

Management's Discussion and Analysis

The following is Management's Discussion and Analysis of the financial condition of Belzberg Technologies Inc. ("Belzberg" or the "Corporation") and our financial performance for the years ended December 31, 2002 ("2002"), December 31, 2001 ("2001") and December 31, 2000 ("2000"). This discussion should be read in conjunction with the Corporation's 2002 Audited Consolidated Financial Statements and accompanying notes. All amounts are in Canadian dollars unless otherwise stated.

This report contains forward-looking statements that involve risk and uncertainties. These statements can be identified by the use of forward-looking terminology such as (but not limited to) "may," "will," "expect," "anticipate," "estimate," "plans," "continue," "believe," or the negative thereof or other variations thereon or comparable terminology referring to future events or results. The Corporation's results could differ materially from those anticipated in these forward-looking statements as a result of numerous factors. These factors include without limitation our dependence on a limited number of customers for a substantial amount of our revenues, the intense competition in the market for global internet trading solutions and intelligent order routing systems, the ability to recruit and retain key personnel, extensive government regulation of the securities brokerage industry, fluctuations in trading activity as a result of global economic conditions, technological change which will affect capital expenditures, and other factors discussed in periodic filings with Canadian securities regulatory authorities. Any of these factors could cause actual results to vary materially from current results or the Corporation's anticipated future results. The Corporation wishes to caution readers not to place undue reliance on such forward-looking statements that speak only as of the date made.

General

Belzberg Technologies Inc. is a leading provider of trade execution, order management and routing software for the financial industry. The Corporation's customers, who include both broker-dealers and their customers, use Belzberg trading software to buy and sell equities and stock options on a variety of stock exchanges, electronic markets known as ECNs, and NASDAQ market makers. 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.

In 2001, the Corporation expanded its business by acquiring a broker-dealer that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

Selected Financial Data - 2002 (unaudited)

(\$000's) except per share data	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Revenues	\$ 7,102	\$ 7,817	\$ 8,011	\$ 6,664
Gross margin	3,327	3,655	3,683	2,588
Net loss before the undernoted	(1,011)	(826)	(345)	(2,834)
Restructuring charges	843	-	422	268
Net loss	(1,854)	(826)	(767)	(3,102)
Basic and diluted loss per common share	\$ (0.17)	\$ (0.07)	\$ (0.06)	\$ (0.23)

Balance Sheet Data:

Cash and cash equivalents	\$ 5,026	\$ 16,409	\$ 15,515	\$ 13,089
Working capital	4,482	16,202	15,303	11,804
Total assets	15,671	28,594	26,731	23,544
Long-term lease obligations	1,152	1,550	1,444	1,208
Shareholders' equity	8,982	21,152	20,391	17,187

Numbers may not total due to rounding.

Certain figures have been reclassified for comparative purposes to conform to the year-end financial statement presentation.

Selected Financial Data - 2001 (unaudited)

(\$000's) except per share data	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Revenues	\$ 4,550	\$ 6,444	\$ 6,332	\$ 7,134
Gross margin	2,883	3,903	3,452	3,411
Net loss from continuing operations	(134)	(675)	(887)	(1,195)
Net loss from discontinued operations	(249)	(282)	(662)	-
Net loss	(383)	(957)	(1,549)	(1,195)
Basic and diluted loss per common share				
- from continuing operations	\$ (0.01)	\$ (0.06)	\$ (0.08)	\$ (0.11)
- from discontinued operations	(0.02)	(0.03)	(0.06)	-
Basic and diluted loss per common share	\$ (0.04)	\$ (0.09)	\$ (0.14)	\$ (0.11)

Balance Sheet Data:

Cash and cash equivalents	\$ 9,110	\$ 9,070	\$ 7,049	\$ 6,361
Working capital	11,796	9,786	8,295	6,913
Total assets	19,524	20,881	18,438	17,451
Long-term lease obligations	1,733	1,573	1,561	1,502
Shareholders' equity	14,553	13,618	11,849	10,805

Numbers may not total due to rounding.

Certain figures have been reclassified for comparative purposes to conform to the year-end financial statement presentation.

Overview of Year 2002

2002 was a successful year for the Corporation. Revenue increased from \$24.5 million in 2001 to \$29.6 million in 2002, an increase of 21%. In 2001, revenue increased to \$24.5 million from \$12.0 million in 2000, an increase of 105%. Despite a challenging economic environment, Belzberg continued to grow.

The Corporation's core strategy continues to be to offer to its clients low cost order execution combined with outstanding technology. With over nine years of experience in the industry, Belzberg's technology solutions are considered to be at the forefront of the marketplace. However, it is the unique combination of our technology combined with very competitive pricing on order execution that is allowing the Corporation to continue to grow its market share. Our focus is growth from our order flow business, primarily in the United States.

Two key steps in the implementation of our strategy were achieved in late 2002. In September, 2002, Belzberg announced that its wholly owned subsidiary, Electronic Brokerage Systems, LLC ("EBS"), had become a member of the National Securities Clearing Corporation ("NSCC"). In November, 2002, the Corporation announced that EBS also became a member of the New York Stock Exchange ("NYSE"). These memberships will allow the Corporation to become self-clearing, which is expected to significantly reduce the Corporation's costs and improve its gross margins in the future. In addition, new revenue will have significantly higher margins as there will be no need to pay an intermediary to clear a client's trades. The Corporation can be even more competitive in terms of pricing on new order flow business, which should allow it to continue to attract new clients and see its revenue grow in the future.

As a result of the continuing strategy of the Corporation, revenues grew in the United States, reaching Cdn\$20.3 million in 2002 as compared to Cdn\$15.7 million in 2001, an increase of 29%. Transaction fee revenue also increased substantially, reaching \$17.9 million in 2002 from \$12.5 million in 2001, an increase of 43%. The Corporation anticipates that revenues from transaction fees in the United States will continue to be the primary growth driver of the business in 2003.

The cost of the Corporation's rapid expansion over the last few years is shown in the loss for the year of \$6.5 million from continuing operations. Gross margin in dollar terms declined by \$0.4 million to \$13.3 million in 2002 from \$13.7 million in 2001 and as a percentage of sales to 45% in 2002 from 56% in 2001 as the increased order flow business was transacted at a lower margin than in previous years due to pricing pressures in the industry. This margin decline is expected to reverse in 2003 as the Corporation becomes self-clearing. Operating expenses also increased to \$15.8 million in 2002 from \$14.4 million in 2001, an increase of 8%, as new staff were added and our internal data networks were upgraded significantly throughout 2001 and 2002.

Included in the loss is \$1.5 million relating to restructuring during the year. In September 2001, the Corporation opened a subsidiary in Philadelphia, Belzberg Technologies (Philadelphia) Inc. and located there a new President for the Corporation together with a new Vice President of Sales and supporting staff. Unfortunately, no additional revenues were generated, nor were any cost efficiencies achieved, and this office was closed in March 2002, and the relationship with the new President and other staff ended, resulting in a restructuring charge of \$0.8 million for employee severance, lease termination and other costs. In the latter part of the year, responding to a more difficult economic environment, the Corporation continued to reduce its workforce as it focused its resources on research and development projects that would deliver revenue in the shorter term, and restructured

its finance, administrative and floor brokerage operations to streamline operations, resulting in a restructuring charge of \$0.7 million for employee severances.

The Corporation had negative cash flow from operations during the year of \$2.2 million as it funded its operating loss. Pursuant to a private placement dated as of April 16, 2002, the Corporation sold 2,730,000 special warrants to investors at a price of \$5.25 per special warrant for gross proceeds of \$14.3 million. On June 21, 2002, the Corporation issued 2,730,000 common shares and 682,504 share purchase warrants upon exercise of the special warrants. Net proceeds for both the common shares and warrants were \$13.1 million. During the year \$0.2 million was utilized to purchase shares in the Market under the Corporation's Normal Course Issuer Bid at an average price over the year of \$3.82. Cash was also utilized to purchase capital assets, to repay lease obligations, and for the final installment of consideration for the acquisition of Robert C. Sheehan and Associates, Inc, acquired in April 2001. The overall cash position increased by \$6.7 million in 2002.

Summary

The Corporation feels that 2002 represents a significant improvement in its competitive position. The following chart gives a comparison of the changes in revenue over the past 3 years, the growth in numbers of employees, and the growth in revenue per employee.

Revenues by segment per employee for the years ended December 31,

(\$000's)	2002	2001	2000
Core business revenue	\$ 25,057	\$ 20,787	\$ 11,951
Brokerage business revenue	4,537	3,673	-
Total revenue	\$ 29,594	\$ 24,460	\$ 11,951
Employees - Core business	121	109	78
Employees - Brokerage business	21	22	-
Total Employees	142	131	78
Revenue per employee -Core business	\$ 207	\$ 191	\$ 153
Revenue per employee -Brokerage business	216	167	-
Total revenue per employee	\$ 208	\$ 187	\$ 153

Acquisition

Robert C. Sheehan & Associates, Inc.

In April 2001, the Corporation acquired all of the outstanding shares of Robert C. Sheehan & Associates, Inc. ("RCS") for cash consideration of \$1.7 million. As of December 31, 2001, \$0.4 million of the cash consideration remained payable to the vendor of RCS, which amount was subsequently paid in January 2002.

RCS is a broker-dealer that executes exchange-traded equity and index options on the Chicago Board Options Exchange and is a key component of the Corporation's strategy of being able to provide customers with connectivity to both equity and options markets from one trading platform.

Consolidated Results of Continuing Operations

Revenues

Total revenues for the years ended December 31,

(\$000's)	2002	% of Revenue	2001	% of Revenue	2000	% of Revenue
Subscription fees	\$ 10,721	36 %	\$ 10,596	43 %	\$ 6,080	51 %
Transaction fees - core	13,407	45 %	8,900	36 %	3,276	27 %
Transaction fees - brokerage	4,468	15 %	3,594	15 %	-	-
Other	998	4 %	1,370	7 %	2,595	22 %
Total revenues	\$ 29,594		\$ 24,460		\$ 11,951	

Total revenues increased from \$12.0 million in 2000 to \$24.5 million in 2001 (an increase of 105%), and to \$29.6 million in 2002 (an increase of 21%).

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for each terminal connected to the Belzberg Gateway, increased by 1% in 2002 compared to 2001, and by 74% in 2001 compared to 2000. This subscription revenue accounted for 36% of total revenues in 2002 (2001 - 43%; 2000 - 51%). The Corporation expects subscription fee revenue as a percentage of total revenues to decrease in the future as more customers are expected to switch to a transaction fee model.

Transaction fee revenue from the core business, which includes customers paying a fee per transaction routed through the Belzberg Gateway, increased by 51% in 2002 compared to 2001, and by 172% in 2001 compared to 2000. This core transaction fee revenue accounted for 45% of total revenues in 2002 (2001 - 36%; 2000 - 27%), and is expected to increase in the future as a percentage of the Corporation's business.

In April 2001, the Corporation acquired Robert C. Sheehan and Associates, Inc. ("RCS"), a broker-dealer that executes exchange-traded equity and index options on the Chicago Board Options Exchange.

Transaction fee revenue from the brokerage segment for 2002 was \$4.5 million compared to \$3.6 million for the nine months ended December 31, 2001, an increase of 25%. RCS accounted for 15% of total revenues in 2002 (2001 - 15%; 2000 - nil).

Other revenues include software development fees, installation fees, revenue from connectivity to the Belzberg Gateway as well as revenue from information distribution. Other revenue decreased by 27% in 2002 compared to 2001, and decreased by 47% in 2001 compared to 2000. In both periods, the decline has been caused by a shift away from customized development and implementation projects as the Corporation focuses on delivering more packaged solutions to the market. Other revenues accounted for 4% of total revenues in 2002 (2001 - 7%; 2000 - 22%). The Corporation expects that this revenue stream will continue to be a smaller percentage of the overall business in future years.

Revenues by country for the years ended December 31,

(\$000's)	2002	% of Revenue	2001	% of Revenue	2000	% of Revenue
Canada						
Subscription fees	\$ 6,571	71 %	\$ 6,512	74 %	\$ 3,213	53 %
Transaction fees - core	1,953	21 %	1,336	15 %	558	9 %
Other	793	8 %	937	11 %	2,306	38 %
Revenues from Canada	\$ 9,317		\$ 8,785		\$ 6,077	
United States						
Subscription fees	\$ 4,150	20 %	\$ 4,084	26 %	\$ 2,867	49 %
Transaction fees - core	11,454	57 %	7,563	48 %	2,718	46 %
Transaction fees - brokerage	4,468	22 %	3,594	23 %	-	-
Other	205	1 %	434	3 %	289	5 %
Revenues from United States	\$ 20,277		\$ 15,675		\$ 5,874	

In 2002, the Corporation generated approximately 69% (2001 - 64%; 2000 - 49%) of its revenues in the United States and 31% (2001 - 36%; 2000 - 51%) of its revenues in Canada. Revenue increased in both Canada and the United States in 2002 with higher growth occurring in the United States. Revenue in the United States grew by 29% in 2002 (2001 - 166%) and in Canada by 6% in 2002 (2001 - 44%). This higher growth in the United States is attributable due to the relative size of the two markets, as well as a focus of Belzberg's direct sales force attracting order flow revenue in the market. The Corporation anticipates that revenues from the United States will continue to increase at a greater rate than revenues from Canada.

Gross Margin

Gross margin for the years ended December 31,

(\$000's)	2002	2001	2000
Revenue	\$ 29,594	\$ 24,460	\$ 11,951
Cost of revenue	16,341	10,812	4,544
Gross margin	\$ 13,253	\$ 13,648	\$ 7,407
Gross margin %	45%	56%	62%

Gross margin as a percentage of sales declined to 45% in 2002 (2001 - 56%; 2000 - 62%). The decline in margin in both 2002 compared to 2001 and 2001 compared to 2000 is attributable to a change in the sales mix that now includes the lower margin brokerage business as well as an increase in direct costs incurred beginning in 2001 to expand capacity and connectivity to new markets. The Corporation expects the margin on the core business to improve in future years as the Corporation becomes self-clearing.

Operating Expenses

(\$000's)	2002	% of Revenue	2001	% of Revenue	2000	% of Revenue
Sales and marketing	\$ 4,208	15 %	\$ 4,381	18 %	\$ 2,406	20 %
Research and development	5,270	18 %	3,695	15 %	2,456	21 %
Government assistance	(219)	(1)%	-	0 %	(1,150)	(10)%
Administration	6,219	21 %	6,264	25 %	2,561	21 %
Foreign exchange gain	(29)	-	(363)	(1)%	(29)	-
Non-recurring Philadelphia expenses	302	1 %	440	2 %	-	-
Total operating expenses	\$ 15,751	53 %	\$ 14,417	59 %	\$ 6,244	52 %

Sales and Marketing Expenses

Sales and marketing expenses declined by \$0.2 million or 5% in 2002 compared to 2001 primarily due to reduced advertising and promotion in 2002. Sales and marketing expenses increased by \$2.0 million or 83% in 2001 over 2000 primarily due to headcount additions and increased spending on advertising and promotions.

Research and Development Expenses and Government Assistance

Research and development expenses increased by \$1.6 million or 43% in 2002 over 2001, and by \$1.2 million or 48% in 2001 over 2000. The primary factor that contributed to the increase in research and development expenses in both periods is headcount additions as the Corporation is committed to expand its product capabilities and connectivity to additional markets in order to increase its customer base.

In 2002, the Corporation recognized \$0.2 million relating to government assistance for research and development expenditures relating to the 1999 taxation year. In the 2000 year, the Corporation recognized a recovery of \$1.2 million against research and development expenses relating to scientific research and developmental assistance for the taxation years 1996 to 1999. This latter amount was received in the 2001 year.

Administration Expenses

Administration expenses were essentially the same between 2002 and 2001, and increased by \$3.7 million or 142% in 2001 over 2000. The primary factors that contributed to the increase in administration expenses in 2001 were headcount additions, costs related to additional office space in Toronto, Chicago, Philadelphia and the United Kingdom and an increase in the administrative overhead to support the growth in sales and size of the Corporation. In 2002, as most of these investments were already made, these costs remained consistent on a year over year basis.

Foreign Exchange gain

Foreign exchange gains decreased by \$0.3 million in 2002 compared to 2001, and increased by \$0.3 million in 2001 compared to 2000. These changes were caused by changes in the value of the Canadian dollar relative to the US dollar during the year. Throughout the majority of 2002, all of 2001, and 2000 the Corporation did not hedge its foreign exchange exposure. The Corporation entered into forward contracts during the

fourth quarter of 2002 to minimize its exposure to such foreign exchange fluctuations, and it is expected to continue hedging during 2003.

Non-recurring Philadelphia expenses

In September 2001, the Corporation opened a subsidiary in Philadelphia, Belzberg Technologies (Philadelphia) Inc. and located there a new President for the Corporation together with a new Vice President of Sales and supporting staff. Unfortunately, no additional revenues were generated, nor were any cost efficiencies achieved, and this office was closed in March 2002, and the relationship with the new President and other staff ended, resulting in a restructuring charge of \$0.8 million for employee severance, lease termination and other costs. Prior to making that decision, \$0.3 million in 2002 and \$0.4 million in 2001 of Philadelphia related expenses were included in operating expenses during the respective periods.

Other Income and Expenses

Other income and expenses for the years ended December 31,

(\$000's)		% of		% of		% of
	2002	Revenue	2001	Revenue	2000	Revenue
Amortization of capital assets	\$ 2,249	8 %	\$ 1,646	6 %	\$ 793	7 %
Amortization of goodwill	-	-	153	1 %	48	1 %
Write-down of leasehold improvements	-	-	153	1 %	-	-
Interest expense (income), net	228	1 %	154	1 %	(61)	(1)%
Stock exchange listing costs	-	-	-	-	525	4 %
Restructuring charges	1,533	5 %	-	-	-	-
Other expenses, net	\$ 4,010	14 %	\$ 2,106	9 %	\$ 1,305	11 %

Amortization of Capital Assets

Amortization of capital assets increased by \$0.6 million or 37% in 2002 over 2001 and by \$0.9 million or 108% in 2001 over 2000. The increase in amortization of capital assets in both periods resulted from acquisitions of both owned and leased computer equipment, leasehold improvements and furniture of approximately \$3.4 million in 2002 and \$2.7 million in 2001 respectively. The computer equipment additions improved our high-speed connectivity between customers, the Corporation and a multitude of exchanges and other markets for live trade execution. The other capital expenditures were incurred to build out our infrastructure to support a significantly higher revenue and client base in future.

Interest Expense (Income), net

Interest expense, net of interest income increased by \$0.1 million in 2002 compared to 2001 and by \$0.2 million in 2001 compared to 2000. The increase resulted from increased interest expense arising from ongoing capital lease obligations and interest on a term loan used to finance leasehold improvements in Canada incurred in 2001. The Corporation utilizes capital leases to finance the significant amount of capital expenditures required for its network infrastructure.

Restructuring Charges

In September 2001, the Corporation opened a subsidiary in Philadelphia, Belzberg Technologies (Philadelphia) Inc. and located there a new President for the Corporation

together with a new Vice President of Sales and supporting staff. Unfortunately, no additional revenues were generated, nor were any cost efficiencies achieved, and this office was closed in March 2002, and the relationship with the new President and other staff ended, resulting in a restructuring charge of \$0.8 million for employee severance, lease termination and other costs. In the latter part of the year, responding to a more difficult economic environment, the Corporation continued to reduce its workforce as it focused its resources on research and development projects that would deliver revenue in the shorter term, and restructured its finance, administrative and floor brokerage operations to streamline operations, resulting in a restructuring charge of \$0.7 million for employee severances.

Amortization of Goodwill

Effective January 1, 2002 the Corporation adopted the new Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3062, Goodwill and Other Intangible assets. Under the new recommendations, goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment is tested by comparing the fair value of goodwill assigned to a particular reporting unit to its carrying value. The Corporation has concluded that no provision for impairment was required at December 31, 2002.

Amortization of goodwill totaled \$153,000 in 2001 and \$48,000 in 2000. The increase in goodwill amortization in 2001 resulted from the acquisition of Robert C. Sheehan & Associates, Inc.

Write-down of Leasehold Improvements

During 2001 the Corporation completed its leasehold improvements on its new expanded facilities in Toronto and rebuilt a portion of its existing facilities. The rebuild of the existing facilities resulted in a write-down of the old leasehold improvements of approximately \$0.2 million.

Stock Exchange Listing Costs

Stock exchange listing costs of \$0.5 million relate to the costs of the Corporation's listing on the Toronto Stock Exchange in November 2000 and the filing of the Corporation's Registration Statement on Form 20-F with the Securities and Exchange Commission (SEC) in 2000. No additional significant costs are expected.

Income Taxes

Income taxes totaled \$40,725, \$15,685 and \$5,063 in 2002, 2001 and 2000 respectively. The Corporation has net operating loss carryforwards in Canada of approximately \$4.4 million and in the United States of approximately \$13.4 million that may be used to offset future taxable earnings. The benefits of these losses have not been reflected in the consolidated financial statements as the Corporation has recorded a valuation allowance against the tax benefit of these losses. The losses expire in Canada beginning in 2006 and expire in the United States beginning in 2011.

Net Loss from Continuing Operations

As a result of the factors discussed above, the net loss from continuing operations increased to \$6.5 million in 2002 from \$2.9 million in 2001 and from \$0.1 million in 2000. The loss per share from continuing operations increased to \$0.52 per share as compared to a loss of \$0.26 per share in 2001 and a loss of \$0.02 per share in 2000.

Loss from Discontinued Operations

In September 2001, the Corporation ceased operations of its wholly-owned subsidiary, eContracts, Inc. (“eContracts”), a developer and supplier of on-line procurement and supply chain integration solutions. Accordingly, the consolidated financial statements for all periods presented have reflected this business separately from continuing operations. The Corporation recorded a loss from discontinued operations in 2001 of \$1.2 million that included an impairment charge for goodwill of \$0.3 million, a stock compensation expense of \$0.1 million relating to contingent stock consideration paid and a loss from the operations of eContracts of \$0.8 million.

Liquidity and Capital Resources

As of year-end the Corporation had cash and cash equivalents of \$13.1 million, an increase of \$6.7 million or 104% from the \$6.4 million at the 2001 year-end. Cash utilized from continuing operations for 2002 was \$2.2 million as compared to cash generated by continuing operations in 2001 of \$12,000. The Corporation has a demand operating facility of Cdn\$1 million that may be used to finance general corporate requirements and a demand facility of US \$0.6 million that may be used to finance leasehold improvements in the Corporation’s U.S. operations. As of year-end, the Corporation had fully utilized the Canadian facility, and was repaying the loan in bended monthly payments of principal and interest of approximately \$31,000. The Corporation believes that its working capital of \$11.8 million will be sufficient to meet the anticipated daily cash requirements throughout fiscal 2003, although the Corporation may raise additional capital in 2003 to fund potential acquisitions.

The Corporation used \$2.2 million for investing activities in 2002 compared to using \$2.1 million in 2001. The Company continued to acquire computer equipment to build out its network infrastructure, and acquired over \$1.8 million in capital assets in the year paid for with cash. An additional \$1.6 million of assets acquired were financed through a capital lease program. The Corporation also made a final payment relating to the acquisition of Robert C. Sheehan & Associates of \$363,000. In 2001, capital expenditures on leasehold improvements and furniture and equipment at the Toronto corporate office were made of approximately \$1.3 million. The Corporation also incurred significant capital expenditures for computer equipment in 2001 of approximately \$1.4 million, of which approximately \$1.2 million was financed through a capital leasing program. The Corporation also made the initial acquisition of Robert C. Sheehan in April 2001, resulting in a cost of \$683,000 in 2001.

The Corporation operates a large enterprise network providing connectivity between its clients, its offices and high-speed access to a multitude of destinations for live trade execution and as a result anticipates continuing capital expenditures on computer equipment during 2003, such capital expenditures to be funded through a capital leasing program. Expenditure levels should be reduced from 2002 levels however as the company maintains its infrastructure rather than builds it out significantly.

The Corporation generated cash of \$11.1 from financing activities compared to generating \$3.6 million from financing activities in 2001. In 2002, the Corporation completed a private placement of common shares and warrants of approximately \$13.1 million, and repurchased 54,500 common shares for cancellation under a Normal Course issuer Bid for a cost of \$0.2 million. In 2001, the Corporation issued 333,334 common shares from treasury for net proceeds of \$4.7 million in private placements and repurchased 91,900 common shares for cancellation under a Normal Course Issuer Bid for a cost of \$0.8 million. The Corporation issued 2,000 common shares in 2002 upon the exercise of stock options by employees for proceeds of \$6,000 and issued 66,600 common shares in 2001

upon the exercise of stock options by employees for proceeds of \$205,000. The Corporation made repayments under capital lease obligations of \$1.7 million in 2002 and repayments under capital lease obligations of \$1.1 million in 2001. The Corporation received proceeds of \$255,000 from a bank loan in 2002 and repaid \$335,000 of the loan in 2002. The Corporation received proceeds of \$744,000 from a bank loan in 2001 and repaid \$111,000 of the loan in 2001.

Subsequent to year-end the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Corporation to repurchase at its discretion up to 685,000 of its common shares in 2003.

Risk Management

The Corporation is exposed to a variety of risks in the normal course of its business that may cause actual results to vary materially from the anticipated results discussed herein. These risks are discussed below.

Customer Dependence and Credit Risk

The Corporation is dependent on a limited number of customers for a substantial amount of its revenues. The loss of a significant customer would have a material and adverse effect on revenues and results of operations. For the year ended December 31, 2002, five customers accounted for approximately 36% of total revenues (December 31, 2001 – five customers for approximately 33%). The Corporation is attempting to mitigate this risk by aggressively seeking new customers.

The Corporation is subject to risk of non-payment of accounts receivable. At December 31, 2002, amounts due from five customers accounted for approximately 35% of total accounts receivable (December 31, 2001 – five customers for approximately 47%). The Corporation mitigates this risk by monitoring the credit worthiness of its customers monthly.

Foreign Exchange

In year 2002, the Corporation generated approximately 69% (2001 – approximately 64%) of its revenues in the United States and corresponding trade receivables due from customers in the United States at December 31, 2002 accounted for approximately 70% (December 31, 2001 – approximately 70%) of total outstanding trade receivables.

Expenses are predominantly incurred in Canadian dollars as a majority of the research and development, customer support and administration activities are conducted in Canada.

The Corporation does not, at present, hedge 100% of the risks associated with fluctuations in exchange rates between the U.S. dollar and the Canadian dollar and may be exposed in the future to adverse fluctuations between these exchange rates on the unhedged portion of its net asset position denominated in US dollars.

Competitive Environment

The market for global internet trading solutions and intelligent order routing systems is intensely competitive, fragmented and rapidly changing. Many of the Corporation's current competitors have longer operating histories, significantly greater financial, technical, product development and marketing resources, greater name recognition and larger customer bases.

The key barriers to entry into the Corporation's markets include the extensive technical requirements and regulatory requirements necessary for connectivity to various exchanges and other markets to effectively serve a time-sensitive, regulated clientele.

The Corporation believes that it has the technical know-how, network infrastructure and products with user-friendly interfaces that facilitate easy execution of real time cross-border trading to ensure that it remains a key competitor.

Reliance on Key Employees

The Corporation's future success is dependent on the performance and continued service of its executive officers and certain key employees. The loss of service of key managers and executives, or the failure to attract, hire and retain additional key employees could materially affect the Corporation's business.

Regulatory Risk

The securities brokerage industry is subject to extensive government regulation including (but not limited to) marketing practices, capital structure, record keeping and conduct of directors, officers and employees. Any failure to comply with these regulations could subject the Corporation to censure, fines, the issuance of cease-and-desist orders or the suspension, and/or disqualification of its officers, directors or employees.

The Corporation constantly monitors the above noted securities regulations and believes that it is in compliance with these regulations.

Global Economic Slowdown

The Corporation's revenues and operating results are sensitive to changes in the amount of securities trading activity. Over the past year stock markets worldwide have experienced a downturn in trading activity that may cause revenues and operating results to fall below expectations.

Future Outlook

The Corporation intends to continue its revenue model by concentrating on greater connectivity and promoting charges to customers based upon a transaction based model. While the Corporation expects that subscription fee revenue will remain consistent in dollar terms, transaction based revenue is expected to continue to increase at a far more rapid pace, as evidenced in 2002. As well, continued expansion in the United States is expected to generate an increasing percentage of revenue.

The acquisition of Robert C. Sheehan & Associates, Inc. proved to be a successful strategy in giving the Corporation not only an additional revenue stream but also access to potential new customers. The Corporation will look favourably upon possible future similar acquisitions.

Connectivity to an increasing number of destinations remains a priority and the Corporation feels this will remain our competitive advantage.

The Corporation expects to realize improving gross margins as it moves towards becoming self-clearing, thereby making each transaction more profitable.

The Philadelphia office proved to be an expensive venture in 2001 and the closure of that office in 2002, together with a tighter control of expenses and payroll throughout the Corporation, is expected to bring positive results.