

BELZBERG TECHNOLOGIES INC.

Management's Discussion and Analysis

June 30, 2004

The following discussion and analysis provides a review of Belzberg's results for three and six month periods ended June 30, 2004 compared to three and six month periods ended June 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, 2003. All monetary amounts are reported in Canadian dollars.

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. 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 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		Six months ended	
	2004	2003	2004	2003
Revenue	\$ 6,258	\$ 5,253	\$ 12,968	\$ 11,291
Cost of revenue	3,642	3,284	7,089	6,872
Gross Margin	2,616	1,969	5,879	4,419
Operating expenses	2,679	3,350	5,232	6,654
Loss before undernoted items	(63)	(1,381)	647	(2,235)
Amortization	560	736	1,139	1,470
Interest expense, net	20	22	20	72
Restructuring charges	181	-	181	273
Net loss	\$ (824)	\$ (2,139)	\$ (693)	\$ (4,050)
Basic and diluted loss per common share	\$ (0.06)	\$ (0.16)	\$ (0.05)	\$ (0.30)

Numbers may not total due to rounding

Revenues

For the three months ended June 30,

(\$000's)	2004			2003		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core	\$ 386	\$ 2,866	\$ 3,252	\$ 311	\$ 1,962	\$ 2,273
Transaction fees - brokerage	-	760	760	-	860	860
Subscription fees	1,541	338	1,879	1,477	416	1,893
Other revenue	239	128	367	201	26	227
Total	\$ 2,166	\$ 4,092	\$ 6,258	\$ 1,989	\$ 3,264	\$ 5,253

For the six months ended June 30,

(\$000's)	2004			2003		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core	\$ 910	\$ 5,908	\$ 6,818	\$ 773	\$ 3,777	\$ 4,550
Transaction fees - brokerage	-	1,620	1,620	-	2,005	2,005
Subscription fees	\$ 3,094	\$ 642	\$ 3,736	\$ 3,012	\$ 1,254	\$ 4,266
Other revenue	499	295	794	416	54	470
Total	\$ 4,503	\$ 8,465	\$ 12,968	\$ 4,201	\$ 7,090	\$ 11,291

Gross revenue increased by 19% from \$5.3 million in the second quarter of 2003 to \$6.3 million in the second quarter of 2004. For the six-month period, gross revenue increased by 15% from \$11.3 million in 2003 to \$13.0 million in 2004.

Transaction fee revenue from the core business, which includes customers paying a fee per transaction routed through the Belzberg Gateway, increased by 43% in the second quarter of 2004 to \$3.3 million as compared to \$2.3 million in the second quarter of 2003. For the six-month period, transaction fee revenue from the core business increased by 50% from \$4.6 million in 2003 to \$6.8 million in 2004. The increase in transaction fee revenue from the core business resulted from new customers as well as improved market conditions. Transaction fee revenue from the core business accounted for 52% of total revenues in the second quarter of 2004 (53% for the six months ended June 30, 2004) as compared to 43% of total revenues in the second quarter of 2003 (40% for the six months ended June 30, 2003).

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 12% in the second quarter of 2004 to \$0.8 million as compared to \$0.9 million in the second quarter of 2003. For the six-month period, transaction fee revenue from the brokerage operation decreased by 19% from \$2.0 million in 2003

to \$1.6 million in 2004. The decrease in transaction fee revenue from the brokerage operation resulted from pricing pressure as well as competition from electronic order execution. Transaction fee revenue from the brokerage operation accounted for 12% of total revenues in the second quarter of 2004 (12% for the six months ended June 30, 2004) as compared to 16% of total revenues in the second quarter of 2003 (18% for the six months ended June 30, 2003).

Subscription fee revenue, which is based on customers paying a fixed monthly fee for each terminal connected to the Belzberg Gateway, was unchanged at \$1.9 million in the second quarters of 2004 and 2003. For the six-month period, subscription fee revenue decreased by 12% from \$4.3 million in 2003 to \$3.7 million in 2004. The decrease in subscription fee revenue resulted from customers downsizing their trading staff due to poor market conditions as well as certain customer cancellations. Subscription fee revenue accounted for 30% of total revenues in the second quarter of 2004 (29% for the six months ended June 30, 2004) as compared to 36% of total revenues in the second quarter of 2002 (38% for the six months ended June 30, 2003).

Other revenue which includes software development fees, installation fees, revenue from connectivity to the Belzberg Gateway as well as revenue from information distribution, increased by 62% from \$0.2 million in the second quarter of 2003 to \$0.4 million in the second quarter of 2004. For the six-month period other revenue increased by 69% from \$0.5 million in 2003 to \$0.8 million in 2004. The majority of the increase in other revenue resulted from additional software development being performed in 2004.

Gross Margin

(\$000's)	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Revenue	\$ 6,258	\$ 5,253	\$ 12,968	\$ 11,291
Cost of Revenue	3,642	3,284	7,089	6,872
Gross Margin	\$ 2,616	\$ 1,969	\$ 5,879	\$ 4,419
Gross Margin %	42%	37%	45%	39%

Gross margin as a percentage of sales improved to 42% in the second quarter of 2004, from 37% in the second quarter of 2003. For the six-month period, gross margin improved to 45% in 2004 from 39% in 2003. The improved margin is attributable to the increase in revenue while the cost structure has reduced due to the full effects of self-clearing and headcount reductions.

Operating Expenses

(\$000's)	For the three months ended June 30,		For the six months ended June 30,	
	2004	2003	2004	2003
Sales and marketing	\$ 818	\$ 1,311	\$ 1,623	\$ 2,233
Research and development	550	916	1,129	1,972
Administration	1,242	1,415	2,417	2,687
Foreign exchange loss (gain)	69	(292)	63	(238)
Total operating expenses	\$ 2,679	\$ 3,350	\$ 5,232	\$ 6,654

Sales and Marketing Expenses

Sales and marketing expenses decreased by \$0.5 million or 38% to \$0.8 million in the second quarter of 2004 as compared to \$1.3 million in the second quarter of 2003. For the six-month period, sales and marketing expenses decreased by \$0.6 million or 27% to \$1.6 million in 2004 from \$2.2 million in 2003. The decrease is due to the cost associated with the termination of a senior salesperson in 2003 and certain marketing and consulting costs incurred in 2003 not recurring in 2004.

Research and Development Expenses

Research and development expenses decreased by \$0.3 million or 40% to \$0.6 million in the second quarter of 2004 as compared to \$0.9 million in the second quarter of 2003. For the six-month period, research and development expenses decreased by \$0.9 million or 43% to \$1.1 million in 2004 from \$2.0 million in 2003. The decrease is primarily due to headcount reductions that were made in the first quarter of 2003.

Administration Expenses

Administration expenses decreased by \$0.2 million or 12% to \$1.2 million in the second quarter of 2004 as compared to \$1.4 million in the second quarter of 2003. For the six-month period, administration expenses decreased by \$0.3 million or 10% to \$2.4 million in 2004 from \$2.7 million in 2003. The primary factors that contributed to the decrease were headcount reductions, reduced travel expenses and investment write-downs in 2003 not recurring in 2004.

Foreign Exchange loss (gain)

The Company incurred a foreign exchange loss of \$69,000 in the second quarter of 2004 as compared to a foreign exchange gain of \$292,000 in the second quarter of 2003. For the six-month period the exchange loss was \$62,000 in 2004 versus an exchange gain of \$237,000 in 2003. The Company uses foreign currency futures and options contracts to manage a portion of its exposure to fluctuations in foreign exchange rates.

During the three month period ended June 30, 2004 the Company settled its Canadian Dollar futures contract resulting in a mark to market loss of \$251,000 in the second quarter that was offset by a mark to market gain of \$98,000 on entering into a Canadian Dollar call option contract. The above transactions

offset a translation gain in the second quarter of \$84,000 resulting in a net foreign exchange loss in the second quarter of \$69,000.

During the three month period ended June 30, 2003, the Company realised a gain of \$670,000 on the settlement of its Canadian Dollar futures contracts that offset a translation loss of \$378,000 from the strengthening Canadian dollar resulting in a net foreign exchange gain in the quarter of \$292,000

As at June 30, 2004, the Company had a call option outstanding for the purchase of Cdn\$4.5 million at US\$.72 maturing in March 2005 to hedge its future anticipated net asset exposure to the U.S. dollar.

Other Expenses

(\$000's)	For the three months ended June 30,		For the six months ended June 30,	
	2004	2003	2004	2003
Amortization of capital assets	\$ 560	\$ 736	\$ 1,139	\$ 1,470
Interest expense, net	20	22	20	72
Restructuring charges	181	-	181	273
Other expenses, net	\$ 761	\$ 758	\$ 1,340	\$ 1,815

Amortization of Capital Assets

Amortization of capital assets decreased by \$0.1 million or 24% to \$0.6 million in the second quarter of 2004 as compared to \$0.7 million in the second quarter of 2003. For the six-month period amortization of capital assets decreased by \$0.4 million or 23% to \$1.1 million in 2004 from \$1.5 million in 2003. The decrease is a reflection of an increasing number of capital assets becoming fully depreciated in 2004.

Net Interest Expense

Net Interest expense was essentially flat at \$20,000 in the second quarters of 2004 and 2003. For the six-month period, net interest expense decreased from \$72,000 in 2003 to \$20,000 in 2004. The decrease for the six months resulted from the maturity of certain capital leases resulting in a lower interest costs as well as interest income of \$26,000 on a research and development tax refund being received in the first quarter of 2004 and not in 2003.

Restructuring Charges

During the quarter ended June 30, 2004, the Company restructured its broker-dealer operation and recorded a restructuring charge of \$0.2 million for employee severances and benefits.

Restructuring charges for the six-month period ended June 30, 2003 of \$0.3 million relate to employee terminations made in the first quarter of 2003.

Liquidity and Capital Resources

Cash flow generated by operations was \$0.2 million in the second quarter of 2004 compared to cash utilized by operations of \$1.4 million in the second quarter of 2003. Cash flow generated by operations for the six-month period was \$1.3 million in 2004 compared to cash utilized by operations of \$2.1 million in 2003.

The Company generated \$1.3 million of cash from investing activities in the second quarter of 2004 compared to utilizing \$0.2 million in the second quarter of 2003. For the six-month period the Company utilized \$0.5 million for investing activities in 2004 and 2003. 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. In the second quarter of 2004, the Company converted its short-term investments of \$1.6 million into cash equivalents.

The Company utilized \$0.3 million of cash for financing activities in the second quarter of 2004 as compared to utilizing \$0.5 million of cash for financing activities in the second quarter of 2003. For the six-month period the Company utilized \$0.6 million for financing activities in 2004 compared to utilizing \$1.1 million in 2003. Financing activities in the second quarter of 2004 included repayment of capital lease obligations of \$0.3 million, repayment of a bank loan of \$0.1 million and proceeds from the exercise of stock options of \$0.1 million. Financing activities in the second quarter of 2003 included repayment of capital lease obligations of \$0.4 million and repayment of a bank loan of \$0.1 million. Financing activities in the six months of 2004 included repayment of capital lease obligations of \$0.6 million, repayment of a bank loan of \$0.2 million and proceeds from the exercise of stock options of \$0.2 million. Financing activities in the six months of 2003 included repayment of capital lease obligations of \$0.8 million, repayment of a bank loan of \$0.2 million and repurchase of common shares of \$0.1 million.

As at June 30, 2004, the Company had cash and cash equivalents amounting to \$4.5 million, and had working capital of \$4.9 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.