

BELZBERG TECHNOLOGIES INC.

Management Discussion and Analysis (Revised)

For the three and nine month periods

ended September 30, 2004

Management's Discussion and Analysis (Revised)

for the three and nine month periods ended September 30, 2004

In keeping with changing requirements for securities law, management of Belzberg Technologies Inc. (the Company or "BTI") was requested by the Ontario Securities Commission to re-file its management discussion and analysis (the "MD&A") of the financial condition and results of the operation of the Company for the three and nine month periods ended September 30, 2004, compared to the three and nine month periods ended September 30, 2003. This revised MD&A provides further discussion with respect to the Company's performance. The Company's Q3 2004 financial statements have not been changed with respect to the numbers previously filed. The MD&A presented at November 12, 2004 is hereby rescinded and replaced by this revision. This discussion and analysis 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.

Company Overview

Belzberg Technologies Inc. (the "Company" or "BTI") 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,	
	2004	2003	2004	2003
Revenue	\$ 6,423	\$ 5,715	\$ 19,391	\$ 17,005
Cost of revenue	3,434	3,630	10,524	10,502
Gross Margin	2,989	2,085	8,867	6,503
Expenses				
Sales and marketing	730	992	2,353	3,225
Research and development	541	912	1,671	2,883
Government assistance	(154)	-	(154)	-
Administration	1,253	1,231	3,669	3,918
Foreign exchange loss (gain)	1	-	63	(237)
Amortization	531	682	1,670	2,152
Interest expense, net	12	21	32	93
Restructuring charges	-	254	181	527
	2,914	4,092	9,485	12,561
Net earnings (loss)	\$ 75	\$ (2,007)	\$ (618)	\$ (6,058)
Earnings (loss) per share				
Basic	\$ 0.01	\$ (0.15)	\$ (0.04)	\$ (0.44)
Diluted	\$ 0.01	\$ (0.15)	\$ (0.04)	\$ (0.44)

Numbers may not total due to rounding

Revenues

For the three months ended September 30,

(\$000's)	2004			2003		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core	\$ 406	\$ 3,214	\$ 3,620	\$ 337	\$ 2,392	\$ 2,729
Transaction fees - brokerage	-	600	600	-	826	826
Subscription fees	1,526	315	1,841	1,530	320	1,850
Other revenue	272	90	362	270	40	310
Total	\$ 2,204	\$ 4,219	\$ 6,423	\$ 2,137	\$ 3,578	\$ 5,715

Gross revenue increased by 12% from \$5.7 million in the third quarter of 2003 to \$6.4 million in the third quarter of 2004.

Transaction fee revenue from the core business, which includes customers paying a fee per transaction routed through the Belzberg Gateway, increased by 33% in the third quarter of 2004 to \$3.6 million as compared to \$2.7 million in the third quarter of 2003. Transaction fee revenue from the core business accounted for 56% of total revenues in the third quarter of 2004 as compared to 48% of total revenues in the third quarter of 2003.

The growth on a year over year basis is entirely attributable to new clients being added on a year over year basis. New client additions began to increase in early 2003 after the company was able to change its value proposition to clients as a result of becoming a self-clearing member of the National Securities Clearing Corporation in late 2002. The steady addition of clients has continued throughout all four quarters of 2003, and has continued in the first three quarters of 2004 as well. The new clients have increased the volume of transactions the company is executing, and this in turn has increased both equity and option transaction fee revenue.

Specifically, the equity order flow revenue has increased by approximately \$0.2 million when comparing the third quarter of 2004 to the third quarter of 2003. The number of shares being executed by our wholly owned US broker dealer has increased from 577 million in the third quarter of 2003 to over 1.1 billion in the third quarter of 2004. However, much of this new business is being done with customers producing much higher volumes at much lower per transaction rates than the business being done a year ago, causing our average revenue per transaction on our US equity business to be reduced. The revenue growth on a year over year basis has also been adversely impacted by the strengthening Canadian dollar. Revenue has been reduced by \$0.1 million when comparing the third quarter of 2004 to the third quarter of 2003 due to the impact of foreign exchange.

The other major component of the transaction fee growth has been in our options business. Specifically, we have seen our option volume increase from just less than 500,000 contracts in the third quarter of 2003 to over 3.8 million in the third quarter of 2004. This has been caused primarily by new clients interested

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in our combination of leading technology combined with low cost execution services. The incremental volume has caused our option revenue to increase to over \$0.8 million in the third quarter of 2004 from over \$0.1 million in the third quarter of 2003, an increase of \$0.7 million.

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 27% in the third quarter of 2004 to \$0.6 million as compared to \$0.8 million in the third quarter of 2003. Transaction fee revenue from the brokerage operation accounted for 9% of total revenues in the third quarter of 2004 as compared to 14% of total revenues in the third quarter of 2003. The decline has been caused by continued downward pricing pressure on the floor operation from electronic trading of options.

Subscription fee revenue, which is based on customers paying a fixed monthly fee for each terminal connected to the Belzberg Gateway, was essentially unchanged at \$1.8 million in the third quarters of 2004 and 2003. This revenue has stabilized since the second quarter of 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 17% from \$0.3 million in the third quarter of 2003 to \$0.4 million in the third quarter of 2004. This increase has been caused primarily by an increase in software development work being done by the Company on a year over year basis.

Revenues

For the nine months ended September 30,

(\$000's)	2004			2003		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core	\$ 1,316	\$ 9,123	\$ 10,439	\$ 1,110	\$ 6,169	\$ 7,279
Transaction fees - brokerage	-	2,220	2,220	-	2,831	2,831
Subscription fees	\$ 4,620	\$ 957	\$ 5,577	\$ 4,542	\$ 1,573	\$ 6,115
Other revenue	770	385	1,155	686	94	780
Total	\$ 6,706	\$ 12,685	\$ 19,391	\$ 6,338	\$ 10,667	\$ 17,005

For the nine-month period, gross revenue increased by 14% from \$17.0 million in 2003 to \$19.4 million in 2004.

For the nine-month period, transaction fee revenue from the core business increased by \$3.2 million or 43% from \$7.3 million in 2003 to \$10.4 million in 2004. Transaction fee revenue from the core business accounted for 54% of total revenues for the nine months ended September 30, 2004 as compared to 43% of total revenues for the nine months ended September 30, 2003.

The growth is primarily attributable to new clients being added on a year over year basis. There have been over 80 net new client additions between the end of the third quarter of 2003 and the end of the third quarter of 2004. The new clients have increased the volume of transactions the company is executing,

and this in turn has increased both equity and option transaction fee revenue by approximately \$2.6 million year to date. Approximately 81% of the growth in revenue has been attributable to new clients in the nine-month period, with the balance of the increase attributed to existing clients trading more and increased revenues associated with the higher pass through costs arising from specialist fees.

Specifically, the equity order flow revenue has increased by approximately \$1.8 million when comparing the nine months ended September 30, 2004 to the nine months ended September 30, 2003. The number of shares being executed by our wholly owned US broker dealer has increased from 1.2 billion in the nine months ended September 30, 2003 to 3.4 billion in the nine months ended September 30, 2004. However, much of this new business is being done with customers producing much higher volumes at much lower per transaction rates than the business being done a year ago, causing our average revenue per transaction on our US equity business to be reduced. The revenue growth on a year over year basis has also been adversely impacted by the strengthening Canadian dollar. Revenue has been reduced by \$0.4 million when comparing the nine months ended September 30, 2004 to the nine months ended September 30, 2003 due to the impact of foreign exchange.

The other major component of the transaction fee growth has been in our options business. Specifically, we have seen our option volume increase from just less than 1.1 million contracts in the nine months ended September 30, 2003 to 7.5 million contracts in the nine months ended September 30, 2004. The incremental volume has caused our option revenue to increase to over \$1.7 million in the nine months ended September 30, 2004 from over \$0.3 million in the nine months ended September 30, 2003, an increase of \$1.4 million.

For the nine-month period, transaction fee revenue from the brokerage operation decreased by 22% from \$2.8 million in 2003 to \$2.2 million in 2004. Transaction fee revenue from the brokerage operation accounted for 11% of total revenues for the nine months ended September 30, 2004 as compared to 17% of total revenues for the nine months ended September 30, 2003. The decline has been caused by continued downward pricing pressure on the floor operation from electronic trading of options. The floor business has also been adversely impacted by the strengthening Canadian dollar, accounting for \$0.2 million of the decline in revenues when comparing the nine months ended September 30, 2004 to the nine months ended September 30, 2003.

For the nine-month period, subscription fee revenue decreased by 9% from \$6.1 million in 2003 to \$5.6 million in 2004. Subscription fee revenue accounted for 29% of total revenues in the nine months ended September 30, 2004 as compared to 36% of total revenues in the nine months ended September 30, 2003. The decrease in subscription fee revenue resulted from 4 significant customer cancellations and other customers downsizing their trading staff due to poor market conditions in the first six months of 2003.

Other revenue which includes software development fees, installation fees, revenue from connectivity to the Belzberg Gateway as well as revenue from information distribution. For the nine-month period other revenue increased by 48% from \$0.8 million in the nine months ended September 30, 2003 compared to \$1.2 million in the nine months ended September 30, 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 September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
Revenue	\$ 6,423	\$ 5,715	\$ 19,391	\$ 17,005
Cost of Revenue	3,434	3,630	10,524	10,502
Gross Margin	\$ 2,989	\$ 2,085	\$ 8,867	\$ 6,503
Gross Margin %	47%	36%	46%	38%

Gross margin as a percentage of sales improved to 47% in the third quarter of 2004, from 36% in the third quarter of 2003. The year over year quarterly margin improvement is mainly attributable to an increase in revenues while the company reduced its payroll costs through headcount terminations by \$0.2 million, reduced the cost of certain of its specialist fees by over \$0.2 million through renegotiation, and reduced the amount of brokerage costs that included trading errors in its floor brokerage operations by \$0.2 million with reduced revenues. These cost reductions were partially offset by higher exchange fees of approximately \$0.2 million related to increased equity and option order flow volumes as well as increased telecommunication costs of \$0.1 million from new customer connections and the expanded capacity of market connections to handle increased trading volumes and data feeds. The Company also increased quarterly data feed costs year over year by \$0.1 million from providing quote feeds to additional users.

For the nine-month period year to date ("YTD"), gross margin improved to 46% in 2004 from 38% in 2003. The improved margin is attributable to the increase in revenue for the nine months while the cost structure was essentially unchanged despite the revenue increase due to headcount reductions of approximately \$0.6 million as well as reduction in third party clearing costs of \$0.1 million that were incurred in 2003 but not 2004 once the Company became fully self-clearing. These cost reductions for the nine months were offset by higher exchange fees of \$0.3 million related to increased equity and option flow volumes as well as increased telecommunication costs of \$0.3 million from new customer connections and the expanded capacity of market connections to handle increased trading volumes and data feeds. The Company also experienced increased data feed costs of \$0.1 million for the nine months year over year as it provided quote feeds to additional users for both equity and options trading.

Expenses

(\$000's)	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Sales and marketing	\$ 730	\$ 992	\$ 2,353	\$ 3,225
Research and development	541	912	1,671	2,884
Government Assistance	(154)	-	(154)	-
Administration	1,253	1,231	3,669	3,917
Foreign exchange loss (gain)	1	-	63	(237)
Amortization	531	682	1,670	2,152
Interest expense, net	12	21	32	93
Restructuring charges	-	254	181	527
Total expenses	\$ 2,914	\$ 4,092	\$ 9,485	\$ 12,561

Sales and Marketing Expenses

Sales and marketing expenses decreased by \$0.3 million or 26% to \$0.7 million in the third quarter of 2004 as compared to \$1.0 million in the third quarter of 2003. The year over year quarterly decrease was the result of certain promotional expenses of \$0.1 million incurred in 2003 and not in 2004, certain consulting fees of \$0.1 million paid in 2003 and not in 2004 and headcount reductions resulting in an additional \$0.1 million of savings.

For the nine-month period, sales and marketing expenses decreased by \$0.9 million or 27% to \$2.4 million in 2004 from \$3.2 million in 2003. The decrease for the nine months is due to the \$0.3 million of severance cost associated with the termination of a senior salesperson in 2003 not incurred in 2004, additional headcount reductions of \$0.2 million, certain promotional expenses of \$0.2 million incurred in 2003 and not in 2004, and consulting fees of \$0.2 million paid in 2003 and not in 2004.

Research and Development Expenses

Research and development expenses decreased by \$0.4 million or 41% to \$0.5 million in the third quarter of 2004 as compared to \$0.9 million in the third quarter of 2003. The year over year quarterly decrease was mainly the result of headcount terminations.

For the nine-month period, research and development expenses decreased by \$1.2 million or 42% to \$1.7 million in 2004 from \$2.9 million in 2003. The decrease for the nine-month period is primarily due to headcount reductions.

Government Assistance

Government assistance for the three and nine month periods ended September 30, 2004 relate to the provincial scientific research and experimental development ("SR&ED") tax credits claimed for the 2002 tax year. The Company was notified in the third quarter of 2004 by the Federal authorities that its 2002 SR&ED claim was approved as filed.

Administration Expenses

Administration expenses were essentially flat at approximately \$1.2 million in the third quarters of 2004 and 2003. On a year over year basis, payroll reductions of \$0.1 million from headcount terminations were offset by a doubtful debt allowance of \$0.1 million in the third quarter of 2004.

For the nine-month period, administration expenses decreased by \$0.2 million or 6% to \$3.7 million in 2004 from \$3.9 million in 2003. The primary factors that contributed to the decrease in the nine-month period were payroll reductions from headcount terminations of \$0.1 million, investment write downs of \$0.1 million in 2003 not recurring in 2004, the reduction of insurance costs that saved \$0.1 million in 2004 and reduced travel and professional fees of \$0.1 million in 2004. These cost reductions for the nine-month period were partially offset by additional doubtful debt allowances of \$0.1 million in 2004 and a stock compensation expense of \$0.1 million from granting fully vested options to directors in 2004.

Foreign Exchange loss (gain)

The Company uses foreign currency futures and options contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. The Company recognizes changes in the fair value of the derivative instruments into income each period.

The Company incurred a foreign exchange loss of \$1,000 in the third quarter of 2004 as compared to nil in the third quarter of 2003. During the third quarters of 2004 and 2003 the unrealized gains on the Canadian Dollar option and future contracts offset the foreign exchange impact of translating our integrated foreign subsidiaries.

For the nine-month period the exchange loss was \$63,000 in 2004 versus an exchange gain of \$237,000 in 2003. The exchange loss for the nine-month period ended September 2004 arose from the exchange rate fluctuation that occurred between the time that the Company closed out its Canadian Dollar futures contract and repurchased a Canadian Dollar options contract. The exchange gain for the nine-month period ended September 30, 2003 arose from the Company closing out its futures contracts, net of the foreign exchange impact of translating our integrated foreign subsidiaries.

As at September 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. The Company recorded a market-to-market unrealised gain of \$199,000 on its outstanding CDN\$ call option contract in the third quarter of 2004 (Nil in the third quarter of 2003). For the nine months ended September 30, 2004 the Company recorded net mark-to-market gains amounting to \$20,000 on its CDN\$ options and futures contracts (realized gains of \$1,177,000 for the nine months ended September 30, 2003).

Amortization of Capital Assets

Amortization of capital assets decreased by \$0.2 million or 22% to \$0.5 million in the third quarter of 2004 as compared to \$0.7 million in the third quarter of 2003. The year over year quarterly decrease resulted from computer and network equipment becoming fully depreciated in 2004.

For the nine-month period amortization of capital assets decreased by \$0.5 million or 22% to \$1.7 million in 2004 from \$2.2 million in 2003. The year over year decrease resulted from computer and network equipment becoming fully depreciated in 2004.

Net Interest Expense

For the nine months ended September 30, 2004, net interest expense decreased to \$32,000 from \$93,000 in the nine months ended September 30, 2003. The decrease for the nine months resulted from the repayment of the bank loan, 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

Restructuring charges made during the three months ended September 30, 2003 relate to employee terminations during the quarter as the Company reorganized its research and development operations to continue to lower future operating costs until it achieved profitability. No such charges were incurred in the three months ended September 30, 2004.

During the nine-months ended September 30, 2004, the Company restructured its broker-dealer operation and recorded a restructuring charge of \$0.2 million for employee severances and benefits in the second quarter of 2004. Despite the fact that there has been 43% revenue growth year to date on the transaction fee side of the broker dealer operations, management believed that the operation could continue to be reorganized for increased efficiencies and improved future profitability.

During the nine months ended September 30, 2003, the Company incurred employee termination costs associated with two separate rounds of downsizing in the first and again in the third quarter of 2003. The first downsizing in Q1 2003 involved restructuring of the organization in all areas of the Company as market conditions in late 2002 caused significant reductions in trading volumes at that time that continued into the early part of 2003. To react to the declining revenue attributed to the slowdown of trading experienced in the industry, the Company reviewed all departments for areas of improved efficiency and reduced research and development projects with longer payback periods to focus instead on those areas to maximize revenue in the shorter term with fewer staff as a means to minimize losses at the time. 27 staff were terminated across various departments as a result of the downsizing in Q1 2003. Similar reviews were undertaken in the third quarter of 2003 as discussed above.

Liquidity and Capital Resources

Cash flow generated by operations was \$0.4 million in the third quarter of 2004 compared to cash utilized by operations of \$0.4 million in the third quarter of 2003. Cash flow generated by operations for the nine months ended September 30, 2004 was \$1.7 million compared to cash utilized by operations of \$2.5 million in 2003. The biggest reason for this improvement has been the improved profitability of the company in the third quarter of 2004 compared to the third quarter of 2003 by approximately \$2.1 million, and the reduction in the loss of the business by \$5.4 million when comparing the nine months ended September 30, 2004 to the nine months ended September 30, 2003.

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When comparing the cash flow from operations in the third quarter of 2004 compared to the third quarter of 2003, the improvement in the profitability of the company has been offset by an adverse change in non-cash working capital items by \$1.2 million. Reductions in accounts payables, accrued liabilities and restructuring charges in the third quarter of 2004 utilized \$0.6 million of cash. In the third quarter of 2003, accounts payables, accrued liabilities and restructuring charges increased, creating a source of \$0.5 million of cash. There was also a \$0.2 million use of cash in the third quarter of 2004 as a result of the recording of the government's investment tax credit refund. These uses of cash were offset by improved receivable collections between periods resulting in a source of cash to the operations of \$0.2 million when comparing periods.

When comparing the nine months ended September 30, 2004 to the nine months ended September 30, 2003, the positive impact to cash flow from operations caused by the improvement in the profitability of the company has been offset by an adverse change in non-cash working capital items by \$0.7 million. Approximately \$0.6 million relates to the change in deposits with and receivables from brokers, dealers and clearing organizations. At the beginning of 2002, the Company had significant funds with an entity with whom its US subsidiary did most of its clearing. As EBS became self-clearing, it was able to reduce the funds required to be deposited to facilitate clearing and settlement activities as it was itself the member of the National Securities Clearing Corporation in the US, causing a source of cash to the operations of the business. This source of cash was \$0.6 million greater in the nine months ended September 30, 2003 than it was in the nine months ended September 30, 2004. The balance of the change relates to movements in accounts receivable and payables associated with the timing of the payment and collections of invoices in the day-to-day operation of the business.

The Company utilized \$0.1 million of cash from investing activities in the third quarter of 2004 compared to utilizing \$0.3 million in the third quarter of 2003. For the nine months ended September 30, 2004, the Company utilized \$0.7 million for investing activities, and for the nine months ended September 30, 2003, the comparable figure was \$0.7 million. 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 \$0.3 million of cash for financing activities in the third quarter of 2004 as compared to utilizing \$0.4 million of cash for financing activities in the third quarter of 2003. In both periods, the Company repaid bank loan and capital lease obligations. During the third quarter of 2004, the Company fully discharged its bank loan obligation. For the nine months ended September 30, 2004, the company utilized \$0.8 million, compared to utilizing \$1.5 million in the nine months ended September 30, 2003. Financing activities in the nine months of 2004 included repayment of capital lease obligations of \$0.8 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 nine months of 2003 included repayment of capital lease obligations of \$1.2 million, repayment of a bank loan of \$0.3 million and repurchase of common shares of \$0.1 million.

As at September 30, 2004, the Company had cash and cash equivalents amounting to \$4.4 million, and had working capital of \$5.4 million. Subsequent to quarter end, the Options Clearing Corporation ("OCC") increased the minimum fund deposit for clearing members that provide execution services. As a

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result of this change, the Company's subsidiary, EBS, deposited an additional \$1.1 million at the OCC. The Company made very liquid short-term investments in the first quarter of 2004 that matured in 98 days, but has now invested excess funds in instruments that mature in less than 90 days to further mitigate any liquidity risk in managing its excess cash. The cash and cash equivalents balance has shown an increase of \$0.1 million since the start of the fiscal year, and working capital has improved by approximately \$0.7 million as the Company has focused on improving the profitability of its operations. 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 and into 2005 as it continues to add clients to drive incremental revenues while continuing to look for opportunities to reduce costs in its operations. The Company continues to pay off its capital lease obligations through operating cash flows.

The Company's subsidiary, Electronic Brokerage Systems, LLC has available a secured credit facility of \$5 million that may be utilized to facilitate clearing and settlement activities. The facility is collateralized by an equivalent amount of cash or cash equivalents held at the bank. At September 30, 2004, no amounts were outstanding under this credit facility.

The operating facility that was available with a Canadian chartered bank was fully repaid in the third quarter of 2004, and was allowed to expire. The Company believes that it could obtain access to additional asset based lending facilities to finance further growth in operations if required.

The Company's material obligations under firm contractual arrangements as of September 30, 2004 are as follows:

Contractual Obligations as at September 30, 2004	Payments due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Capital Lease Obligations	\$ 698,096	\$ 585,647	\$ 112,449	\$ -	\$ -
Operating Leases	2,220,199	716,701	1,248,397	255,101	
Purchase Obligations (1)	1,659,375	1,327,500	331,875	-	-
Total Contractual Obligations	\$4,577,670	\$2,629,848	\$1,692,721	\$ 255,101	\$ -

(1) Purchase obligations consist of an agreement to purchase certain services that are enforceable and legally binding and that specify all significant terms including minimum charges to be made by the supplier, price provisions and the timing of the transactions.

Critical Accounting Policies and Estimates

The Corporation's Consolidated Financial Statements are prepared in accordance with GAAP. The preparation of the Consolidated Financial Statements in accordance with GAAP necessarily requires the Company to make estimates and judgments that affect the reported amounts on assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Corporation evaluates its estimates, including those related to revenues, bad debts, income taxes and stock based compensation. The Corporation bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of these conditions impacting these assumptions and estimates are outside of the Corporation's control. The Corporation believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its Consolidated Financial statements.

Revenue

The Corporation derives its revenues from three primary sources. Subscription fees are charged for providing routing software and services, used for equity and options trading, on a flat fee per terminal or per month basis. Transaction fees are charged for providing routing software and services, used for equity and options trading, on a per share/option or per trade basis and transaction fees for the execution of exchange traded equity and index options from the floor brokerage. Lastly, other revenue is derived from the development and installation of software for equity and options trading as well as other revenue from the distribution of financial information and other services.

Revenue is recognized from subscription fees and transaction fees on a monthly basis as the services are provided once evidence of an arrangement exists, the software has been delivered and accepted and collectibility is assured.

Transaction fees from both the broker dealer and floor brokerage operations are recognized once the trades have been executed and collectibility is assured.

Revenue derived from the development of software for equity and options trading execution is recognized on a percentage of completion or completed contract basis, as applicable.

Revenue from the distribution of financial information and other services is recognized on a monthly basis as the services are provided once a contract has been signed and collectibility is assured.

Allowance for Doubtful Accounts

The Corporation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Corporation performs ongoing credit evaluations of its customer's financial condition and if the financial condition of the Corporation's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would likely be required. Actual collections could differ materially from our estimates.

Stock Based Compensation

On October 15, 2003, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 3870 *Stock-Based Compensation and Other Stock-Based Payments* to require expensing of all stock-based compensation awards in the financial statements for fiscal years beginning on or after January 1, 2004 with early adoption encouraged. Under this method of adoption, compensation expense will be recognized based on the fair value of stock options granted for fiscal 2003 and future years over the related service period. Under this approach, management employs considerable judgment in estimating, on the date of grant, the options expected life and expected volatility. Additionally, management estimates the number of options that are expected to vest based on the expected outcomes of the performance related conditions.

Income Taxes

The Corporation records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers factors such as the reversal of deferred income tax liabilities, projected taxable income, the character of the income tax asset and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

Changes in Accounting Policies

Effective April 1, 2003, the Corporation 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.

Outstanding Share Data

Set out below is the outstanding share data for the Company as at September 30, 2004. For additional detail, see Notes 3 and 4 to the Unaudited Interim Consolidated Financial Statements in the quarterly report.

Common Shares:	13,778,424
Options to Purchase Common Shares:	
Issued and Outstanding	3,822,700
Exercisable	3,302,117
Warrants to Purchase Common Shares:	1,150,000

Risks and Uncertainties

An investment in the securities of the Company will involve a number of potential risks. The following risk factors should be carefully considered in evaluating the Company and its business.

Lack of Profitable Operations.

The Company has not been profitable. As of September 30, 2004, the Company had an accumulated deficit of \$28.5 million. Accordingly, the Company's business operations are subject to all of the risks inherent in a developing business enterprise, such as competition and viable operations management. The future earnings and cash flow from operations of the Company are dependent, in part, on its ability to further develop and market its products. There can be no assurances that the Company will grow and be profitable. The operations of the Company have been funded by external financing and if sufficient cash flow from operations or earnings are not generated in the future, additional financing may be required. There is no assurance that such financing will be available or, if available, will be available on acceptable terms.

Dependency on Securities Trading Activities.

Our revenue could decrease if there is a decline in securities trading activity.

Because most of our current customers are financial institutions or securities brokerage firms, and because we intend to rely more heavily on transaction-based billing in our license agreements, our revenue will be sensitive to changes in the amount of securities trading activity.

A decline in securities trading activity may result from:

- loss of confidence in the reliability or security of online systems;
- changes in government regulation of the securities industry or line trading activities; or
- a downturn in the stock market.

The market for our product and services may not grow as quickly as we anticipate, which would cause our revenue to fall below expectations.

Global Economic Slowdown.

The Company's revenue and operating results are sensitive to changes in the amount of securities trading activity. Over the past year stock markets worldwide have seen fluctuations in trading activity that may cause revenue and operating results to fall below expectations.

Regulations.

The securities brokerage industry is subject to extensive government regulation under both federal and state laws in the United States of America. If either EBS or RCS (both USA subsidiaries of the Company) fails to comply with these regulations, it may be subject to disciplinary or other action by regulatory organizations.

EBS and RCS must comply with rules of the SEC and NASD state securities commissions and other regulatory bodies charged with safeguarding the integrity of the securities markets and other financial markets and protecting the interests of investors participating in these markets. As registered broker-dealers, EBS and RCS are subject to numerous regulations covering the securities business, including marketing practices, capital structure, including net capital requirements, record keeping and conduct of directors, officers and employees.

Any failure to comply with these regulations could subject either EBS or RCS to censure, fines, the issuance of cease-and-desist orders or the suspension, and/or disqualification of its officers, directors or employees. The Company constantly monitors the above noted securities regulations and believes that it is in compliance with these regulations.

Uncertainty of the Ability to Protect Proprietary Technology.

The Company's success will depend, in part, on its ability to protect its patents and trade secrets and operate without infringing the exclusive rights of third parties. There is no proof that any patent that is granted to the Company will make the product more competitive, that its patent protection will not be contested by third parties or that the patents of others will not be detrimental to the Company's commercial activities. It cannot be assured that other companies will not independently develop products similar to the Company's products, that they will not imitate any of its products or that its competitors will not manufacture products designed to circumvent the exclusive patent rights granted to the Company. The Company may also be required to obtain licenses under patents or other exclusive rights from third parties. There is no guarantee that any license required under these patents or other exclusive rights will be offered upon conditions acceptable to the Company.

Proprietary Rights.

We may be unable to adequately protect our proprietary rights. Our failure to protect these rights may significantly impair our competitive position.

Our success depends to a significant extent on our ability to protect our proprietary software and our other proprietary rights from copying, infringement or use by unauthorized parties. To protect our

proprietary rights we rely primarily on a combination of patent, copyright, trade secret and trademark laws, confidentiality agreements with employees and third parties, and protective contractual provisions such as those contained in agreements with consultants, vendors and customers, although we have not signed these types of agreements in every case. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our products and obtain and use information that we regard as proprietary. Other parties may breach confidentiality agreements and other protective contracts we have entered into. We may not become aware of, or have adequate remedies in the event of, these types of breaches or unauthorized activities.

In addition, any claims relating to the infringement of third-party proprietary rights, even if not successful or meritorious, could result in costly litigation, divert resources and management's attention or require us to enter into royalty or license agreements which are not advantageous to us. Although the Company endeavours to enter into licensing and service agreements with each of its customers in respect of their use of our Trading System, it has presently, and may have in the future, customers for whom the Corporation provides services and products and with whom it has not entered into written agreements.

Product and Service Liability.

We may be exposed to product and service liability in the event that use of our Trading System results, or is alleged to have resulted, in adverse effects. To manage this risk, we have commercial insurance in place and we endeavour to enter into contracts with our customers which include exculpatory clauses. However, we have presently, and may have in the future, customers for whom we provide services and products and with whom we have not entered into written agreements.

Our Foreign Exchange Calculator allows traders' to track their positions in real time in order to notify traders how much they need to hedge their current positions. While to date there have been no errors, it is possible that in the future the system may not work effectively, which could result in a loss to a trader. If such an error were to occur, it is possible that the Company may be held liable for any such loss.

Ability to Respond to Markets.

Rapidly changing technology and new product introductions characterize the markets for our products. Accordingly, we believe that our future success will depend on our ability to enhance existing products and to develop and introduce in a timely fashion new products that achieve market acceptance. We cannot assure that we will be able to identify, develop, assemble and market or support our products successfully or that we will be able to respond effectively to technological changes or product announcements of our competitors.

Competition.

The market for global trading solutions, intelligent order routing systems and integration solutions is intensely competitive, fragmented and rapidly changing. Many of the Company's competitors have longer operating histories, significantly greater financial, technical, product development and marketing resources, greater name recognition and larger customer basis than the Company. It is therefore impossible to guarantee that the products developed by other companies will not cause the Company's products and

technologies to become uncompetitive. We face competition from ITG, Inc., NYFIX, Inc., Reuters Group Plc, Bloomberg LLC and other competitors.

The key barriers to entry into the Company's markets include the extensive technical requirements and regulatory requirements necessary for connectivity to various exchanges and other markets to effectively serve a time-sensitive, regulated clientele.

The Company believes that it has the technical know-how, various exchange and clearing memberships, network infrastructure and products with user-friendly interfaces that facilitate easy execution of real time cross-border trading to ensure that it remains a key competitor.

The Company must continue to overcome significant and increasing competition in order to continue its growth and productivity.

Customer Dependence.

The Company is dependent on a limited number of customers for a substantial amount of its revenue. The loss of a significant customer would have a material adverse effect on revenue and results of operations. For the nine months ended September 30, 2004, five customers accounted for approximately 23% of total revenue (nine months ended September 30, 2003 - five customers for approximately 27%). The Company is attempting to mitigate this risk by aggressively seeking new customers. Our dependence on a limited number of customers for a substantial amount of our revenue could lead to fluctuations in our operating results.

Any of our customers could stop using our products in the future. As a result, a customer that generates substantial revenue for us in one period may not be a source of revenue in subsequent periods. The loss of a significant customer would have a material and adverse effect on our revenue and results of operations.

Our revenue depends on arrangements with our customers, all of which expire within the next two years. If we are unable to renew these arrangements, our future operating results may suffer.

Foreign Exchange.

In the nine months ended September 30, 2004, the Company generated approximately 66% (nine months ended September 30, 2003 - approximately 63%) of its revenue in the United States and corresponding trade receivables due from customers in the United States at September 30, 2004 accounted for approximately 80% (September 30, 2003 - approximately 69%) of total outstanding trade receivables.

Expenses are predominantly incurred in Canadian dollars as a majority of the research and development, customer support and administration activities are conducted in Canada.

The Company does not, at present, hedge 100% of the risks associated with fluctuations in exchange rates between the United States dollar and the Canadian dollar and may be exposed in the future to adverse fluctuations between these exchange rates on the unhedged portion of its net asset position denominated in US dollars.

Encryption Technology.

Our product contains encryption technology whose export is restricted by law, which may slow our growth or result in significant costs.

The United States and Canadian governments generally limit the export of encryption technology, which our product incorporates. A variety of cryptographic products generally require export approvals from certain United States government agencies in the case of exports from the U.S.A. and from Canadian government agencies in the case of exports from Canada, although there are currently no restrictions on exports of these products from Canada into the United States.

If any export approval that we receive is revoked or modified, if our software is unlawfully exported or if the United States or the Canadian government adopts new legislation or regulations restricting export of software and encryption technology, we may not be able to distribute our products to potential customers, which will cause a decline in our sales. We may need to incur significant costs and divert resources to develop replacement technologies or may need to adopt inferior substitute technologies to satisfy these export restrictions. These replacement or substitute technologies may not be the preferred security technologies of our customers, in which case, our business may not grow. In addition, we may suffer similar consequences if the laws of any other country limit the ability of third parties to sell encryption technologies to us.

New Technology.

The market for our products and services is relatively new and evolving. We earn a substantial portion of our revenue from service fees associated with our Transactions Gateway, Order Management System and front-end software. We expect to earn a significant portion of our revenue in the foreseeable future from fees relating to these products and services. Our future financial performance will depend in part on continued growth in the number of organizations demanding software and services for protocol translation and order management services. Many of our potential customers have made significant investments in internally developed systems and would incur significant costs in switching to third-party products, which may substantially inhibit the growth of the market for enterprise infrastructure software. If this market fails to grow, or grows more slowly than we expect, our sales will be adversely affected.

Related Party Transactions

BTI leases its corporate premises on a month-to-month basis from a company ("The Related Company") controlled by certain members of senior management of BTI who are also directors of BTI. The Related Company leases the corporate premises from an unrelated third party. BTI pays the monthly corporate premises rental directly to the unrelated third party and there is no mark-up received by the Related Company.

BELZBERG TECHNOLOGIES INC
Management's Discussion and Analysis (Revised)
for the three and nine month periods ended September 30, 2004

Historical Quarterly

(Unaudited)

	2004			2003				2002				
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
(\$000's except per share amounts)												
Revenue	\$6,710	\$6,258	\$6,422	\$ 6,038	\$5,253	\$5,715	\$5,672	\$ 7,102	\$7,817	\$8,011	\$6,664	
Cost of revenue	3,448	3,642	3,434	3,587	3,284	3,630	3,561	3,774	4,163	4,328	4,076	
Gross margin	3,262	2,616	2,988	2,451	1,969	2,085	2,111	3,328	3,654	3,683	2,588	
Expenses												
Sales and marketing	805	818	730	922	1,311	992	1,021	772	1,013	1,101	1,322	
Research and development	579	550	541	1,056	916	912	761	1,160	1,248	1,283	1,579	
Government assistance	-	-	(154)	-	-	-	(304)	-	(219)	-	-	
Administration	1,175	1,242	1,252	1,272	1,416	1,232	1,316	1,477	1,596	1,390	1,755	
Foreign exchange loss (gain)	(7)	69	1	55	(292)	-	(85)	6	237	(336)	64	
Amortization	579	560	531	734	736	682	615	489	532	552	676	
Interest expense, net	-	20	12	50	22	21	23	115	49	38	26	
Restructuring charges	-	181	-	273	-	254	219	843	-	422	268	
Non-recurring-Philadelphia expenses	-	-	-	-	-	-	-	303	-	-	-	
Income tax expense	-	-	-	-	-	-	-	17	24	-	-	
Total expenses	3,131	3,440	2,913	4,362	4,109	4,093	3,566	5,182	4,480	4,450	5,690	
Net earnings (loss)	\$ 131	\$(824)	\$ 75	\$(1,911)	\$(2,140)	\$(2,008)	\$(1,455)	\$(1,854)	\$(826)	\$(767)	\$(3,102)	
Earnings (loss) per share:												
Basic	\$ 0.01	\$(0.06)	\$ 0.01	\$(0.14)	\$(0.16)	\$(0.15)	\$(0.11)	\$(0.17)	\$(0.07)	\$(0.06)	\$(0.23)	
Diluted	0.01	(0.06)	0.01	(0.14)	(0.16)	(0.15)	(0.11)	(0.17)	(0.07)	(0.06)	(0.23)	
Weighted average number of common and common equivalent shares outstanding:												
Basic	13,719	13,768	13,778	13,720	13,713	13,713	13,713	11,061	11,314	13,765	13,762	
Diluted	13,780	13,768	13,792	13,720	13,713	13,713	13,713	11,061	11,314	13,765	13,762	
Capital asset expenditures	292	246	120	302	174	312	418	738	1,380	585	733	
Total assets	15,102	14,053	13,361	20,455	18,030	16,201	15,374	15,671	28,594	26,731	23,544	
Long term lease obligations	317	163	112	886	678	501	465	1,152	1,550	1,445	1,208	
Shareholders' equity	9,954	9,339	9,451	15,202	13,100	11,107	9,678	8,982	21,152	20,391	17,187	

Management's Discussion and Analysis (Revised)

for the three and nine month periods ended September 30, 2004

Revenue in the second and third quarters of 2002 reached record levels for the Company. This occurred due to very active markets in general, in which volumes on the US exchanges experienced some of their highest levels in history. In addition, the Company saw clients whose trading strategies were driven by market volatility respond by achieving record volumes for the Company at the time.

Unfortunately, as trading levels slowed significantly in the fourth quarter of 2002 due to the geopolitical uncertainty at the time, our clients in general saw a significant decline in trading volumes of approximately 27% between the third and fourth quarter of 2002. This revenue decline combined with increased costs on a quarter over quarter basis drove a higher than anticipated loss in Q4 2002. The significant changes in expenses in the fourth quarter of 2002 were an increase in sales and marketing costs of \$0.2 million associated with various initiatives in Europe; an increase in research and development expenses arising from consulting services and acquisition of software of approximately \$0.3 million; an increase in general and administrative expenses totalling \$0.3 million for various professional fees as well as not having a repeat of certain one time credits for grants and to correct previous billing errors recur from Q3 2002; and a decision to significantly restructure the operations in Q4 2003 which resulted in a restructuring charge of \$0.3 million.

Caution Regarding Forward-Looking Statements

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.

Additional Information

Additional information about the Company including the Annual Information Form can be found at SEDAR at www.sedar.com.