

Belzberg Technologies
Management's Discussion and Analysis
September 30, 2003

The following discussion and analysis provides a review of Belzberg's results for the periods ended September 30, 2003. 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, 2002. 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		Nine months ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Revenue	\$ 5,363	\$ 8,011	\$ 16,471	\$ 22,930
Cost of revenue	3,279	4,328	9,967	12,265
Gross Margin	2,084	3,683	6,504	10,665
Operating expenses	3,120	3,436	9,735	11,030
Earnings (Loss) from operations				
before undernoted items	(1,036)	247	(3,231)	(365)
Amortization	682	552	2,152	1,573
Interest expense, net	21	39	93	203
Restructuring charges	254	423	528	1,265
Loss before income taxes	(1,993)	(767)	(6,004)	(3,406)
Income taxes	-	-	-	41
Net loss	\$ (1,993)	\$ (767)	\$ (6,004)	\$ (3,447)
Basic and diluted loss per common share	\$ (0.15)	\$ (0.06)	\$ (0.44)	\$ (0.29)

Numbers may not total due to rounding

Revenues

For the three months ended September 30,

(\$000's)	2003			2002		
	Canada	USA	Total	Canada	USA	Total
Subscription fees	\$ 1,529	\$ 320	\$ 1,849	\$ 1,595	\$ 1,013	\$ 2,608
Transaction fees - core	337	2,041	2,378	474	3,438	3,912
Transaction fees - brokerage	-	826	826	-	1,210	1,210
Other revenue	271	39	310	212	69	281
Total	\$ 2,137	\$ 3,226	\$ 5,363	\$ 2,281	\$ 5,730	\$ 8,011

For the nine months ended September 30,

(\$000's)	2003			2002		
	Canada	USA	Total	Canada	USA	Total
Subscription fees	\$ 4,542	\$ 1,574	\$ 6,116	\$ 4,973	\$ 3,160	\$ 8,133
Transaction fees - core	1,110	5,634	6,744	1,506	9,172	10,678
Transaction fees - brokerage	-	2,831	2,831	-	3,367	3,367
Other revenue	686	94	780	578	174	752
Total	\$ 6,338	\$ 10,133	\$ 16,471	\$ 7,057	\$ 15,873	\$ 22,930

Gross revenue decreased by 33% from \$8.0 million in the third quarter of 2002 to \$5.4 million in the third quarter of 2003. For the nine-month period, gross revenue decreased by 28% from \$22.9 million in 2002 to \$16.5 million in 2003.

Subscription fee revenue, which is based on customers paying a fixed monthly fee for each terminal connected to the Belzberg Gateway, decreased by 29% from \$2.6 million in the third quarter of 2002 to \$1.8 million in the third quarter of 2003. For the nine-month period, subscription fee revenue decreased by 25% from \$8.1 million in 2002 to \$6.1 million in 2003. The decrease in subscription fee revenue resulted from certain customer cancellations. Subscription fee revenue accounted for 35% of total revenues in the third quarter of 2003 (37% for the nine months ended September 30, 2003) as compared to 33% of total revenues in the third quarter of 2002 (35% for the nine months ended September 30, 2002).

Transaction fee revenue from the core business, which includes customers paying a fee per transaction routed through the Belzberg Gateway, decreased by 39% in the third quarter of 2003 to \$2.4 million as compared to \$3.9 million in the third quarter of 2002. For the nine-month period, transaction fee revenue

from the core business decreased by 37% from \$10.7 million in 2002 to \$6.7 million in 2003. The decrease in transaction fee revenue from the core business resulted from downward pricing pressure on fees despite increased trading activity and a strengthening Canadian dollar. Transaction fee revenue from the core business accounted for 44% of total revenues in the third quarter of 2003 (41% for the nine months ended September 30, 2003) as compared to 49% of total revenues in the third quarter of 2002 (47% for the nine months ended September 30, 2002).

Transaction fee revenue from the brokerage operation, that executes on an agency basis exchange traded equity and index options on the Chicago Board Options Exchange, decreased by 32% in the third quarter of 2003 to \$0.8 million as compared to \$1.2 million in the third quarter of 2002. For the nine-month period, transaction fee revenue from the brokerage operation decreased by 16% from \$3.4 million in 2002 to \$2.8 million in 2003. The decrease in transaction fee revenue from the brokerage operation resulted from a strengthening Canadian dollar and downward pricing pressure on fees despite increased trading activity. Transaction fee revenue from the brokerage operation accounted for 15% of total revenues in the third quarter of 2003 (17% for the nine months ended September 30, 2003) as compared to 15% of total revenues in the third quarter of 2002 (15% for the nine months ended September 30, 2002).

Gross Profit and Gross Margin

(\$000's)	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
Revenue	\$ 5,363	\$ 8,011	\$ 16,471	\$ 22,930
Cost of Revenue	3,279	4,328	9,967	12,265
Gross Profit	\$ 2,084	\$ 3,683	\$ 6,504	\$ 10,665
Gross Margin %	39%	46%	39%	47%

Gross margin as a percentage of sales declined to 39% in the third quarter of 2003, from 46% in the third quarter of 2002. For the nine-month period, gross margin declined to 39% in 2003 from 47% in 2002. The decline in margin is attributable to the reduction in revenue while the cost structure remained relatively fixed to accommodate additional capacity and connectivity to markets. In the third quarter of 2003 the Company realized cost savings from being self-clearing and it is anticipated that margins will improve as additional revenue is added in the future.

Operating Expenses

(\$000's)	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Sales and marketing	\$ 986	\$ 1,101	\$ 3,214	\$ 2,886
Research and development	912	1,282	2,883	3,690
Government assistance	-	-	-	(218)
Administration	1,222	1,389	3,875	4,463
Foreign exchange loss (gain)	-	(336)	(237)	(93)
Non-recurring Philadelphia expenses	-	-	-	302
Total operating expenses	\$ 3,120	\$ 3,436	\$ 9,735	\$ 11,030

Sales and Marketing Expenses

Sales and marketing expenses decreased by \$0.1 million or 10% to \$1.0 million in the third quarter of 2003 as compared to \$1.1 million in the third quarter of 2002. The decrease for the third quarter is primarily due to headcount terminations and lower travel costs in the third quarter. For the nine-month period, sales and marketing expenses increased by \$0.3 million or 11% to \$3.2 million in 2003 from \$2.9 million in 2002. The increase for the nine-month period is primarily due to headcount additions and the cost associated with the termination of a senior salesperson.

Research and Development Expenses

Research and development expenses decreased by \$0.4 million or 29% to \$0.9 million in the third quarter of 2003 as compared to \$1.3 million in the third quarter of 2002. For the nine-month period, research and development expenses decreased by \$0.8 million or 22% to \$2.9 million in 2003 from \$3.7 million in 2002. The decrease is primarily due to headcount reductions that were made in the first and third quarter of 2003.

Government Assistance

In the second quarter of 2002, the Company recognized a recovery of \$0.2 million against research and development expenses relating to additional scientific research and developmental assistance for the 1999 taxation year following a successful appeal to Canada Customs and Revenue Agency of the original assessment. The additional scientific research and developmental assistance was reimbursed in cash.

Administration Expenses

Administration expenses decreased by \$0.2 million or 12% to \$1.2 million in the third quarter of 2003 as compared to \$1.4 million in the third quarter of 2002. For the nine-month period, administration expenses decreased by \$0.6 million or 13% to \$3.9 million in 2003 from \$4.5 million in 2002. The primary factors that contributed to the decrease were headcount reductions, a reduction in executive compensation and a decrease in professional fees in the third quarter of 2003.

Foreign Exchange loss (gain)

The Company incurred a foreign exchange gain of \$0.3 million in the third quarter of 2002 as compared to Nil in the third quarter of 2003. For the nine-month period the exchange gain was \$0.2 million in 2003 versus an exchange gain of \$0.1 million in 2002. 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 unsettled forward exchange contracts. The Company has outstanding forward exchange contracts for the purchase of Cdn\$4.5 million at US\$.725 maturing in December 2004 to hedge its future anticipated net asset exposure to the U.S. dollar.

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

(\$000's)	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
Amortization of capital assets	\$ 682	\$ 552	\$ 2,152	\$ 1,573
Interest expense, net	21	39	93	203
Restructuring charges	254	423	528	1,265
Other expenses, net	\$ 957	\$ 1,014	\$ 2,773	\$ 3,041

Amortization of Capital Assets

Amortization of capital assets increased by \$0.1 million or 24% to \$0.7 million in the third quarter of 2003 as compared to \$0.6 million in the third quarter of 2002. For the nine-month period amortization of capital assets increased by \$0.6 million or 37% to \$2.2 million in 2003 from \$1.6 million in 2002. The increase is a reflection of the increased capital asset expenditures to improve the network infrastructure and maintain high-speed connectivity between customers, the Company and a multitude of exchanges and other markets for live trade execution.

Net Interest Expense

Net Interest expense decreased by \$18,000 to \$21,000 in the third quarter of 2003 as compared to \$39,000 in the third quarter of 2002. For the nine-month period, net interest expense decreased from \$203,000 in 2002 to \$93,000 in 2003. The decrease resulted from the maturity of certain capital leases as well as capital leases becoming older resulting in less interest expense.

Restructuring Charges

During the three months ended September 30, 2003, the Company reorganized its research and development operations that resulted in terminations of certain employees and gave rise to a restructuring charge of \$0.2 million. In the first quarter of 2003, the Company completed the restructuring of certain of its finance, sales and research and development operations resulting in a restructuring charge of \$0.3 million.

During the three months ended September 30, 2002, the Company reorganized certain of its administration and floor brokerage operations that resulted in termination of certain employees and gave rise to a restructuring charge of \$0.4 million during the quarter. In the first quarter of 2002, the Company closed its Philadelphia office and ended its relationship with its President and other employees resulting in a restructuring charge of \$0.8 million.

Liquidity and Capital Resources

Cash flow utilized by operations was \$0.5 million in the third quarter of 2003 compared to \$0.1 million in the third quarter of 2002. Cash flow utilized by operations for the nine-month period was \$3.6 million in 2003 compared to \$1.0 million in 2002.

The Company utilized \$0.3 million of cash for investing activities in the third quarter of 2003 compared to \$0.3 million in the third quarter of 2002. For the nine-month period the Company utilized \$0.7 million for investing activities in 2003 as compared to \$1.6 million in 2002. Investing activities consisted primarily of the acquisition of network equipment required to maintain high-speed connectivity between customers, the Company and a multitude of exchanges and other markets for live trade execution. .

The Company utilized \$0.4 million of cash for financing activities in the third quarter of 2003 as compared to utilizing \$0.5 million of cash from financing activities in the third quarter of 2002. For the nine-month period the Company utilized \$1.5 million for financing activities in 2003 compared to generating \$11.8 million in 2002. Financing activities in the third quarter of 2003 included repayment of capital lease obligations of \$0.3 million and repayment of a bank loan of \$0.1 million. Financing activities in the third quarter of 2002 included repayment of capital lease obligations of \$0.4 million and repayment of a bank loan of \$0.1 million.

As at September 30, 2003, the Company had cash and cash equivalents amounting to \$7.2 million, and had working capital of \$6.0 million. 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.