods sold	13,594,724	10,851,472
Gross profit margin	5,260,207	3,768,229
Expenses		
Selling, general and administrative	1,350,216	1,381,839
Salaries and benefits	3,016,106	2,497,123
	4,366,322	3,878,962
Operating income (loss)	893,885	(110,733)
Other expenses		
Amortization	108,756	95,452
Interest	275,567	157,621
	384,323	253,073
Net income (loss) before income taxes	509,562	(363,806)
Income taxes	194,354	-
Net income (loss) for the period	315,208	(363,806)
Retained earnings, beginning of period	1,873,342	583,442
Retained earnings, end of period	\$ 2,188,550	\$ 219,636
Basic earnings (loss) per share	\$ 0.04	\$ (0.05)
Diluted earnings (loss) per share	\$ 0.03	\$ (0.03)
Weighted average common shares outstanding	8,833,405	7,055,628

Notes to the interim unaudited Consolidated Financial Statements

1. The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and include the accounts of the Company and its wholly owned subsidiaries. These financial statements do not contain all disclosures required by Canadian GAAP for annual audited financial statements, and accordingly, the financial statements should be read in conjunction with the most recent annual financial statements.

2. These financial statements, in all material respects, follow the same accounting policies and method of application as the annual audited financial statements of the preceding fiscal year.

3. Effective October 1, 2002, the Company completed a reverse takeover ("RTO") of Commercial bearing service (1996) Ltd. ("CBS") and a financing for gross proceeds of \$6,390,800. Following the RTO, the Company changed its name to Commercial Solutions Inc. and consolidated its common shares on the basis of five pre-consolidation common shares for one new post consolidation common share.

4. On December 10, 2003, the Company issued a five year, 15% coupon, \$2,500,000 subordinated debenture issued to Roynat Capital Inc. Payments consist of 59 monthly instalments of \$41,500, and one final instalment of \$51,500. The Company has the option to retire the debenture after three years with minimal penalty.

Commercial Solutions Inc.
Consolidated Statement of Cash Flows
(Unaudited - Prepared by Management)

	Three Months	
	Ended December 31 2003	Ended December 31 2002
Operating		
Net Income (loss)	\$ 315,208	\$ (363,806)
Items not involving cash		
Amortization	108,756	95,452
	423,964	(268,354)
Changes in non-cash working capital	(447,552)	(492,065)
	(23,588)	(760,419)
Investing		
Purchase of capital assets	(236,812)	(47,932)
Financing		
Subordinated debenture, net	2,450,050	(42,675)
Long-term debt, net	(50,935)	(45,687)
Notes payable	(139,488)	-
Related party advances, net	18,051	-
	2,277,678	(88,362)
Increase (decrease) in cash and cash equivalents during the period	2,254,090	(896,713)
Bank indebtedness		
Beginning of period	(10,384,011)	(7,049,626)
End of period	\$ (8,366,733)	\$ (7,946,339)

5. The Company operates two business segments in Canada: (i) the distribution of industrial supplies; and (ii) the distribution of oilfield rig parts and supplies.

The Company experiences seasonality in sales for each segment, with the industrial supply segment having the greatest exposure to the seasonality effect. The first quarter is traditionally its weakest. The oilfield rig parts & supplies segment experiences relatively less seasonality, but peaks in the third quarter. From a consolidation perspective, the second and third quarters are the strongest for the Company.

The following table presents information about reportable segment profit and loss:

	Oilfield			Consolidated
	Industrial Supplies	Rig Parts & Supplies	Intersegment Transactions	
Revenue	\$14,947,343	\$3,907,591		\$18,854,931
Segment profit (loss)	350,850	793,821		1,144,671
General corporate expenses				250,786
Amortization				108,756
Interest expense				275,567
Income (loss) before income taxes				\$509,562
Identifiable assets	\$22,251,655	\$5,811,572	(33,123)	\$28,030,104
Corporate assets				9,018,874
Total assets				\$ 37,048,978
Capital expenditures	\$232,667	\$4,145		\$ 236,812

Comparative segment information has not been disclosed as the Company was operating within one segment in the comparative quarter. The oilfield rig parts & supplies segment was acquired effective May 1, 2003.

Commercial Solutions Inc.
Consolidated Balance Sheet as at December 31, 2003, 2002
and as at the year ended September 30, 2003
(Unaudited - Prepared by Management)

	December 31		December 31		September 30	
	2003	2002	2003	2002	2003	2002
Assets						
Receivables	\$ 12,409,937	\$ 8,142,798	\$ 12,356,440			
Inventory	12,392,397	10,536,890	12,671,682			
Prepays	453,713	213,633	428,925			
	25,256,047	18,893,321	25,457,047			
Due from related parties	-	-	7,184			
Future income tax asset	2,040,547	449,000	2,233,101			
Capital assets	2,186,991	2,133,756	2,058,935			
Goodwill and other assets	7,565,393	1,350,445	7,565,393			
	\$ 37,048,978	\$ 22,826,522	\$ 37,321,660			
Liabilities						
Bank indebtedness	\$ 8,366,733	\$ 7,946,339	\$ 10,384,011			
Payables and accruals	8,921,122	5,810,740	9,762,228			
Current portion of long-term debt	2,334,701	624,400	1,836,086			
	19,622,556	14,381,479	21,982,325			
Due to related parties	10,867	365,512	-			
Note payable	2,221,666	250,000	2,274,917			
Long-term debt	6,122,256	4,515,367	4,307,993			
	27,977,345	19,512,358	28,565,235			
Shareholders' Equity						
Common shares	4,914,905	1,126,350	4,914,905			
Preferred shares	1,968,178	1,968,178	1,968,178			
Retained earnings	2,188,550	219,636	1,873,342			
	9,071,633	3,314,164	8,756,425			
	\$ 37,048,978	\$ 22,826,522	\$ 37,321,660			

Approved by the Board of Directors

(signed) "James Barker"
James Barker, Director

(signed) "Ron Gibbon"
Ron Gibbon, Director

6. As required per the CICA's new standard for stock-based payments, for options granted after the adoption date, disclosure of the impact on earnings and earnings per share, as if the fair value based method of accounting for the share-based compensation had been applied, is shown in the chart below. Such impact, using a weighted average fair value of \$0.14 per option for the 1,327,100 options granted for the quarter ended December 31, 2003, would approximate the following pro forma amounts.

Net earnings for the quarter as reported	\$ 315,208
Pro forma current quarter compensation cost - net of tax	\$ 47,796
Pro forma net earnings for the quarter	\$ 267,412
Basic earnings per share as reported	\$ 0.04
Pro forma basic earnings per share	\$ 0.03
Diluted earnings per share as reported	\$ 0.03
Pro forma diluted earnings per share	\$ 0.03

The significant assumptions made in the calculation of the weighted average fair value of the options are as follows:

Risk-free interest rate	2.0%
Expected life	5 years
Expected volatility	40%
Expected dividend yield	nil

To Our Shareholders:

COMMERCIAL SOLUTIONS INC. (the "Company") (TSX-V:CSA) is pleased to announce its financial results for the first quarter ended December 31, 2003. This quarter represents the fifth consecutive quarter of year over year revenue growth and the fourth consecutive quarter of increased profitability. A complete copy of the Company's report for the first quarter is available on the Internet at www.sedar.com. Financial highlights from the first quarter financial results are as follows:

	Three Months Ended	
	2003	2002
Revenue	\$18,854,931	\$14,619,701
Gross margin	\$5,260,207	\$3,768,229
EBITDA	\$893,885	(\$110,733)
Pre-tax earnings (loss)	\$509,562	(\$363,806)
Net earnings (loss)	\$315,208	(\$363,806)
Basic cash flow (loss) per share	\$0.10	(\$0.02)
Basic earnings (loss) per share pre-tax	\$0.06	(\$0.05)
Basic (loss) earnings per share	\$0.04	(\$0.05)
Diluted (loss) earnings per share	\$0.03	(\$0.03)
Issued and outstanding shares	8,833,405	7,055,628

Note: EBITDA is defined as earnings before interest, taxes, depreciation and amortization

First quarter revenue increased 29 percent above last year's first quarter to \$18.8 million. Net earnings increased by 187 percent to \$0.3 million or \$0.04 per share compared with a loss of \$0.36 million or \$0.05 loss per share for the corresponding period of 2002. Cash flow in the first quarter rose 907 percent to \$0.9 million from a loss of \$0.1 million from the prior period. Operating expenses as a percentage of sales decreased by 3.3% from 26.5% in the prior year's first quarter to 23.2% in the current quarter. In addition to increasing sales without a similar increase in operating costs, the percentage decrease reflected the Company's integration efforts from two significant acquisitions completed in fiscal 2003.

The Company currently has over \$5.0 million in tax losses to offset taxable income the benefit of which was recognized in the September 30, 2003 year financial statements. Going forward, in accordance with generally accepted accounting principles (GAAP), the Company must report income tax expense at its effective rate, however no taxes are paid until such time as all the tax losses have been applied. Accordingly the pre-tax income of \$509,562 or \$0.06 per share, for the first quarter, is the Company's actual cash flow amount.

"Management is very encouraged with the first quarter results given that due to seasonality factors the first quarter is generally considered the weakest from a revenue and profitability prospective," stated Jim Barker, Chairman of Commercial Solutions Inc. "In addition to our recent strategic acquisition, the Company continues to diversify its product mix to level out the seasonal peaks and valleys."

Outlook

The Company continues to focus its growth on top-line sales and increased market share by actively pursuing acquisition opportunities in its core distribution business throughout Canada.

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "James Barker"

James Barker, Chairman

February 26, 2004

CORPORATE INFORMATION

Officers and Directors

Jim Barker
Chairman and Director
Edmonton, Alberta

Eric Sauze CA CFA
Chief Financial Officer
Edmonton, Alberta

Dr. Ken Harrison
Director
Edmonton, Alberta

Michael McGee
Director
Calgary, Alberta

Corporate Office

#1500 10025-102A Avenue
Edmonton, Alberta T5J 2Z2
Ph: 780 496 9097
Fx: 780 496 9172

Auditors

Grant Thornton LLP
2400 Scotia Place 1
10060 Jasper Avenue
Edmonton, Alberta T5J 3R8

Shares Listed

TSX Venture Exchange
Trading Symbol - CSA

Bankers

Bank of Montreal
10199 101 Street
Edmonton, Alberta T5J 3Y4

Transfer Agent

Computershare Trust Company of Canada
600, 530 - 8 Avenue SW
Calgary, Alberta T2P 3S8

Share Capital

Issued: 8,833,405 common shares
Stock Options Granted: 1,327,100

Web Site

<http://www.commercialsolutions.ca>

Ron Gibbon
President, CEO &
Director
Edmonton, Alberta

Don Caron
Secretary and Director
Edmonton, Alberta

James Taylor
Director
Regina, Saskatchewan

William Rosser
Director
Edmonton, Alberta

Head Office

4203 95 Street
Edmonton, Alberta
T6E 5R6
Ph: 780 432 1611
Fx: 780 462-0807

