

Q3 2005

Consolidated Financial Statements
BELZBERG TECHNOLOGIES INC.
For The Three and Nine Months Ended September 30, 2005

BELZBERG TECHNOLOGIES INC.

Consolidated Balance Sheets

(Unaudited)

(in Canadian dollars)

	September 30, 2005	December 31, 2004
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 5,547,253	\$ 4,057,921
Deposits with and receivables from brokers, dealers and clearing organizations (Note 4)	2,142,132	1,693,873
Accounts receivable	3,575,549	2,989,822
Government assistance receivable	160,215	-
Prepaid expenses and other receivables	454,422	358,265
Other (Note 5)	384,040	243,525
	12,263,611	9,343,406
CAPITAL ASSETS	2,386,984	2,880,367
GOODWILL	755,239	755,239
	\$ 15,405,834	\$ 12,979,012
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,398,015	\$ 3,672,682
Current portion of obligations under capital lease	224,189	449,290
	3,622,204	4,121,972
OBLIGATIONS UNDER CAPITAL LEASE	235,016	86,590
	3,857,220	4,208,562
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Notes 6 and 7)	34,978,834	34,770,877
CONTRIBUTED SURPLUS (Note 8)	3,346,453	1,569,732
WARRANTS (Note 8)	-	1,665,700
DEFICIT	(26,776,673)	(29,235,859)
	11,548,614	8,770,450
	\$ 15,405,834	\$ 12,979,012

Guarantees and contingencies (Note 13)

See accompanying notes to the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD

"Sidney H. Belzberg"

..... Director

"Alicia Belzberg"

..... Director

BELZBERG TECHNOLOGIES INC.
Consolidated Statements of Operations and Deficit

(in Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
REVENUE	\$ 8,280,641	\$ 6,422,519	\$ 24,046,817	\$ 19,390,508
COST OF REVENUE	4,650,438	3,434,239	13,182,608	10,523,568
GROSS MARGIN	3,630,203	2,988,280	10,864,209	8,866,940
EXPENSES				
Sales and marketing	554,788	730,095	1,765,830	2,353,143
Research and development	555,247	541,208	1,690,198	1,670,659
Government assistance	(160,215)	(153,851)	(160,215)	(153,851)
Administration	1,079,427	1,252,460	3,545,505	3,669,295
Amortization of capital assets	422,529	531,089	1,397,270	1,669,681
Foreign exchange loss	128,136	753	168,707	62,970
Restructuring charges	-	-	-	180,665
	2,579,912	2,901,754	8,407,295	9,452,562
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	1,050,291	86,526	2,456,914	(585,622)
Interest expense	15,083	21,717	40,595	89,255
Interest income	(17,157)	(9,797)	(42,867)	(57,083)
NET EARNINGS (LOSS) FOR THE PERIOD	1,052,365	74,606	2,459,186	(617,794)
DEFICIT, BEGINNING OF PERIOD	(27,829,038)	(28,545,842)	(29,235,859)	(27,853,442)
DEFICIT, END OF PERIOD	\$ (26,776,673)	\$ (28,471,236)	\$ (26,776,673)	\$ (28,471,236)
EARNINGS (LOSS) PER SHARE				
Basic	\$ 0.08	\$ 0.01	\$ 0.18	\$ (0.04)
Diluted	\$ 0.08	\$ 0.01	\$ 0.18	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	13,803,519	13,778,424	13,786,912	13,756,858
Diluted	13,865,123	13,791,519	13,790,730	13,756,858

See accompanying notes to the consolidated financial statements

BELZBERG TECHNOLOGIES INC.
Consolidated Statements of Cash Flows

(in Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
Net earnings (loss)	\$ 1,052,365	\$ 74,606	\$ 2,459,186	\$ (617,794)
Items not affecting cash				
Amortization of capital assets	422,529	531,089	1,397,270	1,669,681
Unrealized foreign exchange loss	207,465	121,418	171,986	65,474
Stock-based compensation	36,198	37,648	118,354	199,654
Changes in non-cash working capital items (Note 10)	(366,380)	(316,841)	(1,562,016)	388,799
	1,352,177	447,920	2,584,780	1,705,814
INVESTING ACTIVITIES				
Purchase of capital assets	(290,495)	(120,347)	(619,371)	(659,073)
	(290,495)	(120,347)	(619,371)	(659,073)
FINANCING ACTIVITIES				
Repayment of obligations under capital lease	(104,486)	(251,499)	(504,715)	(825,489)
Repayment of bank loan	-	(19,908)	-	(203,352)
Proceeds from the exercise of stock options	200,624	-	200,624	195,000
	96,138	(271,407)	(304,091)	(833,841)
Effect of exchange rate changes on cash and cash equivalents	(207,465)	(121,418)	(171,986)	(65,474)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	950,355	(65,252)	1,489,332	147,426
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,596,898	4,513,476	4,057,921	4,300,798
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,547,253	\$ 4,448,224	\$ 5,547,253	\$ 4,448,224
CASH AND CASH EQUIVALENTS:				
Cash	\$ 4,150,647	\$ 2,588,057	\$ 4,150,647	\$ 2,588,057
Cash equivalents	1,396,606	1,860,167	1,396,606	1,860,167
	\$ 5,547,253	\$ 4,448,224	\$ 5,547,253	\$ 4,448,224
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	\$ 15,083	\$ 21,717	\$ 40,595	\$ 89,255
Interest received	17,157	9,798	42,867	57,084
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES				
Acquisition of capital assets with capital leases	\$ -	\$ -	\$ 425,358	\$ -

See accompanying notes to the consolidated financial statements

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

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, 2004.

The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary to present fairly the financial position of the Company as at September 30, 2005 and the results of operations and deficit and cash flows for the three months and nine months ended September 30, 2005 and 2004.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated financial statements.

3. Credit facility:

The Company has a revolving demand credit facility of \$2 million and a revolving lease line of credit of \$0.5 million with a Canadian chartered bank ("the Bank"). The revolving demand credit facility bears interest at the Bank's prime rate plus 1.5% per annum and contains certain financial covenants that the Company must comply with on a monthly basis. The credit facility is secured by a general security agreement on the Company's assets. At September 30, 2005, no amounts were outstanding under this credit facility.

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

3. Credit facility (continued):

The revolving lease line of credit bears interest at the underlying lease market interest rates and is repayable on demand. The loan is secured by a general security agreement on the Company's assets. At September 30, 2005, \$79,589 was outstanding under the lease line of credit.

4. Deposits with and receivables from brokers, dealers and clearing organizations:

The Company is required to maintain certain deposits and has certain receivables with brokers, dealers and clearing organizations to facilitate its clearing and settlement activities. These amounts are made up as follows:

	September 30, 2005	December 31, 2004
Cash equivalents on deposit with clearing organization, at market	\$ 1,591,401	\$ 1,277,743
Deposits with and receivables from:		
Clearing organizations	163,614	24,040
Brokers and dealers	387,117	392,090
	<hr/> \$ 2,142,132	<hr/> \$ 1,693,873

5. Other current assets:

	September 30, 2005	December 31, 2004
Demand note receivable	\$ 116,270	\$ 120,200
Fair value of option foreign exchange contracts	267,770	123,325
	<hr/> \$ 384,040	<hr/> \$ 243,525

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

6. Capital stock:

Authorized:

Unlimited number of common shares

Issued:

	Number of common shares	Amount
Balance at December 31, 2004	13,778,424	\$ 34,770,877
Exercise of stock options	65,833	200,624
Stock compensation benefit on exercise of stock options	–	7,333
Balance at September 30, 2005	13,844,257	\$ 34,978,834

7. Normal Course Issuer Bid:

In March 2005, The Toronto Stock Exchange approved a Normal Course Issuer Bid for the Company to repurchase up to 688,000 of its common shares over the period April 1, 2005 to March 31, 2006. During the last 5 months, the Company did not purchase any common shares through a normal course issuer bid.

8. Warrants:

The following table summarizes share purchase warrants outstanding:

	Number of warrants	Weighted Avg price
Outstanding at December 31, 2004	1,150,000	\$ 4.43
Expiry of warrants – February 2005	(1,050,000)	4.48
Outstanding at March 31, 2005	100,000	4.00
Expiry of warrants – June 2005	(100,000)	4.00
Outstanding at September 30, 2005	–	\$ –

For the nine months ended September 30, 2005, 1,150,000 warrants with a fair value estimated at the date of the grants of \$1,665,700 expired unexercised. Accordingly, the fair value of the expired warrants was transferred from warrants to contributed surplus.

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

9. Stock based compensation and other stock-based payments:

A summary of the Company's stock option activity for the period ended September 30, 2005 is as follows:

	Number	Weighted average exercise price
Outstanding, December 31, 2004	3,607,100	\$ 6.00
Options granted	40,000	3.00
Options cancelled/expired	(229,500)	3.99
Outstanding, March 31, 2005	3,417,600	6.10
Options granted	85,000	2.90
Options cancelled/expired	(367,000)	4.79
Outstanding, June 30, 2005	3,135,600	6.16
Options exercised	(65,833)	3.05
Options cancelled/expired	(324,667)	10.30
Outstanding, September 30, 2005	2,745,100	\$ 5.75
Options exercisable at September 30, 2005	2,356,140	\$ 6.15

(a) Options granted to non-employees:

For stock options granted to consultants in 2002, the Company recorded compensation expense as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Stock-based compensation expense included in administration	\$ -	\$ -	\$ -	\$ 3,875

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

9. Stock based compensation and other stock-based payments (continued):

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

For stock options granted to employees and directors on or after January 1, 2003, the Company recorded compensation expense as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Stock-based compensation expense included in:				
Cost of revenue	\$ 6,558	\$ 6,747	\$ 19,725	\$ 20,578
Sales and marketing	8,467	865	25,412	32,874
Research and development	695	3,345	9,739	9,722
Administration	20,478	26,691	63,478	132,605
	<u>\$ 36,198</u>	<u>\$ 37,648</u>	<u>\$ 118,354</u>	<u>\$ 195,779</u>

There were no options granted in the three month period ended September 30, 2005 and for the three month period ended September 30, 2004.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Risk-free interest rate	–%	–%	3.2%	3.6%
Expected life of the options	–	–	3 years	3 years
Expected volatility	–%	–%	43.3%	59.7%
Expected dividend yield	–%	–%	–%	–%

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

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

10. Changes in non-cash working capital items:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Accounts receivable	\$ (181,775)	\$ 338,182	\$ (585,727)	\$ 509,091
Deposits with and receivables from brokers, dealers and clearing organizations	36,162	126,023	(448,259)	287,733
Government assistance receivable	(160,215)	(153,851)	(160,215)	149,981
Prepaid expenses and other receivables	18,444	(3,823)	(96,157)	(103,330)
Other	(241,631)	(174,724)	(140,515)	68,627
Accounts payable and accrued liabilities	162,635	(328,896)	(131,143)	(248,125)
Accrued restructuring charges	–	(119,752)	–	(275,178)
	\$ (366,380)	\$ (316,841)	\$ (1,562,016)	\$ 388,799

11. Financial instruments:

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 September 30, 2005, the Company recorded a mark-to-market unrealized gain of approximately \$108,000 on March 2006 Canadian call option contracts and a mark to market realized loss of approximately \$3,000 on September 2005 Canadian call option contracts (three month period ended September 30, 2004 – an unrealized gain of \$99,000 on March 2005 Canadian call option contracts). As at September 30, 2005, the Company has outstanding March 2006 call options for the purchase of Cdn. \$7.0 million at U.S. \$0.84.

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

12. 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, interest expense, interest income, income taxes and other non-recurring items.

	Three months ended September 30,					
	2005			2004		
	Core	Brokerage	Total	Core	Brokerage	Total
External revenues:						
Transaction based fees	\$ 5,251,699	\$ 664,224	\$ 5,915,923	\$ 3,619,547	\$ 600,460	\$ 4,220,007
Subscription fees	1,890,110	–	1,890,110	1,840,940	–	1,840,940
Other	474,608	–	474,608	361,572	–	361,572
	<u>\$ 7,616,417</u>	<u>\$ 664,224</u>	<u>\$ 8,280,641</u>	<u>\$ 5,822,059</u>	<u>\$ 600,460</u>	<u>\$ 6,422,519</u>
Earnings (loss) before undernoted items	\$ 1,537,476	\$ (64,656)	\$ 1,472,820	\$ 867,976	\$ (250,361)	\$ 617,615
Amortization	416,332	6,197	422,529	524,155	6,934	531,089
Interest expense	15,083	–	15,083	21,717	–	21,717
Interest income	(17,049)	(108)	(17,157)	(9,797)	–	(9,797)
Earnings (loss) for the period	<u>\$ 1,123,110</u>	<u>\$ (70,745)</u>	<u>\$ 1,052,365</u>	<u>\$ 331,901</u>	<u>\$ (257,295)</u>	<u>\$ 74,606</u>
Total assets	\$14,075,296	\$ 1,330,538	\$15,405,834	\$12,009,091	\$ 1,351,475	\$13,360,566
Capital asset expenditures	\$ 290,495	\$ –	\$ 290,495	\$ 120,347	\$ –	\$ 120,347

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

12. Segmented information (continued):

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

	Three months ended September 30,					
	2005			2004		
	Canada	United States	Total	Canada	United States	Total
External revenues:						
Transaction based fees	\$ 508,921	\$ 5,407,002	\$ 5,915,923	\$ 405,731	\$ 3,814,276	\$ 4,220,007
Subscription fees	1,664,637	225,473	1,890,110	1,525,990	314,950	1,840,940
Other	356,326	118,282	474,608	271,908	89,664	361,572
	\$ 2,529,884	\$ 5,750,757	\$ 8,280,641	\$ 2,203,629	\$ 4,218,890	\$ 6,422,519
Total assets	\$ 4,046,091	\$ 11,359,743	\$ 15,405,834	\$ 4,189,234	\$ 9,171,332	\$ 13,360,566
Capital assets	\$ 1,214,832	\$ 1,172,152	\$ 2,386,984	\$ 2,135,921	\$ 1,252,789	\$ 3,388,710

	Nine months ended September 30,					
	2005			2004		
	Core	Brokerage	Total	Core	Brokerage	Total
External revenues:						
Transaction based fees	\$ 14,644,981	\$ 1,992,396	\$ 16,637,377	\$ 10,437,452	\$ 2,220,451	\$ 12,657,903
Subscription fees	5,654,372	–	5,654,372	5,577,435	–	5,577,435
Other	1,755,068	–	1,755,068	1,155,170	–	1,155,170
	\$ 22,054,421	\$ 1,992,396	\$ 24,046,817	\$ 17,170,057	\$ 2,220,451	\$ 19,390,508
Earnings (loss) before undernoted items	\$ 3,798,857	\$ 55,327	\$ 3,854,184	\$ 1,595,889	\$ (331,165)	\$ 1,264,724
Amortization	1,378,679	18,591	1,397,270	1,647,883	21,798	1,669,681
Restructuring charges	–	–	–	176,317	4,348	180,665
Interest expense	40,595	–	40,595	41,969	–	41,969
Interest income	(42,233)	(634)	(42,867)	(9,797)	–	(9,797)
Earnings (loss) for the period	\$ 2,421,816	\$ 37,370	\$ 2,459,186	\$ (260,483)	\$ (357,311)	\$ (617,794)
Total assets	\$ 14,075,296	\$ 1,330,538	\$ 15,405,834	\$ 12,009,091	\$ 1,351,475	\$ 13,360,566
Capital asset expenditures	\$ 1,044,729	\$ –	\$ 1,044,729	\$ 659,073	\$ –	\$ 659,073

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

12. Segmented information (continued):

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

	Nine months ended September 30,					
	2005			2004		
	Canada	United States	Total	Canada	United States	Total
External revenues:						
Transaction based fees	\$ 1,484,761	\$15,152,616	\$16,637,377	\$ 1,316,217	\$11,341,686	\$12,657,903
Subscription fees	4,895,774	758,598	5,654,372	4,620,435	957,000	5,577,435
Other	1,414,665	340,403	1,755,068	770,292	384,878	1,155,170
	\$ 7,795,200	\$16,251,617	\$ 24,046,817	\$ 6,706,944	\$12,683,564	\$19,390,508
Total assets	\$ 4,046,091	\$11,359,743	\$15,405,834	\$ 4,189,234	\$ 9,171,332	\$13,360,566
Capital assets	\$ 1,214,832	\$ 1,172,152	\$ 2,386,984	\$ 2,135,921	\$ 1,252,789	\$ 3,388,710

13. Guarantees and contingencies:

(a) Guarantees:

- (i) The Company has no guarantees that are required to be disclosed under Accounting Guideline 14 "Disclosure of Guarantees".
- (ii) The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees. Historically, the Company has made no payments relating to these indemnifications and the Company is not subject to any pending litigation on this matter.

(b) Contingencies:

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.

BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)
(Expressed in Canadian dollars)

Three months and nine months ended September 30, 2005 and 2004
(Unaudited)

14. Comparative figures:

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