

Condensed Interim Consolidated Financial Statements
(In Canadian dollars)

FRONTLINE TECHNOLOGIES INC.
(FORMERLY BELZBERG TECHNOLOGIES INC.)

Three and six months ended June 30, 2011 and 2010
(Not audited or reviewed by the Company's external auditor)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited financial statements of Frontline Technologies Inc. have been prepared by and are the responsibility of Frontline Technologies Inc.'s management.

Frontline Technologies Inc.'s independent auditor has not performed a review of these financial statements.

FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Condensed Interim Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

(Not audited or reviewed by the Company's external auditor)

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,908	\$ 8,319
Cash segregated under regulations and other	–	2,143
Cash and cash equivalents on deposit with clearing and depository organizations	–	1,630
Receivable from brokers, dealers and clearing organizations	–	168
Accounts receivable	1,142	1,718
Prepaid expenses and other receivables	206	346
Securities borrowed	–	6,186
Income taxes receivable	–	–
Assets held for sale (note 6)	2,835	–
	8,091	20,510
Equipment	1,326	1,075
Investments	–	30
Long-term investment tax credits recoverable	–	–
Goodwill and intangible assets (note 7)	5,993	77
Total assets	\$ 15,410	\$ 21,692
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 8)	\$ 167	\$ –
Accounts payable and accrued liabilities	1,702	2,336
Payable to customers and correspondents	–	1,733
Payable to brokers, dealers and clearing organizations	–	–
Deferred revenue	188	–
Securities loaned	–	6,186
Current portion of long-term debt (note 9)	480	–
Current portion of obligations under finance leases (note 10)	100	–
Liabilities held for sale (note 6)	1,013	–
Total current liabilities	3,650	10,255
Non-current liabilities:		
Long-term debt (note 9)	1,400	–
Obligations under finance leases (note 10)	116	–
Deferred revenue	23	–
Future income taxes	432	–
Total liabilities	5,621	10,255
Shareholders' equity:		
Share capital (note 11)	2	23,612
Contributed surplus	4,575	4,570
Retained earnings (deficit)	5,964	(16,220)
Foreign currency translation reserve	(752)	(525)
Total shareholders' equity	9,789	11,437
Total liabilities and shareholders' equity	\$ 15,410	\$ 21,692

"Hoss Astaraki"

Director

" J. Cameron MacDonald "

Director

FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(In thousands of Canadian dollars, except per share amounts)
(Not audited or reviewed by the Company's external auditor)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 1,904	\$ 1,383	\$ 3,156	\$ 2,799
Operating expenses:				
Compensation and related benefits (note 5)	1,662	781	2,584	1,965
Telecommunication and data-feed services	1,257	1,007	2,208	2,112
Administrative and other (note 5)	1,053	943	2,237	1,945
	3,972	2,731	7,029	6,022
Loss before the undernoted	(2,068)	(1,348)	(3,873)	(3,223)
Foreign exchange loss (gain)	23	(156)	55	52
Interest expense	4	–	5	1
Interest income	–	–	–	(2)
	27	(156)	60	51
Loss from continuing operations	(2,095)	(1,192)	(3,933)	(3,274)
Loss from discontinued operations (note 6)	(207)	(2)	(409)	(192)
Loss for the period	(2,302)	(1,194)	(4,342)	(3,466)
Other comprehensive income (loss):				
Change in accumulated foreign currency translation adjustment:				
Current operations	44	(490)	(902)	(206)
Discontinued operations	(36)	942	675	107
	8	452	(227)	(99)
Total comprehensive loss	\$ (2,294)	\$ (742)	\$ (4,569)	\$ (3,565)
Loss per share:				
Loss from continuing operations per common and Restricted Class A share - basic and diluted	\$ (0.10)	\$ (0.08)	\$ (0.22)	\$ (0.22)
Loss per common and Restricted Class A share - basic and diluted	(0.11)	(0.08)	(0.24)	(0.23)
Weighted average number of common shares outstanding (in thousands)	21,394	14,638	18,035	14,676

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Condensed Interim Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars)

Six months ended June 30, 2011 and 2010
(Not audited or reviewed by the Company's external auditor)

	Class A Restricted share capital	Common share capital	Contributed surplus	Retained Earnings (Deficit)	Foreign currency translation reserve	Total equity
Balance, January 1, 2010	\$ –	\$ 23,754	\$ 4,182	\$ (9,184)	\$ –	\$ 18,752
Stock-based compensation	–	–	313	–	–	313
Repurchased for cancellation of common shares	–	(142)	75	–	–	(67)
Loss for the period	–	–	–	(7,036)	–	(7,036)
Exchange differences arising on translation of foreign operations	–	–	–	–	(525)	(525)
Balance, December 31, 2010	–	23,612	4,570	(16,220)	(525)	11,437
Issuance of shares	2,916	–	–	–	–	2,916
Stock-based compensation	–	–	5	–	–	5
Loss for the period	–	–	–	(4,342)	–	(4,342)
Reduction of stated capital	(2,915)	(23,611)	–	26,526	–	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(227)	(227)
Balance, June 30, 2011	\$ 1	\$ 1	\$ 4,575	\$ 5,964	\$ (752)	\$ 9,789

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FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

(Not audited or reviewed by the Company's external auditor)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (2,302)	\$ (1,194)	\$ (4,342)	\$ (3,466)
Loss from discontinued operations	(207)	(2)	(409)	(192)
Loss from continuing operations	(2,095)	(1,192)	(3,933)	(3,274)
Adjusted for:				
Depreciation of equipment	324	327	530	680
Amortization of intangible assets	85	23	89	46
Unrealized foreign exchange (gain) loss	(401)	916	(620)	623
Finance expense	4	—	5	1
Interest income	—	—	—	(2)
Stock-based compensation	5	76	29	169
Changes in non-cash working capital items	288	(954)	552	(1379)
Interest paid	(4)	—	(5)	(1)
Interest received	—	—	—	2
	(1,794)	(804)	(3,353)	(3,135)
Financing activities:				
Issuance of bank indebtedness	17	—	17	—
Repayment of obligations under finance leases	(56)	—	(56)	—
Issuance of Class A restricted shares	2,916	—	2,916	—
Repurchase of common shares	—	—	—	(67)
	2,877	—	2,877	(67)
Investing activities:				
Acquisition of business	(3,916)	—	(3,916)	—
Acquisition of equipment	(33)	(283)	(260)	(371)
	(3,949)	(283)	(4,176)	(371)
Net decrease in cash and cash equivalents from continuing operations	(2,866)	(1,087)	(4,652)	(3,573)
Net increase (decrease) in cash and cash equivalents from discontinued operations	292	852	241	(1,535)
Net change in cash and cash equivalents	(2,574)	(235)	(4,411)	(5,108)
Cash and cash equivalents, beginning of period	6,482	10,797	8,319	15,670
Cash and cash equivalents, end of period	\$ 3,908	\$10,562	\$3,908	\$10,562

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

1. Reporting entity:

Frontline Technologies Inc. (formerly Belzberg Technologies Inc.), is a company domiciled in Canada. The condensed interim consolidated financial statements of Frontline Technologies Inc. as at and for the three months ended June 30, 2011 comprise Frontline Technologies Inc. and its subsidiaries (together referred to as the "Company"). The Company is a leading provider of trading technologies for order management and routing software for the financial services industry. The Company's customers, who include both broker-dealers and their customers, use the Company's trading software to buy and sell equities and stock options on a variety of exchanges, electronic markets and market makers. The Company's products enable traders to execute and manage large volumes of transactions at high speed, with reliability and security.

As a result of the acquisition of Frontline Technologies Corporation described in note 5, the Company also provides outsourced network services including IT infrastructure management, technical support, managed email and file hosting, disaster recovery planning and network sales; a suite of services designed to comprehensively meet the technology needs of, and offer "one stop shopping" for its professional, financial and investment banking clients.

2. Basis of preparation:

(a) Statement of compliance:

These unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011.

As this is the first fiscal year that the Company is preparing its financial statements in accordance with International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") have been included in these financial statements for the comparative annual period.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

2. Basis of preparation (continued):

These condensed unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements as at and for the year ended December 31, 2010 and in consideration of the IFRS transition disclosures included in note 14 to these condensed unaudited interim consolidated financial statements and the additional disclosures included herein. All defined terms are consistent with those terms as defined in the 2010 Annual Financial Statements.

An explanation of how the transition to IFRS has affected the reported equity, financial position, financial performance and cash flows of the Company is provided in note 14.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2011.

(b) Basis of measurement:

A summary of the Company's significant accounting policies under IFRS is presented in note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1").

These condensed interim consolidated financial statements have been prepared under the historical cost convention.

(c) Going concern:

The Company's loss for the six months ended June 30, 2011 amounted to \$4,342, (year ended December 31, 2010 - \$7,036) and had available cash and cash equivalents of \$3,908 from continuing operations (year ended December 31, 2010 - \$8,319). The Company's ability to continue operations and fund its expenditures as they come due is dependent on management's ability to improve its operating results.

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

FRONTLINE TECHNOLOGIES INC.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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2. Basis of preparation (continued):

The Company has incurred significant operating losses and negative cash flows from operations in recent years. Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties cast doubt upon the Company's ability to continue as a going concern.

On February 23, 2011, the Company entered into an agreement to refer its list of U.S. execution clients of its wholly owned U.S. subsidiaries to a third party trade execution provider, ConvergEx Group. The total amount to be received cannot be determined and will be dependent on the amount of execution business referred to ConvergEx Group during the 2011 year (note 6).

3. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements of the Company include the accounts of Frontline Technologies Inc. and its subsidiaries, all wholly owned. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Functional and presentation currency and foreign currency translation:

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the U.S. subsidiaries is the U.S. dollar. All financial information is presented in Canadian dollars and has been rounded to the nearest thousand.

The Company's foreign operating subsidiaries are translated into Canadian dollars using the period end exchange rates while revenue and expenses are translated using average rates over the period. Translation gains and losses relating to the foreign operations are included in accumulated other comprehensive income (loss) as a separate component of shareholders' equity. As of June 30, 2011, accumulated other comprehensive income is composed solely of foreign currency translation adjustments.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

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3. Significant accounting policies (continued):

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statements of financial position dates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. Any resulting foreign currency translation gains or losses are included in income or loss in the current period.

(c) Business combinations:

For acquisitions on or after January 1, 2010, the Company measures goodwill as the fair value of consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss. Transaction costs, other than those associated with issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with Company policies.

(d) Significant accounting estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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3. Significant accounting policies (continued):

In preparing these condensed interim consolidated financial statements, the significant judgements made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements is included in the revenue recognition note.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 11 – Share capital - Share-based compensation

Note 14 - Guarantees and contingencies

(e) Revenue recognition:

The Company's revenue is derived primarily from:

- (i) Subscription fees for providing routing software and services, used for equity and options trading, on a flat fee per terminal or per month basis;
- (ii) Transaction fees 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;
- (iii) Fees for outsourced network services; and

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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(Not audited or reviewed by the Company's external auditor)

3. Significant accounting policies (continued):

- (iv) Other revenue from the development and installation of software for equity and options trading and other revenue from the distribution of financial information and other services.

Revenue is recognized from subscription fees, transaction fees and fees for outsourced network services on a monthly basis as the services are provided. Transaction fees from both the broker-dealer and floor brokerage operations are recognized on a trade date basis once the trades have been executed and collectability is assured. 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 collectability is assured.

Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

- (f) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

3. Significant accounting policies (continued):

entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Discontinued operations:

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(h) Equipment:

(i) Cost:

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net within other income in income or loss.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

3. Significant accounting policies (continued):

(ii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in income or loss on a straight-line basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

Furniture and equipment	10 years
Computer equipment and equipment under capital lease	3 years
Leasehold improvements	Term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial period end and adjusted if appropriate.

(i) Goodwill

Goodwill is initially measured on the acquisition date as the excess of the fair value of the consideration paid over the fair value of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3, *Business Combinations* ("IFRS 3"). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assessed for impairment annually or more frequently if events or circumstances suggest that there may be any impairment. A write-down is recognized if the recoverable amount of the cash-generating unit, determined as the greater of the estimated fair value less costs to sell or value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the cash-generating unit.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

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(Not audited or reviewed by the Company's external auditor)

3. Significant accounting policies (continued):

(j) Intangible assets:

Intangible assets are initially recorded at fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Identifiable finite-life intangible assets are amortized over their estimated useful lives on a straight-line basis. The amortization period and the method of amortization for an intangible asset with a finite useful life are reviewed at least annually, at each financial year end.

At each year-end, intangible assets are assessed for indicators of impairment. If indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period that the impairment is identified.

(k) Impairment of long-term assets:

The carrying value of long-term assets is reviewed for indicators that the carrying value of the asset may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset is estimated. If the carrying value of the asset exceeds the recoverable amount, the asset is written down with an impairment loss recognized in net income (loss).

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount of which the asset could be sold in an arm's length transaction.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset is increased to its revised recoverable amount with an impairment reversal recognized in net income (loss). The recoverable amount is limited to the original carrying amount less depreciation and amortization as if no impairment had been recognized for the asset for prior periods.

(l) Assets held for sale:

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sales transaction rather than through continued use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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3. Significant accounting policies (continued):

Non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in income or loss in the period measured. Non-current assets and disposal groups held for sale are presented in current assets and liabilities in the condensed interim consolidated statements of financial position. Assets held for sale are not depreciated, depleted or amortized.

(m) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, as it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Contingencies:

When a contingency is substantiated by confirming events, can be readily measured and will likely result in an economic outflow, a liability is recognized in the condensed interim consolidated financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured readily or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the condensed interim consolidated financial statements.

(o) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through income or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

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3. Significant accounting policies (continued):

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets designated at fair value through income or loss, and loans and receivables.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through income or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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3. Significant accounting policies (continued):

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the condensed interim consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: bank indebtedness, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital:

Common shares and Class A restricted shares:

Common shares and Class A restricted shares are classified as equity. Incremental costs directly attributable to the issue of common shares, Class A restricted shares and share options are recognized as a deduction from equity, net of any tax effects.

(p) Share-based compensation:

The Corporation grants share options to buy common shares of the Company to directors, officers and employees under a share option plan. The cost of the share option awards to the Corporation is measured based on the fair value on the date the awards are granted. The fair value of the share option is estimated using Black-Scholes valuation model which takes into account its exercise price, its expected life, the risk-free interest rate, the expected volatility and the expected level of forfeitures. The stock-based compensation expense is recognized over the vesting period, which is the period over which all the specified vesting conditions are satisfied, with a corresponding increase to contributed surplus. For share option awards with graded vesting, the fair value of each tranche is treated as a separate grant with a different vesting date and a different fair value. At each reporting date, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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(Not audited or reviewed by the Company's external auditor)

3. Significant accounting policies (continued):

change in estimate in forfeitures through the Condensed Interim Consolidated Statements of Comprehensive Income (Loss) in the current reporting period.

When stock option awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to equity. The amount of cash received from participants is also credited to equity.

(q) Leases:

The Company leases computer equipment and facilities. Leases, where the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under these leases are generally treated as rentals and recognized as expenses on a straight-line basis over the term of the lease in the Condensed Interim Consolidated Statement of Operations and Comprehensive Income (Loss). In instances where the risks and rewards of ownership have substantially transferred to the Company, these leases are classified as finance leases. Finance leases are capitalized at the commencement of a lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments, and are depreciated over the shorter of the useful life of the assets and the lease term. Corresponding liabilities, net of finance costs, are included in the Condensed Interim Consolidated Statement of Financial Position. Each lease payment is allocated between the liability and finance costs.

(r) Loss per share:

Basic loss per share is computed by dividing loss for the period by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive ("dilutive securities"). The number of additional shares is calculated by assuming that outstanding dilutive securities were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

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4. Future accounting changes:

The International Accounting Standards Board ("IASB") has amended IAS 1 "*Presentation of Financial Statements*". The amendment changes the disclosure of items presented in other comprehensive income. IAS 1 will require separate presentation of items in other comprehensive income in two groups based on whether or not those items may be recycled to profit or loss in the future. This amendment is effective for years beginning on or after July 1, 2012.

IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting.

The IASB issued IFRS 10 "*Consolidated Financial Statements*", which replaces the current guidance in IAS 27 "*Consolidated and Separate Financial Statements*", and SIC 12 "*Consolidation – Special Purpose Entities*". IFRS 10 changes the definition of control in IFRS so that the same criteria are applied to all entities to determine control. IFRS 10 is effective for years beginning on or after January 1, 2013.

The IASB issued IFRS 13 "*Fair Value Measurement*", which provides one source of guidance on measuring fair value. The standard also enhances the disclosure requirements about fair value measurements. IFRS 13 is effective for years beginning on or after January 1, 2013.

The Company has not yet determined the impact the above noted IAS and IFRS will have on its consolidated financial statements.

5. Business acquisition:

On April 13, 2011, the Company announced the completion of the acquisition of Frontline Technologies Corporation ("Frontline Acquisition") for a purchase price of \$3,916 payable in cash and Class A restricted shares. The acquisition, including transaction costs, was funded with the issuance of 7,882 Class A Restricted shares valued at approximately \$2,916 and \$1.0 million of cash. The Company obtained control by acquiring 100% of the shares and voting interests in the acquired company. At the same time as the Frontline Acquisition, the Company also announced a change in name from Belzberg Technologies Inc. to Frontline Technologies Inc.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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5. Business acquisition (continued):

The Company believes that the proposed Frontline Technologies Corporation acquisition offers substantial opportunities for both companies to achieve success faster. The evolution of the technology industry and the challenging economic climate have highlighted the need for scale and operating efficiencies. By combining two businesses of similar size and scope, the Company expects to enhance the Frontline Technologies Corporation's operations and gain a larger base from which to build.

The preliminary allocation of the purchase price for the acquisition of the above investment has not been finalized pending final determination of the fair values of assets acquired and liabilities assumed at the time of the preparation of the Annual financial statements. The net assets acquired and the consideration transferred are as follows:

Net assets acquired, at fair value:	
Current assets	\$ 818
Equipment	731
Computer software	1,792
Payables and other current liabilities	(721)
Deferred income tax liability	(432)
Deferred revenue	(437)
Obligations under finance leases	(237)
Long-term debt	(1,880)
Total net identifiable assets	(366)
Goodwill	4,282
	<hr/>
	\$ 3,916
Consideration transferred:	
Cash	\$ 1,000
Equity instruments (7,882 Class A restricted shares at \$0.37 per share)	2,916
	<hr/>
	\$ 3,916

Included in compensation and related benefits for continuing operations are restructuring expenses of \$390 for the three months and six months period ended June 30, 2011. There was a \$221 recovery of restructuring charges that were originally expensed during 2009 in the three months and six months ended June 30, 2010. Included in administrative and other expenses for continuing operations are acquisition related costs of \$50 and \$260 for the three months and six months ended June 30, 2011 (nil for 2010).

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6. Discontinued operations and assets and liabilities held for sale:

On February 23, 2011, the Company entered into an agreement to refer its list of U.S. execution clients of its wholly owned U.S. subsidiaries, Electronic Brokerage Systems, LLC and R.C. Sheehan, LLC, to a third party trade execution provider, ConvergEx Group.

The assets and liabilities related to Electronic Brokerage Systems LLC and R.C. Sheehan, LLC are presented as held for sale on the Condensed Interim Consolidated Statement of Financial Position as follows:

Assets of disposal group classified as held for sale:

Cash and cash equivalents segregated under regulations and other	\$ 1,093
Cash and cash equivalents on deposit with clearing and depository organizations	289
Receivable from brokers, dealers and clearing organizations	–
Accounts receivable	926
Prepaid expenses and other receivables	19
Equipment	425
Investment	30
Intangible assets	53
Total assets	\$ 2,835

Liabilities of disposal group classified as held for sale:

Accounts payable and accrued liabilities	\$ 1,013
Payable to customers and correspondents	–
Total liabilities	\$ 1,013

The results of discontinued operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 615	\$ 3,312	\$ 2,084	\$ 7,009
Expenses	(822)	(3,314)	(2,493)	(7,201)
Loss from discontinued operations	\$ (207)	\$ (2)	\$ (409)	\$ (192)
Loss per share - basic and diluted	\$ (0.01)	\$ –	\$ (0.02)	\$ (0.01)

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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6. Discontinued operations and assets and liabilities held for sale (continued):

Included in expenses from discontinued operations are restructuring expenses of \$303 and \$317 for the three months and six months period ended June 30, 2011, respectively (nil for 2010).

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Cash flows from discontinued operations:				
Net cash from (used in) operating activities	\$ 489	\$ (282)	\$ 499	\$ (365)
Net cash used in investing activities	(197)	(1)	(258)	(6)
Effect on cash flows	\$ 292	\$ (283)	\$ 241	\$ (371)

7. Goodwill and intangible assets:

	Goodwill	Computer Software	Total
Cost			
Balance at January 1, 2010	\$ –	\$ 448	\$ 448
Additions	–	60	60
Balance at December 31, 2010	–	508	508
Additions	4,282	1,792	6,074
Transfers and other	–	(248)	(248)
Balance at June 30, 2011	\$ 4,282	\$ 2,052	\$ 6,334

	Goodwill	Computer Software	Total
Accumulated amortization and impairment			
Balance, January 1, 2010	\$ –	\$ 307	\$ 307
Additions	–	124	124
Balance, December 31, 2010	–	431	431
Additions	–	85	85
Transfers and other	–	(175)	(175)
Balance, June 30, 2011	\$ –	\$ 341	\$ 341
Net book value, June 30, 2011	\$ 4,282	\$ 1,711	\$ 5,993

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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8. Bank indebtedness and credit facility:

	June 30, 2011	December 31, 2010	January 1, 2010
Bank indebtedness	\$ 167	\$ –	\$ –
	\$ 167	\$ –	\$ –

The Company's subsidiary, Frontline Technologies Corporation, has a credit facility with a Canadian chartered bank. The \$700,000 credit facility consists of a business line of credit and is secured by a guarantee from two shareholders of the Company. The facility is payable on demand and bears interest at bank prime plus 1%. The outstanding balance of the facility at June 30, 2011 was \$167 (December 31, 2010 - \$nil).

The Company's subsidiary, Electronic Brokerage Systems, LLC which is classified as discontinued, has a revolving credit facility for U.S. \$25,000 that may only be used to facilitate its clearing and settlement activities. The facility is collateralized by marketable securities that exist only in the event of a clearing break and which are held at the Depository and Trust Company. The facility is payable on demand and bears interest at a variable rate based on the market rate plus an applicable margin paid monthly. Additionally, a fee of 0.275% on the average daily unused portion of the facility is paid quarterly. The outstanding balance of the facility at June 30, 2011 was \$nil (December 31, 2010 - \$nil).

9. Long-term debt:

Long-term debt consists of the following:

	June 30, 2011	December 31, 2010	January 1, 2010
Purchase financing of computer software non-interest bearing and payable in various lump sum payments due January 2016	\$ 1,880	\$ –	\$ –
	\$ 1,880	\$ –	\$ –

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9. Long-term debt (continued):

Principal repayment requirements for each of the next five years are as follows:

2011	\$	480
2013		1,000
2015		400
	\$	1,880

10. Obligations under finance leases:

	June 30, 2011	December 31, 2010	January 1, 2010
Obligations under finance leases	\$ 216	\$ –	\$ –
	\$ 216	\$ –	\$ –

Obligations under finance lease have implicit interest rates ranging from 13.95% to 30.90% per annum. The obligations are repayable in blended monthly installments of principal and interest, are secured by equipment acquired under the leases and have maturity dates between fiscal 2012 and fiscal 2014. Interest paid during the three and six months ended June 30, 2011 on obligations under finance lease amounted to approximately \$3 (June 30, 2010 - \$nil).

Minimum lease payments due in the next five years are as follows:

2011	\$	64
2012		122
2013		64
2015		6
	\$	256
Less: Amount representing interest		40
Less: Current portion		100
	\$	116

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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11. Share Capital:

The following summarizes changes to capital stock during 2011:

(a) Authorized:

- (i) Unlimited common shares
- (ii) Unlimited Class A restricted shares

At a Special Meeting of Shareholders held on April 11, 2011, the Company was authorized to amend the articles of incorporation to increase the authorized capital of the Company by creating an unlimited number of Class A restricted shares. Each Class A restricted share has equal rights, privileges, and entitles the holder to one vote at all meetings of shareholders. Each Class A restricted share will be convertible into common shares on a 1 for 1 basis, subsequent to the payment of the U.S. Special Distribution described below Note 11(e).

(b) Issued:

Common shares:

	Number of common shares	Amount
	(In thousands)	
Balance, January 1, 2010	14,726	\$ 23,754
Common shares repurchased and cancelled	(88)	(142)
Balance, December 31, 2010	14,638	23,612
Reduction of stated capital	—	(23,611)
Balance, June 30, 2011	14,638	\$ 1

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11. Share Capital (continued):

Class A restricted shares:

	Number of Class A Restricted shares (In thousands)	Amount
Balance, January 1, 2010 and December 31, 2010	–	\$ –
Class A restricted shares issued	7,882	2,916
Reduction of stated capital	–	(2,915)
Balance, June 30, 2011	7,882	\$ 1

At the Annual and Special Meeting of Shareholders held on May 27, 2011, a resolution was passed reducing the stated capital of Common shares to \$1 and the stated capital of the Class A restricted shares to \$1.

(c) Loss per share:

The following table sets forth the computation of loss per share:

	Three months ended June 30,		Six months ended March 31,	
	2011	2010	2011	2010
Numerator:				
Loss for the period available to common and Class A restricted shareholders	\$ (2,302)	\$ (1,194)	\$ (4,342)	\$ (3,466)
Denominator (in thousands):				
Weighted average number of equivalent common and Class A restricted shares outstanding – basic and diluted	21,394	14,638	18,035	14,676
Loss per common and Class A restricted share:				
Basic and diluted	\$ (0.11)	\$ (0.08)	\$ (0.24)	\$ (0.23)

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11. Share Capital (continued):

During the three months and six months ended June 30, 2011, options to purchase 978,000 common shares (2010 - 1,456,000) were excluded from the computation of diluted loss per share as the exercise price exceeded the average market price of common shares for the period.

A summary of the Company's stock option activity for the period ended June 30, 2011 is as follows:

	Number of options (In thousands)	Weighted average exercise price
Outstanding, January 1, 2010	1,563	\$ 2.11
Granted	203	0.61
Forfeited	(135)	2.04
Expired	(103)	2.97
Outstanding, December 31, 2010	1,528	1.86
Granted	460	0.37
Forfeited	(495)	1.04
Expired	(55)	8.65
Outstanding, June 30, 2011	1,438	1.40
Options exercisable at June 30, 2011	713	\$ 2.33

(e) Share-based compensation:

The Company recorded compensation expense (recovery) for the three months ended June 30, 2011 of \$(19) (2010 - \$76) and for the six months ended June 30, 2011 of \$5 (2010 - \$169). These amounts are included in compensation and related benefits.

The weighted average grant date fair value for employee and director options granted during the three months and six months ended June 30, 2011 was \$0.21 per share. The weighted average grant date fair value for employee and director options granted during the three months ended June 30, 2010 was \$0.21 per share and for the six months ended June 30, 2010 was \$0.31 per share.

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11. Share capital (continued):

These options were valued using the following weighted average assumptions:

	Three months ended		Six months ended	
	June 30,		March 31,	
	2011	2010	2011	2010
Risk-free interest rate	2.13%	2.56%	2.13%	2.65%
Expected life of the options in years	5	5	5	5
Expected volatility	65.4%	58.6%	65.4%	57.7%

(e) Special distribution:

It is the Company's intention to pay a special distribution ("U.S. Special Distribution") to the holders of existing common shares within one year of the closing of the Frontline Acquisition. The amount of the U.S. Special Distribution will be equivalent to the amount by which the working capital of the Company, as of closing of the Frontline Acquisition, exceeds \$2.75 million plus the net proceeds received for the referral of the U.S. execution clients described in Note 2.

12. Capital disclosures:

The Company's objectives when managing capital are to efficiently provide for the funding of its capital expenditures and working capital while ensuring adequate liquidity and solvency and complying with its regulatory capital requirements. The Company aims to provide a platform to effectively fund new growth initiatives and ensuring flexibility in raising capital from multiple sources and markets.

The Company's capital structure consists of shareholders' equity, cash and cash equivalents and a clearing credit facility. The Company makes adjustments to the capital structure depending on economic conditions and the financial position and performance of the Company. In order to maintain or adjust the capital structure, the Company may issue new shares, buy back shares or issue debt. The Company does not presently utilize any quantitative measures to monitor its capital.

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12. Capital disclosures (continued):

The Company's investment policy is to invest its cash in high grade investment securities with varying terms to maturity, selected with regards to the expected timing of expenditures from continuing operations.

The Company's subsidiary, Electronic Brokerage Systems, LLC, which was classified as discontinued, is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital. Under this rule, Electronic Brokerage Systems, LLC is required to maintain net capital equal to the greater of U.S. \$1,000 or 6-2/3% of aggregate indebtedness, as defined.

As at June 30, 2011, Electronic Brokerage Systems, LLC had net capital of U.S. \$3,349 and a net capital requirement of U.S. \$1,000.

13. Financial instruments:

(a) Financial risk management:

Financial instruments of the Company consist primarily of cash and cash equivalents, cash segregated under regulations and other, cash and cash equivalents on deposit with clearing and depository organizations, accounts receivable, receivable from brokers, dealers and clearing organization, bank indebtedness, accounts payable and accrued liabilities, payable to customers and correspondents, payable to brokers, dealers and clearing organization and securities loaned. The Company designated its cash and cash equivalents, cash segregated under regulations and other, cash and cash equivalents on deposit with clearing and depository organizations, receivables from brokers, dealers and clearing organization and other asset as held-for-trading. The carrying value of the held-for-trading financial instruments approximates their fair value because of the relatively short periods to maturity of these instruments. Accounts receivable are classified as loans and receivables, which are stated at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, payable to customers and correspondents, payables to brokers, dealers and clearing organization and securities loaned are classified as other financial liabilities. The carrying value of the other financial liabilities approximates their fair value because of the relatively short periods to maturity of these instruments.

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13. Financial instruments (continued):

(b) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's cash and cash equivalents and accounts receivable. The amounts reported in the condensed interim consolidated statements of financial position for accounts receivable are net of allowance for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company minimizes the credit risk of cash and cash equivalents by depositing only with reputable financial institutions, investing in only high grade investment securities and limiting exposure to any one financial institution, commercial issuer or investment type and limits the term to maturity to less than one year.

The Company minimizes the credit risk of cash and cash equivalents by depositing only with reputable financial institutions, investing in only high grade investment securities and limiting exposure to any one financial institution, commercial issuer or investment type and limits the term to maturity to less than one year.

The Company believes that its credit risk with respect to accounts receivable is limited for a number of reasons, including dealing primarily with large Canadian and U.S. banks and brokerage houses. The Company manages its risk through credit policies in the U.S., which includes the analysis of the financial position of its customers, subscribing to an outside credit bureau and account monitoring procedures. As at June 30, 2011, \$406 of the Company's accounts receivable were past due. Subsequent to June 30, 2011, \$61 of the past due amount was collected, \$134 is expected to be fully collected and the balance of \$220 has been fully provided. All of the Company's receivables have been reviewed for indicators of impairment.

At June 30, 2011, two customers accounted for approximately 40% of total accounts receivable in continuing operations (June 30, 2010 - two customers for 60%). For the three months ended June 30, 2011 three customers accounted for 26% (three months ended June 30, 2010 – three customers for 41) and for the six months ended June 30, 2011, three customers accounted for 33% of total revenue for continuing operations (for the six months ended June 30, 2010 - three customers for 39%).

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13. Financial instruments (continued):

The Company does not have reason to believe the balances on these accounts are impaired.

(c) Currency risk:

The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the U.S. dollar. Based on the balance of net assets carried in the balance sheet of the U.S. operations as at June 30, 2011, if the Canadian dollar appreciated by 1 cent against the U.S. dollar with all other variables held constant, the impact of the foreign currency change on the U.S. denominated financial instruments would lead to a negative effect on other comprehensive income for the six months ended June 30, 2011 and foreign currency translation reserve as at June 30, 2011 of approximately \$52.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due over the next 12 months, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's principal cash requirements are for clearing and settlement operations for discontinued operations, capital expenditures and working capital needs. The Company uses its operating cash flows, clearing facility and cash balances to maintain its liquidity.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk to the extent that its cash and cash equivalents and bank indebtedness is based upon variable rates of interest related to the prime rate. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents is limited because these cash equivalents, although held-for-trading, are generally held to maturity. For the quarter and six months ended June 30, 2011, if interest rates changed by 1%, the change in the Company's net loss and comprehensive income would not be significantly impacted.

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14. Guarantees and contingencies:

(a) Guarantees:

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:

The Company and a customer of the Company have jointly been named as defendants in an action filed by a client of the customer in relation to alleged deficiencies in services and software provided. As a result of the alleged deficiencies, along with direct claims asserted against the Company's customer, the plaintiffs are seeking to recover damages from trading losses, commissions levied, loss of opportunity, loss of income, loss of fees, audit costs and loss of goodwill and damage to business reputation in the amount of \$4,500 plus unspecified special damages. As the suit names both the Company and its customer, the Company has no basis to estimate its portion of the claim. The Company does not believe that it is liable for these claims and has engaged legal counsel to vigorously defend the claim. The Company has no direct contractual relationship with the party who filed the suit. In addition, the Company's contract with its customer limits the Company's liability for the services and software provided.

There exist certain other claims and potential claims against the Company, none of which is expected to have a material adverse effect on the consolidated financial position of the Company.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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15. Explanation of transition to IFRS:

The condensed interim consolidated financial statements for the six months ended June 30, 2011 are prepared under IFRS. This is the first fiscal year that the Company is preparing its financial statements in accordance with IFRS. For all accounting periods prior to this, the Company prepared its consolidated financial statements under Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are given in this note. These disclosures are prepared under IFRS as set out in the basis of preparation in note 2.

(a) Voluntary exemptions:

IFRS 1 allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Company has taken the following exemptions:

(i) Business combinations:

IFRS 1 provides the option to apply IFRS 3, retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Company has elected not to apply IFRS 3 retrospectively to business combinations that occurred prior to the transition date and such business combinations will not be restated. As a result of applying this exemption, except as required under IFRS 1, any goodwill arising on such business combinations before the transition date has not been adjusted from the carrying value previously determined under previous Canadian GAAP.

(ii) Fair value as deemed cost:

IFRS 1 permits measuring, at the date of transition, an item of equipment or intangible assets that meet the criteria specified in IAS 38, *Intangible Assets*, at either its fair value at the transition date and using those amounts as deemed cost, or using the historical valuation under previous Canadian GAAP. The Company will continue to apply the historical cost model to equipment and intangible assets and will not restate to fair value under IFRS. The Company will use the historical basis under previous Canadian GAAP as deemed cost under IFRS at the transition date.

FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

(iii) Cumulative Translation Account ("CTA"):

IFRS 1 provides the option to elect translation gains or losses in accumulated other comprehensive loss to be reclassified to retained earnings. The Company has reset the current CTA balance to zero as at January 1, 2010.

(iv) Share-based payment transactions:

IFRS 1 does not require first-time adopters to apply the requirements of IFRS 2, *Share-based Payment* ("IFRS 2"), to equity instruments that were granted on or prior to November 7, 2002 or to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to stock options issued on or prior to November 7, 2002 nor to liabilities arising from share-based payment transactions that were settled prior to the date of transition to IFRS.

(b) IFRS mandatory exceptions:

Set forth below is the applicable mandatory exceptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS:

Estimates:

An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

(c) Reconciliation of Canadian GAAP to IFRS:

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The restatement from Canadian GAAP to IFRS had no significant impact on the reported cash flows generated by the Company for the three months and six months ended June 30, 2010 or the year ended December 31, 2010. The reconciling items between Canadian GAAP presentation and IFRS have no significant effect on the cash flows generated.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods.

Reconciliation of Equity and Financial Position

	December 31, 2010			June 30, 2010		
	Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS
Assets						
Current assets:						
Cash and cash equivalents	\$ 8,319	\$ -	\$ 8,319	\$ 10,562	\$ -	\$ 10,562
Cash segregated under regulations and other	2,143	-	2,143	1,953	-	1,953
Cash and cash equivalents on deposit with clearing and depository organizations	1,630	-	1,630	1,303	-	1,303
Receivable from brokers, dealers and clearing organizations	168	-	168	1,247	-	1,247
Accounts receivable	1,718	-	1,718	2,197	-	2,197
Prepaid expenses and other receivables	346	-	346	641	-	641
Securities borrowed	6,186	-	6,186	-	-	-
Income taxes receivable	-	-	-	12	-	12
Current investment tax credits recoverable	-	-	-	11	-	11
	20,510	-	20,510	17,926	-	17,926
Equipment	1,096	(21)	1,075	1,516	(336)	1,180
Investments	30	-	30	30	-	30
Long-term investment tax credits recoverable	-	-	-	149	-	149
Intangible assets	77	-	77	67	-	67
	\$ 21,713	\$ (21)	\$ 21,692	\$ 19,688	\$ (336)	\$ 19,352
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 2,336	\$ -	\$ 2,336	\$ 2,658	\$ -	\$ 2,658
Payable to customers and correspondents	1,733	-	1,733	1,362	-	1,362
Payable to brokers, dealers and clearing organization	-	-	-	102	-	102
Securities loaned	6,186	-	6,186	-	-	-
	10,255	-	10,255	4,122	-	4,122
Shareholders' equity:						
Share capital	23,612	-	23,612	23,612	-	23,612
Contributed surplus	4,391	(b) 179	4,570	4,266	160	4,426
Deficit	(16,545)	(a), (ib) 325	(16,220)	(12,312)	(661)	(12,973)
Foreign currency translation reserve	-	(a) (525)	(525)	-	165	165
	11,458	(21)	11,437	15,566	(336)	15,230
	\$ 21,713	\$ (21)	\$ 21,692	\$ 19,688	\$ (336)	\$ 19,352

FRONTLINE TECHNOLOGIES INC.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

The effect on the Company's consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2010 is as follows:

December 31, 2010	Note	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Revenue:					
Transaction fees:					
Equity order flow and clearing	(e)	\$ 847	\$ –	\$ (847)	\$ –
Options and futures contracts	(e)	84	–	(84)	–
Subscription fees	(e)	3,348	–	(3,348)	–
Other	(e)	1,092	–	(1,092)	–
		5,371	–	(5,371)	5,371
Operating expenses:					
Compensation and related benefits	(d)	3,804	41	–	3,845
Telecommunication and datafeed services		4,086	–	–	4,086
Administrative and other	(d)	3,818	(32)	–	3,786
		11,708	9	–	11,717
Loss before the undernoted		(6,337)	(9)	–	(6,346)
Foreign exchange loss (gain)	(d)	(434)	658	–	224
Interest expense		4	–	–	4
Interest income		(2)	–	–	(2)
		(432)	658	–	226
Loss from continuing operations		(5,905)	(667)	–	(6,572)
Gain (loss) from discontinued operations	(d)	(1,594)	1,130	–	(464)
Loss for the period		(7,499)	463	–	(7,036)
Other comprehensive income (loss):					
Change in accumulated foreign currency translation adjustment:					
Continuing operations	(d)	–	632	–	632
Discontinued operations	(d)	–	(1,157)	–	(1,157)
		–	(525)	–	(525)
Total comprehensive loss		\$ (7,499)	\$ (62)	\$ –	\$ (7,561)

FRONTLINE TECHNOLOGIES INC.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

The effect on the Company's consolidated statement of operations and comprehensive income (loss) for the three months ended June 30, 2010 is as follows:

Three months ended June 30, 2010	Note	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Revenue:					
Transaction fees:					
Equity order flow and clearing	(e)	\$ 224	\$ —	\$ (224)	\$ —
Options and futures contracts	(e)	13	—	(13)	—
Subscription fees	(e)	841	—	(841)	—
Other	(e)	305	—	(305)	—
		1,383	—	(1,383)	1,383
Operating expenses:					
Compensation and related benefits	(c)	773	8	—	781
Telecommunication and datafeed services		1,007	—	—	1,007
Administrative and other	(d)	951	(8)	—	943
		2,731	—	—	2,731
Loss before the undernoted		(1,348)	—	—	(1,348)
Foreign exchange loss (gain)	(d)	335	(491)	—	(156)
Interest expense		—	—	—	—
Interest income		—	—	—	—
		335	(491)	—	(156)
Loss from continuing operations		(1,683)	491	—	(1,192)
Gain (loss) from discontinued operations	(d)	962	(964)	—	(2)
Loss for the period		(721)	(473)	—	(1,194)
Other comprehensive income (loss):					
Change in accumulated foreign currency translation adjustment:					
Continuing operations	(d)	—	(490)	—	(490)
Discontinued operations	(d)	—	942	—	942
		—	452	—	452
Total comprehensive loss		\$ (721)	\$ (21)	\$ —	\$ (742)

FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

The effect on the Company's consolidated statement of operations and comprehensive income (loss) for the six months ended June 30, 2010 is as follows:

Six months ended June 30, 2010	Note	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Revenue:					
Transaction fees:					
Equity order flow and clearing	(e)	\$ 439	\$ –	\$ (439)	\$ –
Options and futures contracts	(e)	23	–	(23)	–
Subscription fees	(e)	1,776	–	(1,776)	–
Other	(e)	561	–	(561)	–
		2,799	–	(2,799)	2,799
Operating expenses:					
Compensation and related benefits	(c)	1,943	22	–	1,965
Telecommunication and datafeed services		2,112	–	–	2,112
Administrative and other	(d)	1,960	(15)	–	1,945
		6,015	7	–	6,022
Loss before the undernoted		(3,216)	(7)	–	(3,223)
Foreign exchange loss (gain)	(d)	106	(54)	–	52
Interest expense		1	–	–	1
Interest income		(2)	–	–	(2)
		105	(54)	–	51
Loss from continuing operations		(3,321)	47	–	(3,274)
Gain (loss) from discontinued operations	(d)	55	(247)	–	(192)
Loss for the period		(3,266)	(200)	–	(3,466)
Other comprehensive income (loss):					
Change in accumulated foreign currency translation adjustment:					
Continuing operations	(d)	–	(206)	–	(206)
Discontinued operations	(d)	–	107	–	107
		–	(99)	–	(99)
Total comprehensive loss		\$ (3,266)	\$ (299)	\$ –	\$ (3,565)

FRONTLINE TECHNOLOGIES INC.

(FORMERLY BELZBERG TECHNOLOGIES INC.)

Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

Notes to the reconciliations:

(a) Foreign currency translation:

Under Canadian GAAP, the Company classified its foreign operations as integrated foreign operations and the temporal method of translation whereby monetary items on the balance sheet were translated at prevailing exchange rate at end of the reporting period and non-monetary items were translated at the exchange rates prevailing at the applicable transaction dates. Foreign exchange gains and losses were charged to the statement of income for the period. Under IAS 21, *The Effects of Changes in Foreign Currency Rates* ("IAS 21"), an entity's functional currency is the currency of the primary economic environment in which it operates. The functional currency for the Company's U.S. operations is U.S. dollars and the translation to Canadian dollars on consolidation occurs using the current method whereby all assets and liabilities are translated at the closing rate at the end of the period. For the reporting periods, translation gains and losses resulting from the consolidation of foreign operations in the U.S. results in translation gains or losses being recognized in other comprehensive loss in the statement of loss and other comprehensive loss and a foreign currency translation loss being recognized as a separate component of shareholders' equity on the balance sheet.

The application of IAS 21 as at June 30, 2010 results in a \$336 decrease in equipment, a \$501 addition to deficit and a \$165 addition to the foreign currency translation reserve.

The application of IAS 21 as at December 31, 2010 results in a \$21 decrease in equipment, a decrease to deficit of \$504 and a \$525 negative addition to the foreign currency translation reserve.

FRONTLINE TECHNOLOGIES INC.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

(b) Stock-based compensation:

Under IFRS 2, each stock option grant must be accounted for as a separate arrangement with its own distinct fair value measurement. Compensation cost for each vesting tranche is recognized over its own distinct vesting period. Under Canadian GAAP, share based awards were permitted to be valued using a pooled approach and the expense could be amortized on a straight-line basis over the pooled vesting period of the awards.

The Company has adopted the option under IFRS 1, to apply IFRS 2 only to equity instruments granted after November 7, 2002 and that were unvested as at January 1, 2010.

The application of IFRS 2 as at June 30, 2010 results in a \$160 increase in contributed surplus and a corresponding increase to deficit.

The application of IFRS 2 during the 2010 fiscal year results in a \$179 increase in contributed surplus and a corresponding increase to deficit.

(c) Stock-based compensation adjustment:

The application of IFRS 2 during the three months ended June 30, 2010 results in an \$8 increase to stock-based compensation.

The application of IFRS 2 during the six months ended June 30, 2010 results in a \$22 increase to stock-based compensation.

The application of IFRS 2 during the year ended December 31, 2010 results in a \$41 increase to stock-based compensation.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

15. Explanation of transition to IFRS (continued):

(d) Change in foreign exchange rates:

The application of IAS 21 for the year ended December 31, 2010 results in a decrease of \$32 to depreciation of equipment, a \$658 increase to foreign exchange loss, a \$1,130 decrease to loss from discontinued operations, a \$1,157 addition to foreign currency translation loss for continuing foreign operations and a \$632 negative addition to foreign currency translation loss for discontinued foreign operations.

The application of IAS 21 for the three months ended June 30, 2010 results in a decrease of \$8 to depreciation of equipment, a \$491 decrease to foreign exchange loss, a \$964 decrease to loss from discontinued operations, a \$942 decrease to foreign currency translation loss for continuing foreign operations and a \$490 addition to foreign currency translation loss for discontinued foreign operations.

The application of IAS 21 for the six months ended June 30, 2010 results in a decrease of \$15 to depreciation of equipment, a \$54 decrease to foreign exchange loss, a \$247 increase to loss from discontinued operations, a \$107 decrease to foreign currency translation loss for continuing foreign operations and a \$206 addition to foreign currency translation loss for discontinued foreign operations.

(e) Presentation and other:

Financial statement presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP. The Company reclassified its disclosure of revenue to comply with IFRS requirements.

16. Segmented information:

Segment reporting is based on the Company's divisional operations. The breakdown by divisions mirrors the Company's internal reporting systems.

The Company operates in two principal segments within the information technology industry: Trading technologies and Outsourced network services. The Eliminations and Other category in the summary below includes corporate costs and other activities not directly allocable to segments.

FRONTLINE TECHNOLOGIES INC.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

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(Not audited or reviewed by the Company's external auditor)

16. Segmented information (continued):

(a) Trading technologies:

The Company provides trading technologies for order management and routing software for the financial services industry. The Company's customers, who include both broker-dealers and their customers, use the Company's trading software to buy and sell equities and stock options on a variety of exchanges, electronic markets and market makers.

(b) Outsourced network services:

The Company provides outsourced network services including IT infrastructure management, technical support, managed email and file hosting, disaster recovery planning and network sales; a suite of services designed to comprehensively meet the technology needs of, and offer "one stop shopping" for its professional, financial and investment banking clients.

Divisional segment information:

	Three months ended June 30, 2011		
	Trading Technologies	Outsourced Network Services	Total
Revenues from external customers	\$ 1,206	\$ 698	\$ 1,904
Expenses	2,996	976	3,972
Which includes:			
Depreciation and amortization	282	127	409
Other income (loss)			
Foreign exchange gain (loss)	(23)	-	(23)
Interest expense	(1)	(3)	(4)
Loss from continuing operations	\$ (1,814)	\$ (281)	\$ (2,095)

FRONTLINE TECHNOLOGIES INC.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

16. Segmented information (continued):

		Six months ended June 30, 2011			
		Trading Technologies	Outsourced Network Services	Total	
Revenues from external customers	\$	2,458	\$ 698	\$ 3,156	
Expenses		6,053	976	7,029	
Which includes:					
Depreciation and amortization		492	127	619	
Other income (loss)					
Foreign exchange gain (loss)		(55)	-	(55)	
Interest expense		(2)	(3)	(5)	
Loss from continuing operations	\$	(3,652)	\$ (281)	\$ (3,933)	
		Discontinued	Trading Technologies	Network Services	Total
Segment assets	\$	2,835	\$ 11,597	\$ 978	\$ 15,410
Segment liabilities		1,013	3,277	1,331	5,621

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Notes to Condensed Interim Consolidated Financial Statements (continued)
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(Not audited or reviewed by the Company's external auditor)

16. Segmented information (continued):

	Three months ended June 30, 2010		
	Trading Technologies	Outsourced Network Services	Total
Revenues from external customers	\$ 1,383	\$ -	\$ 1,383
Expenses	2,731	-	2,731
Which includes:			
Depreciation and amortization	350	-	350
Other income (loss)			
Foreign exchange gain (loss)	156	-	156
Loss from continuing operations	\$ (1,192)	\$ -	\$ (1,192)

	Six months ended June 30, 2010		
	Trading Technologies	Outsourced Network Services	Total
Revenues from external customers	\$ 2,799	\$ -	\$ 2,799
Expenses	6,022	-	6,022
Which includes:			
Depreciation and amortization	726	-	726
Other income (loss)			
Foreign exchange gain (loss)	(52)	-	(52)
Interest expense	(1)	-	(1)
Interest income	2	-	2
Loss from continuing operations	\$ (3,274)	\$ -	\$ (3,274)

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Notes to Condensed Interim Consolidated Financial Statements (continued)
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(Not audited or reviewed by the Company's external auditor)

16. Segmented information (continued):

	as at June 30, 2010		
	Trading Technologies	Outsourced Network Services	Total
Segment assets	\$ 19,352	\$ -	\$ 19,352
Segment liabilities	4,122	-	4,122

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Notes to Condensed Interim Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

Three and six months ended June 30, 2011 and 2010

(Not audited or reviewed by the Company's external auditor)

Shareholder Information

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Auditors	KPMG LLP Toronto, ON
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Legal Counsel	Gardiner Roberts LLP Toronto, ON
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Market	Toronto Stock Exchange	Symbol: FLC
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FRONTLINE TECHNOLOGIES INC.

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Notes to Condensed Interim Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts and where otherwise stated)

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(Not audited or reviewed by the Company's external auditor)

Board of Directors

Hoss Astaraki

Chairman and Chief Executive Officer

Justin Hughes

Managing Member of Philadelphia Financial of San Francisco

J. Cameron MacDonald

President and CEO of Goodwood Inc.

Stephen Sadler

Chairman and CEO of Enghouse Systems Limited

Keith R. Harris

Private Investor

Deborah Robinson

Managing Director and founder of Bay Street HR

OFFICERS

Hoss Astaraki

Chairman and Chief Executive Officer

David Evans

Chief Financial Officer