

**Belzberg Technologies**  
*Consolidated Financial Statements*  
*September 30, 2003*  
*(in Canadian Dollars)*  
*Unaudited*

**BELZBERG TECHNOLOGIES INC.****Consolidated Balance Sheets**

(in Canadian dollars)

(Unaudited)

	September 30, 2003	December 31, 2002
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents	\$ 7,206,899	\$ 13,088,698
Accounts receivable	2,797,078	3,149,016
Government assistance receivable	-	52,706
Prepaid expenses and other receivables	627,003	663,015
	10,630,980	16,953,435
CAPITAL ASSETS	4,814,542	5,835,643
GOODWILL	755,239	755,239
	\$ 16,200,761	\$ 23,544,317
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,836,024	\$ 2,444,773
Accrued restructuring charges	281,078	523,986
Deferred revenue	-	9,200
Bank loan	292,840	553,706
Current portion of obligations under capital lease	1,182,297	1,617,620
	4,592,239	5,149,285
OBLIGATIONS UNDER CAPITAL LEASE	501,343	1,208,087
	5,093,582	6,357,372
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK	34,575,877	34,638,877
CONTRIBUTED SURPLUS (Note 3 and Note 4)	304,084	315,259
WARRANTS (Note 4)	2,571,885	2,573,085
DEFICIT	(26,344,667)	(20,340,276)
	11,107,179	17,186,945
	\$ 16,200,761	\$ 23,544,317

Commitments and contingencies (Note 10)

See accompanying notes to the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD

"Sidney H. Belzberg"

..... Director

"Alicia Belzberg"

..... Director

**BELZBERG TECHNOLOGIES INC.**  
**Consolidated Statements of Operations and Deficit**  
(in Canadian dollars)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
REVENUE	\$ 5,362,995	\$ 8,010,559	\$ 16,470,514	\$ 22,929,607
COST OF REVENUE	3,278,543	4,327,999	9,966,773	12,264,899
GROSS MARGIN	2,084,452	3,682,560	6,503,741	10,664,708
EXPENSES				
Sales and marketing	985,957	1,100,506	3,213,772	2,885,712
Research and development	911,707	1,281,827	2,883,347	3,690,221
Government assistance	-	-	-	(218,646)
Administration	1,222,070	1,389,442	3,875,255	4,462,440
Foreign exchange loss (gain)	-	(335,899)	(237,064)	(92,592)
Non - recurring Philadelphia expenses	-	-	-	302,053
	3,119,734	3,435,876	9,735,310	11,029,188
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	(1,035,282)	246,684	(3,231,569)	(364,480)
Amortization	682,337	552,424	2,152,285	1,573,322
Interest expense, net	21,071	38,417	93,021	203,264
Restructuring charges (Note 6)	254,232	422,488	527,516	1,265,108
LOSS BEFORE INCOME TAXES	(1,992,922)	(766,645)	(6,004,391)	(3,406,174)
INCOME TAXES	-	-	-	40,725
NET LOSS	(1,992,922)	(766,645)	(6,004,391)	(3,446,899)
DEFICIT, BEGINNING OF PERIOD	(24,351,745)	(16,471,698)	(20,340,276)	(13,791,444)
DEFICIT, END OF PERIOD	\$ (26,344,667)	\$ (17,238,343)	\$ (26,344,667)	\$ (17,238,343)
LOSS PER SHARE				
Basic and diluted	\$ (0.15)	\$ (0.06)	\$ (0.44)	\$ (0.29)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	13,713,424	13,764,826	13,715,538	12,060,069

See accompanying notes to the consolidated financial statements

**BELZBERG TECHNOLOGIES INC.**  
**Consolidated Statements of Cash Flows**

(in Canadian dollars)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
<b>CASH PROVIDED BY (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (1,992,922)	\$ (766,645)	\$ (6,004,391)	\$ (3,446,899)
Items not affecting cash and cash equivalents				
Amortization of capital assets	682,337	552,424	2,152,285	1,573,322
Amortization of gain on sale and leaseback of capital assets	-	(26,238)	(9,200)	(78,814)
Compensation expense of stock options granted to consultants	3,875	3,875	11,625	7,750
Changes in non-cash working capital items (Note 7)	787,018	138,744	233,294	935,545
	(519,692)	(97,840)	(3,616,387)	(1,009,096)
<b>INVESTING ACTIVITIES</b>				
Payment of consideration due for acquisition of Robert C. Sheehan & Associates, Inc.	-	-	-	(362,674)
Purchase of capital assets	(262,511)	(284,047)	(737,931)	(1,268,806)
	(262,511)	(284,047)	(737,931)	(1,631,480)
<b>FINANCING ACTIVITIES</b>				
Repayment of obligations under capital lease	(349,378)	(432,927)	(1,191,240)	(1,212,695)
Proceeds from bank loan	-	-	-	255,558
Repayment of bank loan	(88,118)	(84,316)	(260,866)	(250,469)
Net proceeds from issuance of common shares	-	-	-	12,254,853
Proceeds on issuance of warrants	-	-	-	847,626
Proceeds from the exercise of stock options	-	6,000	-	6,000
Repurchase of common shares	-	-	(75,375)	(106,351)
	(437,496)	(511,243)	(1,527,481)	11,794,522
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,219,699)	(893,130)	(5,881,799)	9,153,946
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	8,426,598	16,408,503	13,088,698	6,361,427
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 7,206,899	\$ 15,515,373	\$ 7,206,899	\$ 15,515,373
<b>CASH AND CASH EQUIVALENTS:</b>				
Cash	\$ 3,132,360	\$ 7,586,205	\$ 3,132,360	\$ 7,586,205
Cash equivalents	4,074,539	7,929,168	4,074,539	7,929,168
	\$ 7,206,899	\$ 15,515,373	\$ 7,206,899	\$ 15,515,373
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>				
Value of compensation options issued on private placement	\$ -	\$ -	\$ -	\$ 310,539
Acquisition of capital assets with leases	\$ 49,173	\$ 301,040	\$ 49,173	\$ 1,433,966
Interest paid	\$ 52,611	\$ 114,375	\$ 201,161	\$ 367,889
Interest received	\$ 31,540	\$ 75,959	\$ 108,140	\$ 164,625
Income taxes paid	\$ -	\$ -	\$ -	\$ 17,761

See accompanying notes to the consolidated financial statements

Belzberg Technologies Inc.  
**Notes to the Consolidated Financial Statements**  
September 30, 2003

(Unaudited)

(in Canadian dollars)

**1. DESCRIPTION OF BUSINESS**

Belzberg Technologies Inc. and its wholly-owned subsidiaries (the "Company" or "Belzberg") is a leading provider of trade execution, order management and routing software for the financial industry. The Company'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, with reliability and security.

The Company also operates a floor brokerage that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles (GAAP) for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2002.

The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary to present fairly the financial position of the Company as at September 30, 2003 and the results of operations and cash flows for the three and nine months ended September 30, 2003 and 2002.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated financial statements, except for the following:

(i) Restructuring charges:

Effective April 1, 2003, the Company adopted the new CICA Emerging Issues Committee Abstracts EIC-134, "Accounting for Severance and Termination Benefits," and EIC-135, "Accounting for Costs Associated with Exit and Disposal Activities," which establishes standards for recognizing, measuring and disclosing costs relating to an exit or disposal activity. The Company has applied the new standards to restructuring plans initiated after March 31, 2003.

These EICs allow recognition of a liability for an exit or disposal activity only when the costs are incurred and can be measured at fair value. Previously, a commitment to an exit or disposal plan was sufficient to record the majority of costs.

**3. CAPITAL STOCK**

Authorized  
Unlimited number of common shares

Issued	Number of Common Shares	Amount
Balance at December 31, 2002	13,738,424	\$ 34,638,877
Repurchase of common shares for cancellation (note 3 (a))	(25,000)	(63,000)
<b>Balance at September 30, 2003</b>	<b>13,713,424</b>	<b>\$ 34,575,877</b>

Belzberg Technologies Inc.  
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(Unaudited) (in Canadian dollars)

- (a) During the three month period ended March 31, 2003, the Company, pursuant to a Normal Course Issuer Bid, repurchased and cancelled 25,000 common shares for a total cash consideration of \$75,375. The excess of the purchase cost of these shares over their historical carrying value, in the amount of \$12,375, was charged to contributed surplus.

**4. WARRANTS**

A summary of the Company's share purchase warrants for the period ended September 30, 2003 is as follows:

**Share Purchase Warrants**

	Number		Weighted Average Exercise Price
Outstanding, December 31, 2002	2,476,867	\$	6.10
Warrants expired (note 4 (a))	(600,000)		10.00
Outstanding, September 30, 2003	1,876,867	\$	4.85

- (a) On February 14, 2003, a total of 600,000 share purchase warrants issued in 2000 for proceeds of \$1,200 expired unexercised. Accordingly, \$1,200 has been reclassified from warrants to contributed surplus.
- (b) Subsequent to the quarter end, a total of 682,504 share purchase warrants issued in 2002 expired unexercised. In addition, compensation options granted in 2002 to underwriters entitling the holders to purchase 177,450 units at a price of \$5.25 per unit expired unexercised. Each unit consisted of one common share and one-quarter of one share purchase warrant.

**5. STOCK BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS**

A summary of the Company's stock option activity for the period ended September 30, 2003 is as follows:

**Stock Options**

	Number		Weighted Average Exercise Price
Outstanding, December 31, 2002	4,526,267	\$	6.63
Options granted	75,000		3.13
Options cancelled	(258,067)		7.72
Outstanding, March 31, 2003	4,343,200	\$	6.72
Options granted	120,000		3.15
Options cancelled	(1,000)		4.70
Outstanding, June 30, 2003	4,462,200	\$	6.42
Options granted	55,000		3.08
Options cancelled	(25,000)		7.60
Outstanding, September 30, 2003	4,492,200	\$	6.37
Options exercisable at September 30, 2003	3,976,134	\$	6.69

**(a) Options granted to non-employees**

For the three month period ended September 30, 2003, the Company recognized \$3,875 (three month period ended September 30, 2002 – \$3,875) of compensation expense relating to options granted to consultants in the prior year.

Belzberg Technologies Inc.  
**Notes to the Consolidated Financial Statements**  
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(Unaudited)

(in Canadian dollars)

There were no options granted to non-employees in the current period.

**(b) Options granted to employees**

For stock options granted to employees on or after January 1, 2002, had the Company recorded compensation expense based on the fair value of the options at the grant dates, results would have been as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Net Loss				
As reported	\$ (1,992,922)	\$ (766,645)	\$ (6,004,391)	\$ (3,446,899)
Pro Forma	(2,071,924)	(934,212)	(6,242,809)	(3,831,069)
Basic and diluted loss per share				
As reported	\$ (0.15)	\$ (0.06)	\$ (0.44)	\$ (0.29)
Pro Forma	\$ (0.15)	\$ (0.07)	\$ (0.46)	\$ (0.32)

The weighted average estimated fair value at the date of the grants for employee options granted for the three months ended September 30, 2003 was \$1.18 per share (three months ended September 30, 2002 - \$1.64 per share). The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions at the measurement dates:

Risk-free interest rate	3.5%
Expected life of the options	3 years
Expected volatility	52.0%
Expected dividend yield	0%

For the purposes of proforma disclosures, the estimated fair value of the options is amortized to expense over their vesting period on a straight-line basis.

**6. RESTRUCTURING CHARGES**

On September 30, 2003, the Company restructured its research and development operations that resulted in the termination of certain employees. The Company recorded a restructuring charge of \$254,232 for employee severances. No payments related to this restructuring were made in the third quarter.

**7. CHANGES IN NON-CASH WORKING CAPITAL ITEMS**

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Accounts receivable	\$ 102,985	\$ 897,522	\$ 351,938	\$ 997,505
Government assistance receivable	52,706	-	52,706	(218,646)
Prepaid expenses and other receivables	152,305	102,968	24,387	291,969
Accounts payable and accrued liabilities	320,844	(215,956)	47,171	163,986
Accrued restructuring charges	158,178	51,791	(242,908)	382,444
Deferred revenue	-	(697,581)	-	(681,713)
	\$ 787,018	\$ 138,744	\$ 233,294	\$ 935,545

**Notes to the Consolidated Financial Statements**

September 30, 2003

(Unaudited)

*(in Canadian dollars)***8. FINANCIAL INSTRUMENTS**

The Company uses forward exchange contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. During the three month period ended September 30, 2003, the Company had an unrealised gain of \$19,000 (three month period ended September 30, 2002 – nil) on forward exchange contracts entered into for the purchase of Cdn\$4.5 million at US\$.725 maturing in December 2004.

**9. SEGMENTED INFORMATION**

The Company operates and manages its business in one industry – the financial services sector. The Company has two reportable operating segments being the Core business and the Brokerage business. In the Core business the Company creates and provides to institutional customers trade execution software and a network for connecting to various exchanges and other markets in North America. The Brokerage business involves the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the Core business and the Brokerage business based on several factors, of which the primary financial measures are revenue and earnings (loss) from operations. The Company defines earnings (loss) from operations as earnings (loss) from operations before amortization, net interest expense, income taxes, and other non-recurring items.

	Three months ended September 30,					
	2003			2002		
	Core	Brokerage	Total	Core	Brokerage	Total
<b>External Revenues</b>						
Subscription fees	\$ 1,849,584	\$ -	\$ 1,849,584	\$ 2,607,950	\$ -	\$ 2,607,950
Transaction based fees	2,377,895	825,930	3,203,825	3,911,660	1,210,212	5,121,872
Other	309,586	-	309,586	259,781	20,956	280,737
	\$ 4,537,065	\$ 825,930	\$ 5,362,995	\$ 6,779,391	\$ 1,231,168	\$ 8,010,559
<b>Operating earnings (loss)</b>	\$ (868,433)	\$ (166,849)	\$ (1,035,282)	\$ (49,203)	\$ 295,887	\$ 246,684
Amortization			682,337			552,424
Interest expense, net			21,071			38,417
Restructuring charges			254,232			422,488
<b>Loss before income taxes</b>			\$ (1,992,922)			\$ (766,645)
<b>Total assets</b>	\$ 14,374,965	\$ 1,825,796	\$ 16,200,761	\$ 24,110,512	\$ 2,620,546	\$ 26,731,058
<b>Capital asset expenditures</b>	\$ 311,684	\$ -	\$ 311,684	\$ 585,087	\$ -	\$ 585,087

Belzberg Technologies Inc.  
**Notes to the Consolidated Financial Statements**  
September 30, 2003

(Unaudited)

(in Canadian dollars)

The following is a breakdown of operations by significant geographic region:

	Three months ended September 30,					
	2003			2002		
	Canada	United States	Total	Canada	United States	Total
<b>External Revenues</b>						
Subscription fees	\$ 1,529,376	\$ 320,208	\$ 1,849,584	\$ 1,595,188	\$ 1,012,762	\$ 2,607,950
Transaction based fees	337,188	2,866,637	3,203,825	473,482	4,648,390	5,121,872
Other	270,136	39,450	309,586	212,259	68,478	280,737
	\$ 2,136,700	\$ 3,226,295	\$ 5,362,995	\$ 2,280,929	\$ 5,729,630	\$ 8,010,559
<b>Total assets</b>	\$ 7,194,461	\$ 9,006,300	\$ 16,200,761	\$ 14,926,669	\$ 11,804,389	\$ 26,731,058
<b>Capital assets</b>	\$ 3,386,363	\$ 1,428,179	\$ 4,814,542	\$ 4,740,395	\$ 1,037,017	\$ 5,777,412

	Nine months ended September 30,					
	2003			2002		
	Core	Brokerage	Total	Core	Brokerage	Total
<b>External Revenues</b>						
Subscription fees	\$ 6,115,452	\$ -	\$ 6,115,452	\$ 8,133,128	\$ -	\$ 8,133,128
Transaction based fees	6,743,893	2,831,492	9,575,385	10,677,838	3,366,857	14,044,695
Other	779,677	-	779,677	682,901	68,883	751,784
	\$ 13,639,022	\$ 2,831,492	\$ 16,470,514	\$ 19,493,867	\$ 3,435,740	\$ 22,929,607
<b>Operating earnings (loss)</b>	\$ (2,922,711)	\$ (308,858)	\$ (3,231,569)	\$ (788,529)	\$ 424,049	\$ (364,480)
Amortization			2,152,285			1,573,322
Interest expense, net			93,021			203,264
Restructuring charges			527,516			1,265,108
<b>Loss before income taxes</b>			\$ (6,004,391)			\$ (3,406,174)
<b>Total assets</b>	\$ 14,374,965	\$ 1,825,796	\$ 16,200,761	\$ 24,110,512	\$ 2,620,546	\$ 26,731,058
<b>Capital asset expenditures</b>	\$ 787,104	\$ -	\$ 787,104	\$ 2,692,380	\$ 10,392	\$ 2,702,772

Belzberg Technologies Inc.  
**Notes to the Consolidated Financial Statements**  
September 30, 2003

(Unaudited)

(in Canadian dollars)

The following is a breakdown of operations by significant geographic region:

	Nine months ended September 30,					
	2003			2002		
	Canada	United States	Total	Canada	United States	Total
<b>External Revenues</b>						
Subscription fees	\$ 4,541,627	\$ 1,573,825	\$ 6,115,452	\$ 4,972,729	\$ 3,160,399	\$ 8,133,128
Transaction based fees	1,109,895	8,465,490	9,575,385	1,505,572	12,539,123	14,044,695
Other	686,421	93,256	779,677	578,239	173,545	751,784
	\$ 6,337,943	\$ 10,132,571	\$ 16,470,514	\$ 7,056,540	\$ 15,873,067	\$ 22,929,607
<b>Total assets</b>	\$ 7,194,461	\$ 9,006,300	\$ 16,200,761	\$ 14,926,669	\$ 11,804,389	\$ 26,731,058
<b>Capital assets</b>	\$ 3,386,363	\$ 1,428,179	\$ 4,814,542	\$ 4,740,395	\$ 1,037,017	\$ 5,777,412

**10. COMMITMENTS AND CONTINGENCIES**

The Company has no guarantees that are required to be disclosed under newly adopted Accounting Guideline 14 "Disclosure of guarantees".

In the normal course of operations the Company may be subject to litigation and claims. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

**11. COMPARATIVE FIGURES**

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