

Condensed Interim Consolidated Financial Statements
(In Canadian dollars)

FRONTLINE TECHNOLOGIES INC.
(FORMERLY BELZBERG TECHNOLOGIES INC.)

Three and nine months ended September 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)

	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,180	\$ 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	713	1,718
Prepaid expenses and other receivables	177	346
Securities borrowed	–	6,186
Assets held for sale (note 4)	2,262	–
	8,332	20,510
Equipment	1,028	1,075
Investments	–	30
Goodwill and intangible assets (note 5)	5,898	77
	–	–
Total assets	\$ 15,258	\$ 21,692
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	\$ 513	\$ –
Accounts payable and accrued liabilities	1,991	2,336
Payable to customers and correspondents	–	1,733
Deferred revenue	105	–
Securities loaned	–	6,186
Current portion of long-term debt (note 7)	200	–
Current portion of obligations under finance leases (note 8)	101	–
Liabilities held for sale (note 4)	573	–
Total current liabilities	3,483	10,255
Non-current liabilities:		
Long-term debt (note 7)	1,400	–
Obligations under finance leases (note 8)	91	–
Deferred revenue	17	–
Future income taxes	432	–
Total liabilities	5,423	10,255
Shareholders' equity:		
Share capital (note 9)	2	23,612
Contributed surplus	4,589	4,570
Retained earnings (deficit)	5,475	(16,220)
Foreign currency translation reserve	(231)	(525)
Total shareholders' equity	9,835	11,437
Total liabilities and shareholders' equity	\$ 15,258	\$ 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 September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenue	\$ 1,923	\$ 1,259	\$ 5,079	\$ 4,058
Operating expenses:				
Compensation and related benefits (note 3)	1,429	931	4,013	2,896
Telecommunication and data-feed services	1,091	1,010	3,299	3,122
Administrative and other (note 3)	1,729	923	3,966	2,868
	4,249	2,864	11,278	8,886
Loss before the undernoted	(2,326)	(1,605)	(6,199)	(4,828)
Foreign exchange loss	51	58	106	110
Interest expense	12	–	17	1
Interest income	–	–	–	(2)
	63	58	123	109
Loss from continuing operations	(2,389)	(1,663)	(6,322)	(4,937)
Income (loss) from discontinued operations (note 4)	1,900	(97)	1,491	(289)
Loss for the period	(489)	(1,760)	(4,831)	(5,226)
Other comprehensive income (loss):				
Change in accumulated foreign currency translation adjustment:				
Continuing operations	(823)	308	(1,725)	102
Discontinued operations	1,344	(733)	2,019	(626)
	521	(425)	294	(524)
Total comprehensive income (loss)	\$ 32	\$ (2,185)	\$ (4,537)	\$ (5,750)
Loss per share:				
Loss from continuing operations per common and Class A Restricted share - basic and diluted	\$ (0.10)	\$ (0.11)	\$ (0.32)	\$ (0.34)
Loss per common and Class A Restricted share - basic and diluted	(0.02)	(0.12)	(0.25)	(0.36)
Weighted average number of common and Restricted Class A outstanding shares (in thousands)	22,520	14,638	19,530	14,650

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)

Nine months ended September 30, 2011 and the year ended December 31, 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	–	–	19	–	–	19
Loss for the period	–	–	–	(4,831)	–	(4,831)
Reduction of stated capital	(2,915)	(23,611)	–	26,526	–	–
Exchange differences arising on translation of foreign operations	–	–	–	–	294	294
Balance, September 30, 2011	\$ 1	\$ 1	\$ 4,589	\$ 5,475	\$ (231)	\$ 9,835

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 Cash Flows

(In thousands of Canadian dollars)

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (489)	\$ (1,760)	\$ (4,831)	\$ (5,226)
Income (loss) from discontinued operations	1,900	(97)	1,491	(289)
Loss from continuing operations	(2,389)	(1,663)	(6,322)	(4,937)
Adjusted for:				
Depreciation of equipment	280	291	764	971
Amortization of intangible assets	114	23	247	69
Unrealized foreign exchange (gain) loss	170	(417)	(371)	206
Interest expense	12	—	17	1
Interest income	—	—	—	(2)
Stock-based compensation	14	68	19	237
Changes in non-cash working capital items	1,009	(214)	1,473	(1,593)
Interest paid	(12)	—	(17)	(1)
Interest received	—	—	—	2
	(802)	(1,912)	(4,190)	(5,047)
Financing activities:				
Issuance of bank indebtedness	345	—	362	—
Repayment of obligations under finance leases	(24)	—	(45)	—
Repayment of long-term debt	(280)	—	(280)	—
Issuance of Class A restricted shares	—	—	2,916	—
Repurchase of common shares	—	—	—	(67)
	41	—	2,953	(67)
Investing activities:				
Acquisition of business	—	—	(3,916)	—
Acquisition of equipment	—	(51)	(260)	(422)
	—	(51)	(4,176)	(422)
Net decrease in cash and cash equivalents from continuing operations	(761)	(1,963)	(5,413)	(5,536)
Net increase (decrease) in cash and cash equivalents from discontinued operations	2,033	214	2,274	(1,321)
Net change in cash and cash equivalents	1,272	(1,749)	(3,139)	(6,857)
Cash and cash equivalents, beginning of period	3,908	10,562	8,319	15,670
Cash and cash equivalents, end of period	\$ 5,180	\$ 8,813	\$ 5,180	\$ 8,813

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 nine months ended September 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 and nine months ended September 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 3, 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. Significant accounting policies:

(a) Statement of compliance:

These 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. These interim condensed consolidated financial statements should be read in conjunction with the accounting policies as disclosed in note 3 of the

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 nine months ended September 30, 2011 and 2010

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

2. Significant accounting policies (continued):

Corporation's interim condensed consolidated financial statements as at and for the three months ended June 30, 2011.

In addition, these condensed 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 13 to these condensed 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.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 10, 2011.

(b) Basis of preparation:

These interim condensed consolidated financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under accounting standards and as set out in the relevant accounting policies. The interim condensed consolidated financial statements are prepared in thousands of Canadian dollars.

Certain comparative amounts have been reclassified to conform to the current period's presentation. The reclassification affected the presentation of certain revenue, expense, assets and liabilities amounts on the Condensed interim consolidated statements of operations and comprehensive income (loss), the Condensed consolidated statements of financial position and the Condensed consolidated statements of cash flows and had no impact on loss for the period, net income (loss), and the Condensed consolidated statements of changes in equity.

(c) Going concern:

The Company's loss for the nine months ended September 30, 2011 amounted to \$4,831, (year ended December 31, 2010 - \$7,036) and had available cash and cash equivalents of \$5,180 from continuing operations (year ended December 31, 2010 - \$8,319). The

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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 nine months ended September 30, 2011 and 2010

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

2. Significant accounting policies (continued):

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.

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. During the quarter, the Company received U.S. \$1,800 pursuant to the referral of clients of Robert C. Sheehan & Associates, LLC (note 4).

(d) Future accounting changes:

The IASB has amended IAS 1 *Presentation of Financial Statements* ("IAS 1"). 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 Accounting Standard 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.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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2. Significant accounting policies (continued):

The IASB issued IFRS Accounting Standard 10 *Consolidated Financial Statements* ("IFRS 10"), 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 Accounting Standard 13 *Fair Value Measurement* ("IFRS 13"), 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.

3. 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 \$1,000 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.

The Company believes that the Frontline 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:

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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 nine months ended September 30, 2011 and 2010

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

3. Business acquisition (continued):

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
	<u>\$ 3,916</u>
Consideration transferred:	
Cash	\$ 1,000
Equity instruments (7,882 Class A restricted shares at \$0.37 per share)	2,916
	<u>\$ 3,916</u>

Included in compensation and related benefits for continuing operations are restructuring expenses of nil and \$390 for the three and nine months period ended September 30, 2011 respectively. There was a \$221 recovery of restructuring charges that were originally expensed during 2009 in the nine months ended September 30, 2010 and nil in the three month period ended September 30, 2010. Included in administrative and other expenses for continuing operations are acquisition related costs of \$41 and \$301 for the three months and nine months ended September 30, 2011 (nil for 2010). Also included in administrative and other expenses for continuing operations are restructuring expenses of \$341 for the three and nine months ended September 30, 2011 (2010 – nil).

4. 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 Robert C. Sheehan & Associates, LLC, to a third party trade execution provider, ConvergEx Group, LLC ("ConvergEx"). During the quarter, the Company entered into an agreement amending the terms of their original agreement entered into on February 23, 2011 to refer most of the clients of its United States execution businesses operated by its wholly-owned subsidiaries, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC, to wholly-owned subsidiaries of ConvergEx.

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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)

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

Under the amended terms, ConvergeX paid to the Company US\$1,800 in full satisfaction of all its obligations under the Agreement. The Company will be released from all of its obligations under the agreement except for certain restrictive covenants including those relating to the referred clients of Robert C. Sheehan & Associates, LLC and certain representations made with respect to the referred clients of Robert C. Sheehan & Associates, LLC. The operations of Electronic Brokerage Systems LLC continue to be classified as a discontinued operation until Management has reviewed its options with respect to this business.

The assets and liabilities related to Electronic Brokerage Systems LLC and the residual assets of Robert C. Sheehan & Associates, 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 on deposit with clearing and depository organizations	\$ 1,011
Accounts receivable	659
Prepaid expenses and other receivables	71
Equipment	464
Intangible assets	57
Total assets	\$ 2,262

Liabilities of disposal group classified as held for sale:

Accounts payable and accrued liabilities	\$ 573
Total liabilities	\$ 573

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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 nine months ended September 30, 2011 and 2010

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

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

The results of discontinued operations are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenue	\$ 1,028	\$ 2,173	\$ 3,112	\$ 9,182
Gain on referral of U.S. clients	1,791	–	1,791	–
Expenses	(919)	(2,270)	(3,412)	(9,471)
Income (loss) from discontinued operations	\$ 1,900	\$ (97)	\$ 1,491	\$ (289)
Income (loss) per share - basic and diluted	\$ 0.09	\$ (0.01)	\$ 0.07	\$ (0.02)

Included in expenses from discontinued operations are restructuring expenses of \$56 and \$389 for the three months and nine months period ended September 30, 2011, respectively (nil for 2010).

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010

Cash flows from discontinued operations:

Net cash from (used in) operating activities	\$ 2,033	\$ 251	\$ 2,532	\$ (1,278)
Net cash used in investing activities	–	(37)	(258)	(43)
Effect on cash flows	\$ 2,033	\$ 214	\$ 2,274	\$ (1,321)

5. 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 September 30, 2011	\$ 4,282	\$ 2,052	\$ 6,334

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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 nine months ended September 30, 2011 and 2010

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

5. Goodwill and intangible assets (continued):

	Goodwill	Computer Software	Total
Accumulated amortization and impairment			
Balance, January 1, 2010	\$ —	\$ 307	\$ 307
Additions	—	124	124
Balance, December 31, 2010	—	431	431
Additions	—	180	180
Transfers and other	—	(175)	(175)
Balance, September 30, 2011	\$ —	\$ 436	\$ 436
Net book value, September 30, 2011	\$ 4,282	\$ 1,616	\$ 5,898

6. Bank indebtedness and credit facility:

	September 30, 2011	December 31, 2010
Bank indebtedness	\$ 513	\$ —
	\$ 513	\$ —

The Company's subsidiary, Frontline Technologies Corporation, has a credit facility with a Canadian chartered bank. The \$700 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 September 30, 2011 was \$513 (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. \$10,000 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 September 30, 2011 was \$nil (December 31, 2010 - \$nil).

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

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7. Long-term debt:

Long-term debt consists of the following:

	September 30, 2011	December 31, 2010
Purchase financing of computer software non-interest bearing and payable in various lump sum payments due January 2016	\$ 1,600	\$ —
	\$ 1,600	\$ —

Principal repayment requirements are as follows:

2012	\$ 200
2014	1,000
2016	400
	\$ 1,600

8. Obligations under finance leases:

	September 30, 2011	December 31, 2010
Obligations under finance leases	\$ 192	\$ —
	\$ 192	\$ —

Obligations under finance lease have implicit interest rates ranging from 13.84% to 26.51% 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 months ended September 30, 2011 on obligations under finance lease amounted to approximately \$8 (2010 - \$nil). Interest paid during the nine months ended September 30, 2011 on obligations under finance lease amounted to approximately \$11 (2010 - \$nil).

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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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8. Obligations under finance leases (continued):

Minimum lease payments due are as follows:

2011	\$	31
2012		122
2013		64
2015		6
	\$	223
Less: Amount representing interest		31
Less: Current portion		101
	\$	91

9. 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 a proposed payment of the U.S. special distribution described below Note 9(f).

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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 nine months ended September 30, 2011 and 2010

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9. Share Capital (continued):

(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, September 30, 2011	14,638	\$ 1

Class A restricted shares:

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

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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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9. Share Capital (continued):

(c) Loss per share:

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Numerator:				
Loss for the period available to common and Class A restricted shareholders	\$ (489)	\$ (1,760)	\$ (4,831)	\$ (5,226)
Denominator (in thousands):				
Weighted average number of equivalent common and Class A restricted shares outstanding – basic and diluted	22,520	14,638	19,530	14,650
Loss per common and Class A restricted share: Basic and diluted	\$ (0.02)	\$ (0.12)	\$ (0.25)	\$ (0.36)

During the three months and nine months ended September 30, 2011, options to purchase 1,395,000 common shares (2010 – 1,187,000) 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.

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9. Share Capital (continued):

(d) Stock options:

A summary of the Company's stock option activity for the period ended September 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	(538)	1.03
Expired	(55)	8.65
Outstanding, September 30, 2011	1,395	1.42
Options exercisable at September 30, 2011	698	\$ 2.35

(e) Share-based compensation:

The Company recorded compensation expense for the three months ended September 30, 2011 of \$14 (2010 - \$62) and for the nine months ended September 30, 2011 of \$19 (2010 - \$209). These amounts are included in compensation and related benefits. There were no options granted in the three months ended September 30, 2011 and 2010.

The weighted average grant date fair value for employee and director options granted during the nine months ended September 30, 2011 was \$0.21 per share (nine months ended September 30, 2010 - \$0.25 per share). There were no options granted during the three months ended September 30, 2011 and 2010).

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9. Share capital (continued):

These options were valued using the following weighted average assumptions:

	Three months ended September 30,		Nine months ended September 31,	
	2011	2010	2011	2010
Risk-free interest rate	—	—	2.13%	2.65%
Expected life of the options in years	—	—	5	5
Expected volatility	—	—	65.4%	57.7%

(f) 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 \$2,750 plus the net proceeds received for the referral of the U.S. execution clients described in Note 4. As a result of the amendment to the terms of the referral agreement, the Board of Directors and Management of the Company are assessing the Company's options, including with respect to Electronic Brokerage Systems, LLC and its business, and the related effect on its ability to pay a special distribution to the holders of its common shares.

10. 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

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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10. Capital disclosures (continued):

back shares or issue debt. The Company does not presently utilize any quantitative measures to monitor its capital.

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. \$250 or 6-2/3% of aggregate indebtedness, as defined.

As at September 30, 2011, Electronic Brokerage Systems, LLC had net capital of U.S. \$3,331 and a net capital requirement of U.S. \$250.

11. 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, deferred revenue, long term debt 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. 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, deferred revenue, long term debt 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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Notes to Condensed Interim Consolidated Financial Statements (continued)

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11. 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 September 30, 2011, \$204 of the Company's accounts receivable were past due. Subsequent to September 30, 2011, \$55 of the past due amount was collected and the remaining balance of \$149 has been fully provided. All of the Company's receivables have been reviewed for indicators of impairment.

At September 30, 2011, two customers accounted for approximately 29% of total accounts receivable in continuing operations (September 30, 2010 - two customers for 44%). For the three months ended September 30, 2011 three customers accounted for 21% (three months ended September 30, 2010 – three customers for 41%) and for the nine months ended September 30, 2011, three customers accounted for 29% of total revenue for continuing operations (for the nine months ended September 30, 2010 – three customers for 39%).

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11. 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 September 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 nine months ended September 30, 2011 and foreign currency translation reserve as at September 30, 2011 of approximately \$50.

(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 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 three and nine months ended September 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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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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12. 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)

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

Three and nine months ended September 30, 2011 and 2010

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13. Explanation of transition to IFRS:

The condensed interim consolidated financial statements for the nine months ended September 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, *First-time Adoption of International Financial Reporting Standards* ("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, *Business Combinations* ("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.

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

13. 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 nine months ended September 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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13. 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			September 30, 2010		
	Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS
Assets						
Current assets:						
Cash and cash equivalents	\$ 8,319	\$ -	\$ 8,319	\$ 8,813	\$ -	\$ 8,813
Cash segregated under regulations and other	2,143	-	2,143	1,924	-	1,924
Cash and cash equivalents on deposit with clearing and depository organizations	1,630	-	1,630	1,404	-	1,404
Receivable from brokers, dealers and clearing organizations	168	-	168	509	-	509
Accounts receivable	1,718	-	1,718	1,867	-	1,867
Prepaid expenses and other receivables	346	-	346	538	-	538
Securities borrowed	6,186	-	6,186	-	-	-
	20,510	-	20,510	15,055	-	15,055
Equipment (a)	1,096	(21)	1,075	1,241	(23)	1,218
Investments	30	-	30	30	-	30
Long-term investment tax credits recoverable	-	-	-	144	-	144
Intangible assets	77	-	77	41	-	41
	\$ 21,713	\$ (21)	\$ 21,692	\$ 16,511	\$ (23)	\$ 16,488
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 2,336	\$ -	\$ 2,336	\$ 1,643	\$ -	\$ 1,643
Payable to customers and correspondents	1,733	-	1,733	1,368	-	1,368
Payable to brokers, dealers and clearing organization	-	-	-	28	-	28
Securities loaned	6,186	-	6,186	-	-	-
	10,255	-	10,255	3,039	-	3,039
Shareholders' equity:						
Share capital	23,612	-	23,612	23,612	-	23,612
Contributed surplus (b)	4,391	179	4,570	4,328	166	4,494
Deficit (a),(b)	(16,545)	325	(16,220)	(14,468)	58	(14,410)
Foreign currency translation reserve (a)	-	(525)	(525)	-	(247)	(247)
	11,458	(21)	11,437	13,472	(23)	13,449
	\$ 21,713	\$ (21)	\$ 21,692	\$ 16,511	\$ (23)	\$ 16,488

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13. Explanation of transition to IFRS (continued):

The effect on the Company's Consolidated Statements 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 gain (loss)	(d)	434	(658)	–	(224)
Interest expense		(4)	–	–	(4)
Interest income		2	–	–	2
		432	(658)	–	(226)
Loss from continuing operations		(5,905)	(667)	–	(6,572)
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)

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13. Explanation of transition to IFRS (continued):

The effect on the Company's Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss) for the three months ended September 30, 2010 is as follows:

Three months ended September 30, 2010	Note	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Revenue:					
Transaction fees:					
Equity order flow and clearing	(e)	\$ 176	\$ —	\$ (176)	\$ —
Options and futures contracts	(e)	19	—	(19)	—
Subscription fees	(e)	803	—	(803)	—
Other	(e)	261	—	(261)	—
		1,259	—	(1,259)	1,259
Operating expenses:					
Compensation and related benefits	(c)	924	7	—	931
Telecommunication and datafeed services		1,010	—	—	1,010
Administrative and other	(d)	930	(7)	—	923
		2,864	—	—	2,864
Loss before the undernoted		(1,605)	—	—	(1,605)
Foreign exchange gain (loss)	(d)	253	(311)	—	(58)
Loss from continuing operations		(1,352)	(311)	—	(1,663)
Loss from discontinued operations	(d)	(804)	707	—	(97)
Loss for the period		(2,156)	396	—	(1,760)
Other comprehensive income (loss):					
Change in accumulated foreign currency translation adjustment:					
Continuing operations	(d)	—	308	—	308
Discontinued operations	(d)	—	(733)	—	(733)
		—	(425)	—	(425)
Total comprehensive loss		\$ (2,156)	\$ (29)	\$ —	\$ (2,185)

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13. Explanation of transition to IFRS (continued):

The effect on the Company's Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss) for the nine months ended September 30, 2010 is as follows:

Nine months ended September 30, 2010	Note	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Revenue:					
Transaction fees:					
Equity order flow and clearing	(e)	\$ 615	\$ –	\$ (615)	\$ –
Options and futures contracts	(e)	42	–	(42)	–
Subscription fees	(e)	2,579	–	(2,579)	–
Other	(e)	822	–	(822)	–
		4,058	–	(4,058)	4,058
Operating expenses:					
Compensation and related benefits	(c)	2,867	29	–	2,896
Telecommunication and datafeed services		3,122	–	–	3,122
Administrative and other	(d)	2,890	(22)	–	2,868
		8,879	7	–	8,886
Loss before the undernoted		(4,821)	(7)	–	(4,828)
Foreign exchange gain (loss)	(d)	147	(257)	–	(110)
Interest expense		(1)	–	–	(1)
Interest income		2	–	–	2
		148	(257)	–	(109)
Loss from continuing operations		(4,673)	(264)	–	(4,937)
Loss from discontinued operations	(d)	(749)	460	–	(289)
Loss for the period		(5,422)	196	–	(5,226)
Other comprehensive income (loss):					
Change in accumulated foreign currency translation adjustment:					
Continuing operations	(d)	–	102	–	102
Discontinued operations	(d)	–	(626)	–	(626)
		–	(524)	–	(524)
Total comprehensive loss		\$ (5,422)	\$ (328)	\$ –	\$ (5,750)

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13. 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 recorded in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss). 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 Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss) and a foreign currency translation loss being recognized as a separate component of shareholders' equity on the Condensed Interim Consolidated Statements of Financial Position.

The application of IAS 21 as at September 30, 2010 results in a \$23 decrease in equipment, a \$224 decrease to deficit and a \$247 reduction 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.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

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13. 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 September 30, 2010 results in a \$166 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 September 30, 2010 results in a \$7 increase to stock-based compensation.

The application of IFRS 2 during the nine months ended September 30, 2010 results in a \$29 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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(Not audited or reviewed by the Company's external auditor)

13. 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 included in Administrative and other expenses, a \$658 increase to foreign exchange loss, a \$1,130 decrease to loss from discontinued operations, a \$632 reduction of foreign currency translation loss for continuing foreign operations and a \$1,157 addition to foreign currency translation loss for discontinued foreign operations.

The application of IAS 21 for the three months ended September 30, 2010 results in a decrease of \$7 to depreciation of equipment included in Administrative and other expenses, a \$311 decrease to foreign exchange loss, a \$707 increase to loss from discontinued operations, a \$308 decrease to foreign currency translation loss for continuing foreign operations and a \$733 increase to foreign currency translation loss for discontinued foreign operations.

The application of IAS 21 for the nine months ended September 30, 2010 results in a decrease of \$22 to depreciation of equipment included in Administrative and other expenses, a \$257 decrease to foreign exchange loss, a \$460 increase to loss from discontinued operations, a \$102 decrease to foreign currency translation loss for continuing foreign operations and a \$626 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.

14. 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.

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 nine months ended September 30, 2011 and 2010

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

14. 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.

The following tables present selected financial results for the business segments for the three and nine months ended September 30, 2011 and 2010.

Divisional segment information:

	Three months ended September 30, 2011		
	Trading Technologies	Outsourced Network Services	Total
Revenues from external customers	\$ 1,083	\$ 840	\$ 1,923
Expenses	3,021	1,228	4,249
Which includes:			
Depreciation and amortization	257	137	394
Other income (loss)			
Foreign exchange gain (loss)	(50)	(1)	(51)
Interest expense	(2)	(10)	(12)
Loss from continuing operations	\$ (1,990)	\$ (399)	\$ (2,389)

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 nine months ended September 30, 2011 and 2010

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

16. Segmented information (continued):

	Three months ended September 30, 2010		
	Trading Technologies	Outsourced Network Services	Total
Revenues from external customers	\$ 1,259	\$ -	\$ 1,259
Expenses	2,864	-	2,864
Which includes:			
Depreciation and amortization	291	-	291
Other income (loss)			
Foreign exchange gain (loss)	(58)	-	(58)
Loss from continuing operations	\$ (1,663)	\$ -	\$ (1,663)

	Nine months ended September 30, 2010		
	Trading Technologies	Outsourced Network Services	Total
Revenues from external customers	\$ 4,058	\$ -	\$ 4,058
Expenses	8,886	-	8,886
Which includes:			
Depreciation and amortization	971	-	971
Other income (loss)			
Foreign exchange gain (loss)	(110)	-	(110)
Interest expense	(1)	-	(1)
Interest income	2	-	2
Loss from continuing operations	\$ (4,937)	\$ -	\$ (4,937)

	as at September 30, 2010		
	Trading Technologies	Outsourced Network Services	Total
Segment assets	\$ 16,488	\$ -	\$ 16,488
Segment liabilities	3,039	-	3,039