

BELZBERG TECHNOLOGIES INC
Management's Discussion and Analysis
for the three months ended March 31, 2002

The following discussion and analysis provides a review of Belzberg's results for the first quarter of 2002 compared to the first quarter of 2001. This discussion should be read in conjunction with the unaudited consolidated interim financial statements and related notes in the quarterly report and the MD&A, consolidated financial statements and related notes in Belzberg's annual report for the year ended December 31, 2001. All monetary amounts are reported in Canadian dollars.

General

Belzberg Technologies Inc. is a leading provider of exchange connectivity, trade execution, order management, and routing software for the financial industry. In addition to its technology, through one of its wholly owned subsidiaries, an agency-only broker-dealer, Belzberg offers low cost trade execution. The Company's customers include broker-dealers and their customers, who use Belzberg's 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.

Financial Summary and Results of Operations

**Belzberg Technologies Inc.
Consolidated Statements of Operations**

(\$000's except per share information)	Three months ended March 31,	
	2002	2001
Revenue	\$ 7,102	\$ 4,550
Cost of revenue	3,647	1,616
Gross Margin	3,455	2,934
Operating Expenses	3,845	2,642
Operating earnings (loss) from continuing operations before undernoted items	(390)	292
Amortization	489	400
Interest expense, net	115	18
Restructuring charges	843	-
Loss from continuing operations before income taxes	(1,837)	(126)
Income taxes	17	8
Loss from continuing operations	(1,854)	(134)
Loss from discontinued operations	-	(249)
Net loss	\$ (1,854)	\$ (383)
Basic and diluted loss per share		
-from continuing operations	\$ (0.17)	\$ (0.01)
-from discontinued operations	-	(0.02)
Basic and diluted loss per common share	\$ (0.17)	\$ (0.04)

Numbers may not total due to rounding

Revenues

For the three months ended March 31,

	2002				2001				
	(\$000's)	Subscription Fees	Transaction Fees	Other	Total	Subscription Fees	Transaction Fees	Other	Total
Canada	\$	1,728	\$ 443	\$ 203	\$ 2,374	\$ 1,355	\$ 274	\$ 202	\$ 1,831
US		1,124	3,480	124	4,728	993	1,587	139	2,719
Total	\$	2,852	\$ 3,923	\$ 327	\$ 7,102	\$ 2,348	\$ 1,861	\$ 341	\$ 4,550

Gross revenue increased from \$4.6 million in the first quarter of 2001 to \$7.1 million in the first quarter of 2002, an increase of 56%. Subscription fee revenue, which is based on customers paying a fixed monthly fee for each terminal connected to the Belzberg Gateway, increased by 21% in the first quarter of 2002 to \$2.9 million as compared to \$2.3 million the first quarter of 2001 and accounted for 40% of total revenues in the first quarter of 2002 as compared to 52% of total revenues in the first quarter of 2001. Transaction fee revenue, which includes both customers paying a fee per transaction routed through the Belzberg Gateway and where applicable a commission fee for trades executed through the floor brokerage operation, increased by 111% in the first quarter of 2002 to \$3.9 million as compared to \$1.9 million in the first quarter of 2001 and accounted for 55% of total revenues in the first quarter of 2002 as compared to 41% of total revenues in the first quarter of 2001. Revenue growth occurred in both the Canadian and US operations.

Gross Profit and Gross Margin

For the three months ended March 31,

(\$000's)	2002	2001
Revenue	\$ 7,102	\$ 4,550
Cost of Revenue	3,647	1,616
Gross Profit	\$ 3,455	\$ 2,934
Gross Margin %	49%	64%

Gross margin as a percentage of sales declined to 49% in the first quarter of 2002, from 64% in the first quarter of 2001. The decline in margin is attributable to a change in the sales mix that includes the lower margin brokerage business in the first quarter of 2002 which did not exist in the first quarter of 2001 as well as the increased costs from expanded capacity and connectivity to new markets in 2002.

Operating Expenses

For the three months ended March 31,

(\$000's)	2002	2001
Sales and marketing	\$ 889	\$ 1,130
Research and development	904	767
Administration	1,750	745
Non-recurring Philadelphia expenses	302	-
Total operating expenses	\$ 3,845	\$ 2,642

Sales and Marketing Expenses

Sales and marketing expenses decreased by \$0.2 million or 21% to \$0.9 million in the first quarter of 2002 as compared to \$1.1 million in the first quarter of 2001. The reduced expense is primarily due to certain marketing consulting costs incurred in the first quarter of 2001 that did not occur in the first quarter of 2002 as well as the termination of certain sales and marketing personnel in the first quarter of 2002.

Research and Development Expenses

Research and development expenses increased by \$0.1 million or 18% to \$0.9 million in the first quarter of 2002 as compared to \$0.8 million in the first quarter of 2001. The increased expense is primarily due to headcount additions as the Company is committed to expand its product capabilities and connectivity to additional markets.

Administration Expenses

Administration expenses increased by \$1.0 million or 135% to \$1.7 million in the first quarter of 2002 as compared to \$0.7 million in the first quarter of 2001. The primary factors that contributed to the increased expenses were headcount additions and increased professional fees to support the growth and size of the Company, increased costs of the core communication infrastructure, and foreign exchange gains incurred in the first quarter of 2001 that did not occur in the first quarter of 2002.

Non-Recurring Philadelphia Expenses

Non – recurring Philadelphia expenses relate primarily to the salaries and office rental costs of the Philadelphia operation incurred in the first quarter of 2002 prior to the decision to close the office on March 1, 2002. (refer to “Restructuring Charges” below).

Other Expenses

For the three months ended March 31,

(\$000's)	2002	2001
Amortization of capital assets	\$ 489	\$ 370
Amortization of goodwill	-	30
Interest expense, net	115	18
Restructuring charges	843	-
Other expenses, net	\$ 1,447	\$ 418

Amortization of Capital Assets

Amortization of capital assets increased by \$0.1 million or 32% to \$0.5 million in the first quarter of 2002 as compared to \$0.4 million in the first quarter of 2001. The increase in first quarter of 2002 is a reflection of the increased capital asset expenditures.

Amortization of Goodwill

The Company has adopted the Canadian Institute of Chartered Accountants ("CICA") new Handbook Section 3062, Goodwill and Other Intangible Assets. Effective January 1, 2002 goodwill is no longer required to be amortized but will be subject to an annual impairment test in accordance with the provisions of this Section. The Company is in the process of applying the impairment test transition rules in accordance with the new standard.

Net Interest Expense

Net Interest expense increased by \$97,000 to \$115,000 in the first quarter of 2002 as compared to \$18,000 in the first quarter of 2001. The increase resulted from additional capital lease obligations, a bank loan in 2002 and a reduction in interest income in the first quarter of 2002.

Restructuring Charges

On March 1, 2002, the Company closed its Philadelphia office and ended its relationship with its President and other employees. The Company recorded a restructuring charge of \$0.8 million relating to employee severance and lease termination costs.

Net Loss from Continuing Operations

A net loss from continuing operations of \$1.9 million was incurred for the quarter ended March 31, 2002 as compared to a net loss from continuing operations of \$0.1 million in the comparable quarter of 2001. Basic and diluted loss per share from continuing operations for the quarter ended March 31, 2002 was \$0.17 as compared to a loss of \$0.01 per share from continuing operations for the first quarter of 2001.

Liquidity and Capital Resources

Cash flow generated from operations was negative \$221,000 in the first quarter of 2002 compared to negative \$243,000 in the first quarter of 2001.

The Company utilized \$0.9 million of cash for investing activities in the first quarter of 2002 compared to \$0.1 million for the first quarter of 2001. Investing activities in the first quarter of 2002 consisted of a final payment of \$0.3 million owing from the 2001 acquisition of Robert C. Sheehan & Associates, Inc. and \$0.6 million for the acquisition of capital assets.

The Company utilized \$0.2 million of cash for financing activities in the first quarter of 2002 compared to generating \$4.0 million for the first quarter of 2001. Financing activities in the first quarter of 2002 consisted of repayment of bank debt and capital lease obligations of \$0.5 million and additional bank borrowings of \$0.3 million to finance leasehold improvements. The first quarter of 2001 included a private placement with net proceeds of \$4.7 million and a repurchase of common shares of \$0.5 million and repayment of capital lease obligations of \$0.2 million.

As at March 31, 2002, the Company had cash and short-term investments amounting to \$5.0 million, and had working capital of \$4.5 million. Subsequent to the quarter end the Company received \$6.7 million, representing one-half the proceeds of an issue of special warrants (refer to "Private Placement" below). The balance of the funds was placed in escrow and will be released upon the filing of the final prospectus. The Company believes that its current cash resources and cash flow from operations will be sufficient to meet its normal working capital and capital expenditure requirements for the current year.

Private Placement Subsequent to the Quarter End

On April 16, 2002, the Company completed a private placement of 2,730,000 units consisting of one common share and one-quarter of one share purchase warrant of the Company to be issued without additional payment upon the exercise or deemed exercise of the special warrants previously issued by the Company at a price of \$5.25 per special warrant for gross proceeds of \$14,332,500 to the Company. Each whole share purchase warrant will entitle the holder to purchase an additional common share at a price of \$5.50 per share expiring August 16, 2003.

In addition, the Company issued to the Underwriters compensation warrants which entitle the holders to acquire compensation options to purchase 177,450 units at a price of \$5.25 per unit expiring October 16, 2003.

The Company received \$6.7 million being one half of the net proceeds of the offering subsequent to the quarter end with the balance of the funds being placed in escrow and to be released upon the filing of the final prospectus.

The Company filed the preliminary prospectus on May 7, 2002.