

Consolidated Financial Statements of

BELZBERG TECHNOLOGIES INC.

June 30, 2001

(in Canadian dollars)

Unaudited

Belzberg Technologies Inc

Consolidated Balance Sheet

as at June 30, 2001

(Canadian Dollars)

	June 30 2 0 0 1	December 31 2 0 0 0	June 30 2 0 0 0
ASSETS			
CURRENT			
Cash	\$ 9,070,153	\$ 5,641,924	\$ 4,639,825
Accounts receivable	4,779,590	3,749,620	2,302,007
Government assistance receivable	1,149,779	1,149,779	-
Prepaid and sundry	415,224	285,670	87,491
	<u>15,414,746</u>	<u>10,826,993</u>	<u>7,029,323</u>
RESTRICTED CASH	<u>81,000</u>	81,000	81,000
CAPITAL ASSETS			
Owned	2,576,675	1,606,907	2,196,884
Held under Capital Lease	3,535,627	3,160,393	509,824
	<u>6,112,302</u>	<u>4,767,300</u>	<u>2,706,708</u>
Accumulated Amortization	1,802,577	1,016,118	567,441
	<u>4,309,726</u>	<u>3,751,182</u>	<u>2,139,267</u>
GOODWILL, net of accumulated amortization	<u>1,075,096</u>	800,350	-
	<u>20,880,567</u>	<u>15,459,525</u>	<u>9,249,590</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued	2,395,082	1,370,967	1,132,785
Due on acquisition (Note 7)	1,398,556	-	-
Unearned revenue	722,470	1,031,144	784,027
Current portion of capital lease obligations	1,112,706	862,286	189,716
	<u>5,628,814</u>	<u>3,264,397</u>	<u>2,106,528</u>
LONG TERM			
Obligations under Capital Lease	1,572,720	1,418,091	201,302
Deferred Revenue	61,111	112,424	-
	<u>7,262,645</u>	<u>4,794,912</u>	<u>2,307,830</u>
SHAREHOLDERS' EQUITY			
Capital stock	22,647,229	19,740,082	15,887,842
Warrants	1,782,900		
Deficit	(10,812,207)	(9,075,469)	(8,946,082)
	<u>13,617,922</u>	<u>10,664,613</u>	<u>6,941,760</u>
	<u>\$ 20,880,567</u>	<u>\$ 15,459,525</u>	<u>\$ 9,249,590</u>

Approved on behalf of the Board

"Sidney H. Belzberg"

..... Director

"Lawrence J. Cyna"

..... Director

Belzberg Technologies Inc

Consolidated Statement of Income and Deficit

for the six months ended June 30, 2001

(Canadian dollars)

	<u>Six Months</u>		<u>Second Quarter</u>	
	<u>2 0 0 1</u>	2 0 0 0	<u>2 0 0 1</u>	2 0 0 0
REVENUE	11,021,723	5,036,576	6,455,031	2,592,495
COST OF REVENUE	4,612,865	1,679,152	2,775,198	980,638
GROSS PROFIT	6,408,858	3,357,424	3,679,833	1,611,857
OPERATING EXPENSES				
Research and development	1,552,988	831,416	785,997	466,100
Sales and marketing	2,684,720	1,357,258	1,397,053	713,255
Administration	2,417,118	1,053,177	1,566,988	510,605
	6,654,826	3,241,851	3,750,038	1,689,960
OPERATING INCOME (LOSS)	(245,969)	115,573	(70,205)	(78,103)
Interest income	(189,278)	(105,392)	(90,893)	(62,458)
Interest	263,293	163,972	144,580	98,989
Amortization	783,184	254,130	413,440	186,678
Amortization – goodwill	60,576	-	30,288	-
Exchange loss (gain)	(56,044)	19,539	190,489	(47,433)
Other items	231,764	-	198,014	(2,470)
	1,093,495	332,249	885,919	173,306
NET INCOME (LOSS)	(1,339,464)	(216,676)	(956,123)	(251,409)
DEFICIT, beginning of year / period	(9,075,469)	(8,729,406)	(9,850,627)	(8,694,674)
Excess of purchase price of shares over average share value (Note 4)	(397,274)	-	(5,456)	-
DEFICIT, end of period	(10,812,207)	(8,946,082)	(10,812,206)	(8,946,083)
EBITA				
Net Income (Loss)	(1,339,464)	(216,676)	(956,123)	(251,409)
add back:				
Interest	263,293	163,972	144,580	98,989
Taxes	49,081	-	40,467	-
Amortization	843,759	254,130	443,728	186,678
	(183,330)	201,426	(327,348)	34,258

Belberg Technologies Inc
Consolidated Statement of Cash Flows
for the periods ended June 30

(Canadian dollars)

	<u>Six Months</u>		<u>Second Quarter</u>
	<u>2 0 0 1</u>	<u>2 0 0 0</u>	<u>2 0 0 1</u>
CASH PROVIDED BY (USED FOR):			
OPERATING ACTIVITIES			
Net Gain (loss) for the period	\$ (1,339,464)	\$ (216,676)	\$ (956,123)
Items not affecting cash:			
Amortization of tangible assets	783,184	254,130	413,440
Amortization of goodwill	60,576	-	30,288
Amortization of gain on disposal of capital assets	(50,670)	-	(26,292)
Stock compensation expense	56,940	-	28,470
	<u>(489,435)</u>	<u>37,454</u>	<u>(510,218)</u>
Net change in non-cash working capital balances	<u>953,829</u>	<u>(2,620,440)</u>	<u>1,920,214</u>
	<u>464,394</u>	<u>(2,582,986)</u>	<u>1,409,996</u>
FINANCING ACTIVITIES			
Repayment of note payable	-	(1,154,640)	-
Repayment of obligation under capital lease	(509,247)	(18,148)	(266,175)
Increase in capital lease obligation	914,296	-	366,764
Purchase of common shares	(483,157)	-	(7,733)
Proceeds on issuance of capital stock	4,718,991	8,037,542	-
Proceeds on issuance of warrants	-	1,623,300	-
	<u>4,640,883</u>	<u>8,488,054</u>	<u>92,856</u>
INVESTING ACTIVITIES			
Purchase of capital assets	<u>(1,677,048)</u>	<u>(1,248,199)</u>	<u>(1,542,866)</u>
Change in cash and cash equivalents	3,428,229	4,656,869	(40,014)
CASH AND CASH EQUIVALENTS, beginning of period	<u>5,641,924</u>	<u>(17,044)</u>	<u>9,110,167</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 9,070,153</u>	<u>\$ 4,639,825</u>	<u>\$ 9,070,153</u>
CASH AND CASH EQUIVALENTS REPRESENTED BY:			
Cash	1,347,916	780,175	1,347,916
Short term investments	7,722,237	3,859,650	7,722,237
	<u>\$ 9,070,152</u>	<u>\$ 4,639,825</u>	<u>\$ 9,070,152</u>
SUPPLEMENTARY CASH FLOW INFORMATION			
Value of share capital recorded on compensation expense	56,940	-	28,470
Acquisition of capital assets with debt	375,234		
Acquisition of capital assets on acquisition of subsidiary	18,558		-
Interest paid	263,293	57,934	144,580
Income taxes paid	49,081		40,467

Belzberg Technologies Inc
Notes to the Consolidated Financial Statements
 June 30, 2001

(in Canadian dollars)

1. DESCRIPTION OF BUSINESS

Belzberg Technologies Inc. and its wholly-owned subsidiaries ("the Company") is a supplier of global Internet trading solutions, intelligent order routing systems, e-commerce gateways, and business-to-business integration solutions with revenues to date primarily from the financial sector.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A reconciliation of the differences between Canadian and American GAAP is presented in Note 6. The interim financial statements should be read in conjunction with the most recent annual financial statements. The interim financial statements have been prepared using the same accounting policies and methods of applications as the most recent annual financial statements, except for the following:

Earnings per Share

The Company has adopted the new provisions of section 3500 of the Handbook of the Canadian Institute of Chartered Accountants titled *Earnings per Share* effective January 1, 2001 and has determined that no restatement is required for any prior period. There is no effect of the new provisions to previously presented information.

3. COMPONENTS OF CASH AND SHORT TERM INVESTMENTS

Cash in banks	\$ 1,347,917	
Bankers' Acceptances	5,410,637	
Deposits held by brokers	<u>2,311,599</u>	9,070,153
GICs (restricted cash)		<u>81,000</u>
		<u>\$ 9,151,153</u>

4. CAPITAL STOCK AND STOCK OPTIONS

Authorized: Unlimited number of common shares

Share Capital	Number of shares	Amount	Compensation Expense	Total
Balance at December 31, 2000	10,731,390	\$ 17,900,241	\$ 56,940	\$ 17,957,181
Private placement (net of issuance cost of \$301,009)	333,334	4,698,991		4,698,991
Options exercised	5,600	20,000		20,000
Purchase of shares under Normal Course Issuer Bid				
first quarter	(40,800)	(83,606)		(83,606)
second quarter	(1,100)	(2,277)		(2,277)
Stock compensation expense				
first quarter			28,470	28,470
second quarter			28,470	28,470
Balance at June 30, 2001	<u>11,028,424</u>	<u>\$ 22,533,349</u>	<u>\$ 113,880</u>	<u>\$ 22,647,229</u>

During the second quarter, the Company purchased 1,100 of its common shares on the open market under a Normal Course Issuer Bid. The excess of the purchase price over the average issue price of shares from Treasury was added to the deficit.

Belzberg Technologies Inc
Notes to the Consolidated Financial Statements
June 30, 2001

(in Canadian dollars)

Stock Options	Number	Weighted Average	
		Exercise Price	
Balance at December 31, 2000	3,889,500	\$	6.83
Options granted	288,000		11.50
Options forfeited	(250,000)		-
Options exercised	(5,600)		3.57
Balance at June 30, 2001	3,921,900	\$	6.73

5. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	June 30 2001	June 30 2000
Accounts receivable	\$ (1,029,973)	\$ (892,922)
Government assistance receivable	-	126,073
Prepaid and sundry assets	(129,553)	20,407
Accounts payable and accrued liabilities	969,614	(1,522,968)
Due on acquisition	1,453,058	-
Deferred revenue	(309,317)	(351,030)
	<u>\$ 953,829</u>	<u>\$ (2,620,440)</u>

6. UNITED STATES ACCOUNTING PRINCIPLES

	Six Months	Second Quarter
Net loss in conformity with Canadian GAAP	\$ (1,339,464)	\$ (956,123)
Stock compensation recovery included in administrative expenses	20,637	(85,584)
Net loss in conformity with U.S. GAAP	<u>\$ (1,318,827)</u>	<u>\$ (1,041,707)</u>
Basic and diluted loss per common share – U.S. GAAP	<u>\$ (0.12)</u>	<u>\$ (0.09)</u>

Had the financial statements been prepared in accordance with U.S. GAAP, the amounts on the balance sheet as at June 30, 2001 which differ from those reported under Canadian GAAP would be as follows:

	Canadian GAAP	Adjustment	U.S. GAAP
SHAREHOLDERS' EQUITY			
Capital Stock	\$ 22,647,229	\$ -	\$ 22,647,229
Warrants	1,782,900	-	1,782,900
Deferred stock compensation	-	(2,625,733)	(2,625,733)
Additional paid-in capital	-	2,605,096	2,605,096
Deficit	(10,812,207)	20,637	(10,791,570)
	<u>\$ 13,617,922</u>	<u>\$ -</u>	<u>\$ 13,617,922</u>

Belzberg Technologies Inc
Notes to the Consolidated Financial Statements
June 30, 2001

(in Canadian dollars)

7. ACQUISITION OF ROBERT C. SHEEHAN & ASSOCIATES, INC.

On April 1, 2001, the Company acquired all of the outstanding common shares of Robert C. Sheehan & Associates, Inc. for consideration of an obligation to pay \$1,453,058.

The acquisition was recorded as follows:

Cash	\$ 670,064
Accounts Receivable net of allowance for doubtful accounts	599,983
Prepaid expenses	5,291
Fixed Assets net of accumulated amortization	18,558
Goodwill	335,321
Accounts Payable	<u>(176,159)</u>
Due on acquisition	<u>\$ 1,453,058</u>

8. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current financial statement presentation.