

Consolidated Financial Statements
BELZBERG TECHNOLOGIES INC.
March 31, 2004
Unaudited

BELZBERG TECHNOLOGIES INC.

Consolidated Balance Sheets

(Unaudited)

(in Canadian dollars)

| | March 31, 2004 | December 31, 2003 |
|---|-------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 3,152,076 | \$ 4,300,798 |
| Short-term investments | 1,570,370 | - |
| Deposits with and receivables from brokers, dealers and clearing organizations | 1,217,252 | 1,075,769 |
| Accounts receivable | 3,338,742 | 3,262,955 |
| Government assistance receivable | - | 303,832 |
| Prepaid expenses and other receivables | 465,468 | 439,404 |
| Other | 457,032 | 602,410 |
| | 10,200,940 | 9,985,168 |
| CAPITAL ASSETS | 4,146,010 | 4,633,610 |
| GOODWILL | 755,239 | 755,239 |
| | \$ 15,102,189 | \$ 15,374,017 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 3,669,271 | \$ 3,616,986 |
| Accrued restructuring charges | 155,407 | 351,869 |
| Bank loan | 112,221 | 203,352 |
| Current portion of obligations under capital lease | 893,692 | 1,058,197 |
| | 4,830,591 | 5,230,404 |
| OBLIGATIONS UNDER CAPITAL LEASE | 317,478 | 465,388 |
| | 5,148,069 | 5,695,792 |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (Note 3) | 34,664,677 | 34,575,877 |
| CONTRIBUTED SURPLUS (Note 4) | 1,345,761 | 1,290,090 |
| WARRANTS | 1,665,700 | 1,665,700 |
| DEFICIT | (27,722,018) | (27,853,442) |
| | 9,954,120 | 9,678,225 |
| | \$ 15,102,189 | \$ 15,374,017 |

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
For the three months ended March 31, 2004 and March 31, 2003
(Unaudited)
(in Canadian dollars)

| | 2004 | 2003 |
|--|-----------------|-----------------|
| REVENUE | \$ 6,710,098 | \$ 6,038,061 |
| COST OF REVENUE | 3,447,639 | 3,587,329 |
| GROSS MARGIN | 3,262,459 | 2,450,732 |
| EXPENSES | | |
| Sales and marketing | 804,725 | 922,252 |
| Research and development | 579,424 | 1,055,814 |
| Administration | 1,174,508 | 1,272,205 |
| Foreign exchange loss (gain) | (6,347) | 54,595 |
| | 2,552,310 | 3,304,866 |
| EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS | 710,149 | (854,134) |
| Amortization | 578,562 | 733,813 |
| Interest expense, net | 163 | 49,608 |
| Restructuring charges (Note 5) | - | 273,284 |
| NET EARNINGS (LOSS) | 131,424 | (1,910,839) |
| DEFICIT, BEGINNING OF PERIOD | (27,853,442) | (20,340,276) |
| DEFICIT, END OF PERIOD | \$ (27,722,018) | \$ (22,251,115) |
| EARNINGS (LOSS) PER SHARE: (Note 6) | | |
| Diluted | \$ 0.01 | \$ (0.14) |
| Basic | \$ 0.01 | \$ (0.14) |
| WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING: | | |
| Diluted | 13,779,790 | 13,719,885 |
| Basic | 13,718,922 | 13,719,885 |

See accompanying notes to the consolidated financial statements

BELZBERG TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2004 and March 31, 2003
(Unaudited)
(in Canadian dollars)

| | 2004 | 2003 |
|--|---------------------|---------------------|
| CASH PROVIDED BY (USED FOR) | | |
| OPERATING ACTIVITIES | | |
| Net income (loss) | \$ 131,424 | \$ (1,910,839) |
| Items not affecting cash | | |
| Amortization of capital assets | 578,562 | 733,813 |
| Amortization of gain on sale and leaseback of capital assets | - | (9,200) |
| Unrealized foreign exchange loss (gain) | (24,955) | 315,325 |
| Stock-based compensation | 59,546 | 5,427 |
| Changes in non-cash working capital items (Note 7) | 259,278 | 412,741 |
| | <u>1,003,855</u> | <u>(452,733)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (292,416) | (301,738) |
| Short-term investments | (1,570,370) | - |
| | <u>(1,862,786)</u> | <u>(301,738)</u> |
| FINANCING ACTIVITIES | | |
| Repayment of obligations under capital lease | (312,415) | (454,341) |
| Repayment of bank loan | (91,131) | (86,127) |
| Proceeds from the exercise of stock options | 88,800 | - |
| Repurchase of common shares | - | (75,375) |
| | <u>(314,746)</u> | <u>(615,843)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 24,955 | (315,325) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,148,722) | (1,685,639) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 4,300,798 | 10,747,932 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 3,152,076 | \$ 9,062,293 |
| CASH EQUIVALENTS: | | |
| Cash | \$ 2,927,162 | \$ 5,037,133 |
| Cash equivalents | 224,914 | 4,025,160 |
| | <u>\$ 3,152,076</u> | <u>\$ 9,062,293</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest paid | \$ 37,912 | \$ 84,963 |
| Interest received | \$ 37,749 | \$ 35,355 |

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

March 31, 2004

(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, 2003.

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 March 31, 2004 and the results of operations and deficit and cash flows for the three months ended March 31, 2004 and 2003.

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) *Revenue Recognition*

Effective January 1, 2004, the Company adopted the CICA Emerging Issues Committee Abstract 142 issued in December 2003, regarding the timing of revenue recognition and the classification of certain items as revenue or expense. Adoption did not have an impact on the consolidated financial statements.

ii) *Hedging Relationships*

In November 2001, the CICA issued Accounting Guidelines 13, "Hedging Relationships"(AcG-13), and in November 2002, the CICA amended the effective date of the guideline. AcG-13 established new criteria for hedge accounting and applies to all hedging relationships in effect on or after January 1, 2004. Effective January 1, 2004, the Company determined that it would not treat its derivative instruments as hedges for accounting purposes. Accordingly, the Company is continuing its previous policy of recognizing changes in the fair value of the derivative instruments into income each period.

3. CAPITAL STOCK

Authorized

Unlimited number of common shares

| Issued | Number of Common Shares | Amount |
|------------------------------|----------------------------|---------------|
| Balance at December 31, 2003 | 13,713,424 | \$ 34,575,877 |
| Exercise of stock options | 29,600 | 88,800 |
| Balance at March 31, 2004 | 13,743,024 | \$ 34,664,677 |

Belzberg Technologies Inc.
Notes to the Consolidated Financial Statements
 March 31, 2004

(Unaudited) (in Canadian dollars)

4. STOCK BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

A summary of the Company's stock option activity for the period ended March 31, 2004 is as follows:

Stock Options

| | Number | | Weighted Average Exercise Price |
|---------------------------------------|-----------|----|--|
| Outstanding, December 31, 2003 | 4,599,700 | \$ | 6.10 |
| Options granted | 15,000 | | 3.70 |
| Options exercised | (29,600) | | 3.00 |
| Options cancelled/expired | (37,000) | | 5.60 |
| Outstanding, March 31, 2004 | 4,548,100 | \$ | 6.12 |
| Options exercisable at March 31, 2004 | 3,817,285 | \$ | 6.52 |

(a) Options granted to non-employees

For the three-month period ended March 31, 2004, the Company recognized \$3,875 (March 31, 2003 – \$3,875) of compensation expense relating to options granted to consultants in the 2002 year. There were no options granted to non-employees in the current period.

(b) Options granted to employees on or after January 1, 2003

For stock options granted to employees on or after January 1, 2003, the Company recorded compensation expense in the quarter ended March 31, 2004 of \$55,671 (quarter ended March 31, 2003 of \$1,552). The Company recorded \$28,383 (2003 - \$1,552) of this expense in administration expense, \$17,088 (2003 - nil) in sales and marketing expense, \$7,140 (2003 – nil) in cost of revenue and \$3,060 (2003 – nil) in research and development expense.

The weighted average estimated fair value at the date of the grants for employee options granted for the three months ended March 31, 2004 was \$1.63 per share (three months ended March 31, 2003 - \$1.26 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:

| | Three months ended March 31, | |
|------------------------------|------------------------------|---------|
| | 2004 | 2003 |
| Risk-free interest rate | 2.9% | 3.9% |
| Expected life of the options | 3 years | 3 years |
| Expected volatility | 62.9% | 55.1% |
| Expected dividend yield | 0% | 0% |

The estimated fair value of the options is amortized to expense over their vesting period on a straight-line basis.

Notes to the Consolidated Financial Statements

March 31, 2004

(Unaudited)

*(in Canadian dollars)***(c) Options granted to employees for the period January 1, 2002 to December 31, 2002**

For stock options granted in 2002, revised CICA HB Section 3870 requires the disclosure of pro forma earnings (loss) and earnings (loss) per share information as if the Company had accounted for employee stock options under the fair value method. The pro forma disclosure related to options granted in 2002 using a weighted average grant date fair value of \$2.07 based on the following weighted average assumptions: risk-free interest rate – 4.4%; expected life of options – 4.6 years; expected volatility - 48%; expected dividend yield – 0%, is as follows:

| | Three months ended March 31, | |
|--|------------------------------|----------------|
| | 2004 | 2003 |
| Earnings (loss) for the period: | | |
| As reported | \$ 131,424 | \$ (1,910,839) |
| Pro forma | 74,383 | \$ (1,962,619) |
| Earnings (loss) per share: | | |
| Diluted | | |
| As reported | \$ 0.01 | \$ (0.14) |
| Pro forma | \$ 0.01 | \$ (0.14) |
| Basic | | |
| As reported | \$ 0.01 | \$ (0.14) |
| Pro forma | \$ 0.01 | \$ (0.14) |
| Weighted average number of common and common equivalent shares outstanding: | | |
| Diluted | | |
| As reported | 13,779,790 | 13,719,885 |
| Pro forma | 13,779,790 | 13,719,885 |
| Basic | | |
| As reported | 13,718,922 | 13,719,885 |
| Pro forma | 13,718,922 | 13,719,885 |

The estimated pro forma fair value of the options is amortized to expense over their vesting period on a straight-line basis.

5. ACCRUED RESTRUCTURING CHARGES

During the quarter ended March 31, 2004, the Company made cash payments of \$196,462 towards the restructuring accruals recorded in the 2003 year.

During the quarter ended March 31, 2003, the Corporation completed the restructuring of certain of its finance, sales and research and development operations announced in the quarter ended December 31, 2002 and recorded an additional restructuring charge of \$273,284 for employee severances and benefits. The Company made cash payments of \$441,479 in the first quarter of 2003 toward the restructuring accruals recorded at the 2002 year-end and the additional accrual recorded in the first quarter of 2003.

| | December 31, 2003 | Provision | Cash payment | March 31, 2004 |
|---------------------------------------|----------------------|-----------|-----------------|-------------------|
| Accrued restructuring charges: | | | | |
| 2002 restructuring | \$ 26,846 | - | - | \$ 26,846 |
| 2003 restructuring: | | | | |
| Quarter ended: | | | | |
| September 30 | 158,317 | - | 61,795 | 96,522 |
| December 31 | 166,706 | - | 134,667 | 32,039 |
| | \$ 351,869 | \$ - | \$ 196,462 | \$ 155,407 |

Notes to the Consolidated Financial Statements

March 31, 2004

(Unaudited)

*(in Canadian dollars)***6. EARNINGS (LOSS) PER SHARE**

A reconciliation of net earnings (loss) and the weighted average number of common and common equivalent shares outstanding for calculating diluted earnings per share is as follows:

| | Three months ended March 31, | |
|--|------------------------------|----------------|
| | 2004 | 2003 |
| Basic and diluted net earnings (loss) per share | \$ 131,424 | \$ (1,910,839) |
| Basic weighted average number of common shares outstanding | 13,718,922 | 13,719,885 |
| Weighted average dilutive stock options | 60,868 | - |
| Diluted weighted average number of common and common equivalent shares outstanding | 13,779,790 | 13,719,885 |

For the quarter ended March 31, 2004 options and warrants for 5,202,700 (March 31, 2003 - 6,220,067) common shares were excluded from the diluted earnings (loss) per share calculation because they were anti-dilutive.

7. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

| | Three months ended March 31, | |
|--|------------------------------|--------------|
| | 2004 | 2003 |
| Accounts receivable | \$ (75,787) | \$ (204,619) |
| Deposits with and receivables from brokers, dealers and clearing organizations | (141,483) | 1,234,156 |
| Government assistance receivable | 303,832 | - |
| Prepaid expenses and other receivables | (29,939) | (61,690) |
| Other current assets | 145,378 | - |
| Accounts payable and accrued liabilities | 253,739 | (377,711) |
| Accrued restructuring charges | (196,462) | (168,195) |
| Deferred revenue | - | (9,200) |
| | \$ 259,278 | \$ 412,741 |

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 March 31, 2004, the Company has recorded an unrealised loss of \$25,613 on outstanding forward exchange contracts (March 31, 2003 – a realised gain of \$505,000 on settlement of forward exchange contracts). As at March 31, 2004 the Company has outstanding forward exchange contracts for the purchase of CDN\$4.5 million at US\$0.725.

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.

Belzberg Technologies Inc.

Notes to the Consolidated Financial Statements

March 31, 2004

(Unaudited)

(in Canadian dollars)

| | Three months ended March 31, | | | | | |
|--|------------------------------|---------------------|----------------------|----------------------|---------------------|-----------------------|
| | 2004 | | | 2003 | | |
| | Core | Brokerage | Total | Core | Brokerage | Total |
| External Revenues | | | | | | |
| Subscription fees | \$ 1,857,961 | \$ - | \$ 1,857,961 | \$ 2,372,535 | \$ - | \$ 2,372,535 |
| Transaction based fees | 3,565,744 | 859,638 | 4,425,382 | 2,277,135 | 1,145,416 | 3,422,551 |
| Other | 426,755 | - | 426,755 | 242,975 | - | 242,975 |
| | \$ 5,850,460 | \$ 859,638 | \$ 6,710,098 | \$ 4,892,645 | \$ 1,145,416 | \$ 6,038,061 |
| Earnings (loss) before undernoted items | \$ 691,024 | \$ 19,125 | \$ 710,149 | \$ (917,981) | \$ 63,847 | \$ (854,134) |
| Amortization | | | 578,562 | | | 733,813 |
| Interest expense, net | | | 163 | | | 49,608 |
| Restructuring charges | | | - | | | 273,284 |
| Net earnings (loss) | | | \$ 131,424 | | | \$ (1,910,839) |
| Total assets | \$ 13,316,768 | \$ 1,785,421 | \$ 15,102,189 | \$ 17,713,455 | \$ 2,741,426 | \$ 20,454,881 |
| Capital asset expenditures | \$ 292,416 | \$ - | \$ 292,416 | \$ 301,738 | \$ - | \$ 301,738 |

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

| | Three months ended March 31, | | | | | |
|--------------------------|------------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| | 2004 | | | 2003 | | |
| | Canada | United States | Total | Canada | United States | Total |
| External Revenues | | | | | | |
| Subscription fees | \$ 1,553,491 | \$ 304,470 | \$ 1,857,961 | \$ 1,535,212 | \$ 837,323 | \$ 2,372,535 |
| Transaction based fees | 524,211 | 3,901,171 | 4,425,382 | 461,432 | 2,961,119 | 3,422,551 |
| Other | 259,949 | 166,806 | 426,755 | 214,959 | 28,016 | 242,975 |
| | \$ 2,337,651 | \$ 4,372,447 | \$ 6,710,098 | \$ 2,211,603 | \$ 3,826,458 | \$ 6,038,061 |
| Total assets | \$ 5,207,180 | \$ 9,895,009 | \$ 15,102,189 | \$ 10,807,219 | \$ 9,647,662 | \$ 20,454,881 |
| Capital assets | \$ 2,750,937 | \$ 1,395,073 | \$ 4,146,010 | \$ 4,254,522 | \$ 1,149,046 | \$ 5,403,568 |

10. COMMITMENTS AND CONTINGENCIES

The Company has no guarantees that are required to be disclosed under 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.