

Belzberg Technologies Management's Discussion and Analysis

First Quarter Ending March 31, 2001

General

Belzberg Technologies Inc. is a leading provider of trade execution, order management, and routing software for the financial industry. The Company's customers include broker-dealers and their customers, and use Belzberg trading software to buy and sell equities and stock options on a variety of stock exchanges, Electronic Communications Networks (ECNs), or Nasdaq market maker trade management systems. Belzberg products enable traders to execute and manage large volumes of transactions at high speed, and with great reliability and security.

Major financial institutions, broker-dealers, buy-side institutions, banks, and others use all, or a subset, of Belzberg trading products to automate their order execution, basket trading, arbitrage, retail order management, and real-time inventory management, as demanded by each situation.

Overview

Revenue By Quarter

4 th Qtr 1999	\$ 1,608,000
1 st Qtr 2000	\$ 2,444,000
2 nd Qtr 2000	\$ 2,698,000
3 rd Qtr 2000	\$ 2,987,000
4 th Qtr 2000	\$ 3,823,000
1st Qtr 2001	\$ 4,567,000

Revenues for the Company have increased since the fourth quarter in 1999.

Revenue increased by 86.9% to \$4.6 million for first quarter 2001 from \$2.4 million in first quarter 2000.

Net Loss for the first quarter was \$383,000 as compared to a profit of \$35,000 in the first quarter of 2000.

Earnings before interest, taxes, depreciation and amortization of \$63,032 in first quarter 2001 compares to \$116,357 in first quarter 2000.

Liquid assets (cash, short-term investment, and receivables) increased in 2001 to \$14.6 million from \$10.5 million at year-end 2000.

Shareholders' equity in Capital Stock was increased by a net \$ 4,664,000 in the first quarter of 2001.

Revenues by Country and Segment

For the periods ended March 31,

			<u>2001</u>			<u>2000</u>
(\$000s)	<u>Sub- scription Fee Revenue</u>	<u>Transac- tion Fee Revenue</u>	<u>Total</u>	<u>Sub- scription Fee Revenue</u>	<u>Transac- tion Fee Revenue</u>	<u>Total</u>
Canadian Operations	\$1,355	\$274	\$1,848	\$574	\$147	\$1,548
US Operations	\$993	\$1,587	\$2,719	\$499	\$370	\$869
Totals	\$2,348	\$1,861	\$4,567	\$1,073	\$517	\$2,444

Gross revenue increased from \$2.4 million in first quarter 2000 to \$4.6 million in first quarter 2001 (an increase of 86%). Revenue growth occurred in both US and Canadian operations, as illustrated above. Totals above include other revenue as reported.

Gross Profit and Gross Margin

For the periods ended March 31,

	<u>2001</u>	<u>2000</u>
Revenue	\$4,567	\$2,444
Cost of Revenue	\$1,838	\$699
Gross Profit	\$2,729	\$1,745
Gross Profit%	69.8%	71.4%

Capital Assets and Amortization

Capital asset acquisitions amounted to \$346,000 for first quarter 2001. Amortization of these assets is on a three-year, straight-line basis, except for leasehold improvements and certain furniture. The increase in amortization expense from \$67,000 in first quarter 2000, to \$370,000 in first quarter 2001 is a reflection of increased Capital Asset expenditures in the last three quarters of 2000 and the first quarter of 2001.

Capital Leasing and Interest on Obligations Under Capital Lease

Interest on capital leases in first quarter 2000 was \$65,000 as compared to \$116,000 in the same period in 2001. Capital assets of \$212,000 were acquired under capital lease during the first quarter of 2001.

Capital lease obligations increased from \$1.4 million at the end of 2000, to \$1.7 million at the end of first quarter 2001. The term of these lease obligations closely parallels the amortization policy on these assets, thereby matching the payment for these assets against their use.

Earnings Before Interest, Taxes, Depreciation and Amortization

For the quarters ended March 31,

	<u>2001</u>	<u>2000</u>
Net Income / (Loss)	(\$383,341)	\$34,732
Interest on Capital Lease Obligations	\$116,256	\$64,984
Amortization	\$400,032	\$59,575
Earnings Before, Interest, Taxes, Depreciation and Amortization	\$132,947	\$159,291

Liquidity and Capital Resources

At March 31, 2001, the Company's cash and short-term investments amounted to \$9.1 million, up from \$5.6 million at December 31, 2000. Accounts receivable increased to \$4.3 million from \$3.8 million during the same period. This strengthening in cash arose from a private placement of 333,334 shares from Treasury generating net proceeds of \$4.7 million.

The Company is debt-free except for capital lease obligations.

Improvement in Shareholders' Equity

Shareholder's equity as at March 31, 2001 is \$14.6 million compared to \$10.7 million at December 31, 2000.

In the first quarter 2001, the Company issued 5,600 shares upon the exercise of share options by employees and directors for proceeds of \$20,000. The Company purchased 40,800 of its own shares on the Toronto Stock Exchange at a cost of \$475,000 under its Normal Course Issuer Bid.

Stock Based Compensation

The Company has a policy of granting stock options to management and employees. Stock options are issued at the fair market value or greater at the date of their issuance. The granting, vesting, and expiry of options is governed by the Company's stock option plan. As at March 31, 2001, the Company had 3,693,900 options outstanding to all parties with exercise prices ranging from \$3.00 to \$18.00 per share. 3,154,900 of those options were vested. This compares to 3,889,500 options outstanding at December 31, 2000 of which 3,130,500 were vested.

Compensation Expense

Under US GAAP, options issued to persons who are not employees or directors of the Company are valued under the Black-Scholes method. The valuation obtained is considered as additional deferred stock compensation, and is amortized over the life of the option as an additional expense. The Black-Scholes valuations derived from market conditions during first quarter 2001 produced a recovery of stock compensation expense amounting to \$106,221.