Q2 CANACCORD CAPITAL INC.

REPORTS FISCAL SECOND QUARTER 2010 RESULTS

SECOND QUARTER FISCAL 2010 REPORT TO SHAREHOLDERS

REPORTING PROFITABLE QUARTER AND REINSTATEMENT OF DIVIDEND

(All dollar amounts are stated in Canadian dollars unless otherwise indicated)

VANCOUVER, **November 5, 2009** – Canaccord Capital Inc.'s revenue for the second quarter of fiscal year 2010, ended September 30, 2009, was $123.7 million, up 11.6% from the same quarter last year, but down 10.0% from the previous quarter. Net income for the second quarter was $6.7 million, up compared to a net loss of $5.4 million during the same quarter last year, but down 26.0% compared to the previous quarter. Diluted earnings per share (EPS) for fiscal Q2/10 were $0.12, compared to diluted loss per share of $0.11 in Q2/09 and diluted EPS of $0.16 the previous quarter. Commenting on the quarter, Paul Reynolds, President and CEO, said, "After another profitable quarter, we are pleased to be reinstating our dividend in order to share the rewards of our strong performance. As part of our continued evolution as Canaccord Financial Inc., we will remain committed to putting our clients first, controlling our costs and delivering superior value for all our shareholders."

Second quarter 2010 vs. second quarter 2009

- Revenue of $123.7 million, up 11.6% or $12.9 million from $110.8 million
- Expenses of $115.9 million, up 0.1% or $0.1 million from $115.8 million
- Net income of $6.7 million compared to net loss of $5.4 million
- Annualized return on equity (ROE) of 6.9%, up from (5.0)%
- Diluted EPS of $0.12 compared to diluted loss per share of $0.11

Second quarter 2010 vs. first quarter 2010

- Revenue of $123.7 million, down 10.0% or $13.8 million from $137.5 million
- Expenses of $115.9 million, down 4.6% or $5.6 million from $121.5 million
- Net income of $6.7 million compared to net income of $9.1 million
- Annualized ROE of 6.9%, down from 9.7%
- Diluted EPS of $0.12 compared to diluted EPS of $0.16 in the first quarter of 2010

First-half of fiscal 2010 (six months ended September 30, 2009) vs. first-half of fiscal 2009 (six months ended September 30, 2008)

- Revenue of $261.2 million, down 7.9% or $22.3 million from $283.5 million
- Expenses of $237.4 million, down 10.4% or $27.6 million from $265.0 million
- Net income of $15.9 million compared to net income of $11.1 million
- Annualized ROE of 8.3%, up from 5.3%
- Diluted EPS of $0.28 compared to diluted EPS of $0.21 in the first half of fiscal 2009

NOTE: Canaccord Capital Inc. will change its name to Canaccord Financial Inc. on December 1, 2009.

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CANACCORD Financial

Financial condition at end of second quarter 2010 vs. second quarter 2009

- Cash and cash equivalents balance of $709.5 million, up $188.2 million from $521.3 million
- Working capital of $307.2 million, down $1.2 million from $308.4 million
- Total shareholders' equity of $388.2 million, down $26.1 million from $414.3 million
- Book value per diluted common share for the period end was $6.78, down 5.2% or $0.37 from $7.15
- On November 4, 2009 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on December 10, 2009 with a record date of November 20, 2009. The reinstatement of the quarterly dividend is an indication of the Board's confidence in Canaccord's improved business environment.

Highlights of operations:

- Canaccord Adams led or co-led 33 transactions globally to raise total proceeds of $735.6 million (1) during fiscal Q2/10.
- Canaccord Adams participated in a total of 77 transactions globally to raise total proceeds of $9.1 billion (1) during fiscal Q2/10.
- During Q2/10, Canaccord Adams led or co-led the following equity fundraising transactions:
  - US$336.0 million for Green Mountain Coffee Roasters Inc. on the NASDAQ
  - C$125.1 million for Aura Minerals on the TSX
  - C$105.0 million for Bayou Bend Petroleum Ltd. on the TSX Venture
  - US$86.3 million for Orexigen Therapeutics, Inc. on the NASDAQ
  - US$84.5 million for Horsehead Holding Corp. on the NASDAQ
  - £35.0 million for Xchanging Plc. on the LSE.
- Canaccord continued to rank first in Canada for block trading market share on the TSX Venture, with 15.4% of market share in Q2/10, up from 6.5% in Q2/09. (2)
- Canaccord Adams completed four Private Investment in Public Equity (PIPE) transactions in the U.S. that raised US$202.4 million in proceeds during fiscal Q2/10. (3)
- Assets under administration of $11.4 billion, down 1.7% from $11.6 billion at the end of Q2/09, and up 10.1% from $10.3 billion at the end of Q1/10.
- Assets under management of $453 million, down 25.6% from $609 million at the end of Q2/09, and up 2.3% from $443 million at the end of Q1/10.
- At the end of fiscal Q2/10 (September 30, 2009), Canaccord had 334 Advisory Teams (4), down 7 from 341 Advisory Teams as of September 30, 2008, and down one Advisory Team from 335 teams as of June 30, 2009. The decrease is largely due to a strategic review of our Wealth Management division.
- On September 23, 2009, Canaccord Adams Limited (Canaccord's UK subsidiary) announced the acquisition of Intelli Partners Limited and its wholly owned subsidiary, Intelli Corporate Finance Limited – a corporate advisory and broking boutique focused on investment companies and the asset management sector. As a result of this acquisition, which closed October 1, Canaccord Adams now has an office in Edinburgh, Scotland.
- On September 29, 2009, Canaccord Capital Inc. announced the Company's Board of Directors approved the change of its name to Canaccord Financial Inc., effective December 1, 2009. This new company name better reflects the broad scope and diversity of Canaccord's operations and positions our brand to accommodate future growth.

Subsequent to September 30, 2009:

- On October 2, 2009, Canaccord announced the rebranding of the Private Client Services division as Canaccord Wealth Management. This new brand more accurately describes the scope and focus of Canaccord's offerings for individual investors.
- Canaccord Wealth Management welcomed three new branches operating under the Independent Wealth Management (5) operating model: Gatineau, Quebec; Eglinton (Toronto), Ontario; and a second branch in Prince George, B.C. Additional branches are in the process of joining Canaccord Wealth Management under this model.

(1) Source: FPinfomart and Company information.
(2) Source: Canada Equity. Market share by trade volume.
(3) Source: Placement Tracker.
(4) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licenced for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book.
(5) Independent Wealth Management is a strategically complementary segment of Canaccord's Wealth Management division that enables advisors to operate as agents of Canaccord, while running their offices independently.

LETTER TO SHAREHOLDERS

I am pleased to report another profitable quarter for Canaccord. We achieved this good result despite decreased market activity during the summer months, and finished the second quarter of fiscal 2010 with growing momentum in both our businesses. Our confidence in Canaccord's financial strength, even in challenging market conditions, encouraged the Board to reinstate the Company's quarterly dividend at $0.05 per share for shareholders of record on November 4, 2009. We had suspended the dividend last year in order to protect Canaccord's capital and are pleased to again share the rewards of our performance with shareholders.

FINANCIAL OVERVIEW

Revenue for the three months ended September 30, 2009 was $124 million, an 11.6% increase from the second quarter of fiscal 2009. Ongoing cost containment enabled us to hold expenses effectively flat at $116 million. Of note, however, was a significant increase in year-over-year incentive compensation as a percentage of revenue. This increase was largely attributable to a substantial decrease in interest revenue compared to fiscal Q2 2009, which effectively increased the proportionate amount of revenue that forms the basis for incentive compensation.

Net income for the three months was $6.7 million compared to a net loss of $5.4 million for the same period last year. Diluted earnings per share were $0.12 for the quarter, a meaningful turnaround from the net loss of $0.11 for the same quarter last year. Our annualized return on equity at 6.9% for the second quarter of fiscal 2010 remains well below our business-cycle target of 20%, but is still a significant improvement from the negative 5% for the comparable quarter last year.

With this quarter's results, we are enhancing the transparency of Canaccord's Supplementary Financial Information by disclosing the impact of allocated costing on each division's income. This is intended to provide a broader view of our operating performance to all Canaccord employees and shareholders. The outcome of this evolving supplemental financial reporting is that our Capital Markets operations were profitable in the second quarter while Wealth Management was not profitable after intersegment cost allocations from Corporate and Other.

CANACCORD ADAMS

Our capital markets and trading teams combined to deliver solid results for the three months ending September 30, 2009. Canaccord Adams posted total revenues of $78.5 million, a 34.5% gain over the prior year result. After intersegment cost allocations from Corporate and Other, Canaccord Adams' income was $12.3 million for the second fiscal quarter, an increase of $17.1 million from the loss of the comparable quarter.

In Canada, Canaccord Adams delivered a solid quarter despite the seasonal decrease in business activity. Our teams led or co-led 33 transactions globally that raised total proceeds of $736 million for our clients. Notable among the highlights on page two of this report are three equity transactions: C$125 million for Aura Minerals on the TSX; C$105 million for Bayou Bend Petroleum on the TSX Venture; and US$86 million for Orexigen Therapeutics on the NASDAQ exchange. Additionally, several large transactions closed just after quarter end and many others remain in the pipeline, suggesting that the resurgence of momentum we saw in September will continue for the balance of the calendar year.

European markets have yet to recover with the same energy as those in North America, resulting in a very slow, and unprofitable, three months for Canaccord Adams' UK operations. The division's new president, Giles Fitzpatrick, is continuing to focus on renewing our sales, trading and research in London, which we expect to enhance the strength of our banking operations with improved global distribution. During the quarter, we worked on acquiring Intelli Partners Limited, a team of professionals based in London and Edinburgh with recognized expertise in investment companies and the asset management sector. The purchase closed on October 1 and we expect the group to round out Canaccord Adams' established sales trading and market-making capabilities in this sector under the direction of Angelo Sofocleous. In addition, this acquisition provides a platform for growth in the strategically significant Scottish market.

Canaccord Adams had a terrific quarter in the US, with strong business volumes through most of the three months. As a result, the unit turned in its best-ever quarterly performance, beating prior year revenue by nearly 70%. Canaccord Adams was the lead advisor on a significant joint venture between Metagenics and Alticor, two leaders in the branded supplement and medical food sector. We also co-led a US$336 million equity deal for Green Mountain Coffee. Both assignments indicate the growing diversification of our business beyond sectors Canaccord has traditionally served and the strength of our relationships and expertise in the US market. These and other transactions listed in the quarterly highlights added substantially to Canaccord Adams' income for the quarter.

Canaccord Wealth Management

We are committed to ensuring that Canaccord Wealth Management becomes a consistently profitable, value-creating division within the Canaccord family; admittedly, we are not there yet. Revenue for the three months ended September 30 totaled $40.1 million, a $3.7 million or 8.5% decline from the comparative quarter. After intersegment cost allocations from Corporate and Other, the quarterly loss in Canaccord Wealth Management was $3.3 million.

We are continuing to make investments in our quality improvement strategy at Canaccord Wealth Management. John Rothwell and his team have recently launched a dynamic, multi-faceted growth plan to ensure that Canaccord appeals to the increasing needs of more Canadian investors. The division's recent rebranding as Canaccord Wealth Management more accurately communicates our commitment to providing investors with the tools and advice they need to help manage all aspects of their wealth.

The new *Complete Canaccord* platform is our commitment to both our clients and our Investment Advisors to deliver tailored investment products and solutions that help achieve their goals for wealth creation, management and transfer. Along with enhancing our in-house wealth management expertise, we are also ensuring that IAs have an opportunity to deepen their own knowledge at Canaccord University through programs in areas such as practice management, product knowledge, and tools and technology.

While assets under administration (AUA) declined marginally year-over-year, compared to the first three months of the current fiscal year AUA advanced 10% to $11.4 billion. This is a good improvement, but still below the scale we need for profitable operations in the division. We have successfully recruited 32 teams of IAs over the past 10 months, and we are actively working to transition their client assets. We are aggressively recruiting IAs for both our conventional full-service model and for the new Independent Wealth Management (IWM) platform we announced last quarter. Subsequent to quarter end, we welcomed the first three branches under the IWM umbrella: Gatineau, Quebec; Toronto (Eglinton), Ontario; and a second branch in Prince George, B.C.

Looking ahead

At the end of the quarter, the Board approved a new name for our Company – Canaccord Financial Inc. The rebranding better reflects the broad scope of our operations, now and in the future, and it is an important step in the continual evolution of the firm. Evolution is a key concept at Canaccord. All of the initiatives currently underway – our growing share in the US, the expansion of our UK platform, the strategic realignment of our wealth management business, our undiminished focus on controlling costs – speak to Canaccord's commitment to evolve to serve the needs of our clients and to meet the expectations of our shareholders. We are optimistic about the direction of these changes and about Canaccord's ability to be a strong competitor in each of the markets and sectors we serve. And we are grateful to the dedicated men and women of Canaccord who are driving this evolution forward. It is only through their continuing efforts that we can sustain the very real gains that we are beginning to see.

Paul D. Reynolds
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal second quarter 2010 for the three months and six months ended September 30, 2009 – this document is dated November 5, 2009

The following discussion of the financial condition and results of operations for Canaccord Capital Inc. (Canaccord) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and six-month periods ended September 30, 2009 compared to the corresponding periods in the preceding fiscal year. The three- and six-month periods ended September 30, 2009 are also referred to as second quarter 2010, Q2/10, fiscal Q2/10 and first-half fiscal year 2010 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three- and six-month periods ended September 30, 2009, beginning on page 20 of this report; our Annual Information Form dated May 26, 2009; and the 2009 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2009 (Audited Annual Consolidated Financial Statements) in Canaccord's Annual Report dated May 20, 2009 (the Annual Report) as filed on SEDAR on May 26, 2009. There has been no material change to the information contained in the annual MD&A for fiscal 2009 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The financial information presented in this document is prepared in accordance with Canadian generally accepted accounting principles (GAAP) unless specifically noted. This MD&A is based on unaudited interim and Audited Annual Consolidated Financial Statements prepared in accordance with Canadian GAAP.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties detailed from time to time in Canaccord's interim and annual consolidated financial statements and its Annual Report and Annual Information Form filed on sedar.com. These forward-looking statements are made as of the date of this document, and Canaccord assumes no obligation to update or revise them to reflect new events or circumstances.

NON-GAAP MEASURES

Certain non-GAAP measures are utilized by Canaccord as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures included are return on average common equity (ROE), assets under administration (AUA), assets under management (AUM), expenses as a % of revenue, and book value per diluted share.

Canaccord's capital is represented by shareholders' equity and, therefore, management uses ROE as a performance measure.

AUA and AUM are non-GAAP measures of client assets that are common to the wealth management aspects of the private client services industry. AUA is the market value of client assets administered by Canaccord from which Canaccord earns commissions or fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Canaccord's method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses this measure to assess operational performance of the Wealth Management business segment. AUM includes all assets managed on a discretionary basis under our programs generally described as or known as the *Complete Canaccord Investment Counseling Program* and *Complete Canaccord Managed Accounts* (1). Services provided include the selection of investments and the provision of investment advice. AUM are also administered by Canaccord and are included in AUA.

BUSINESS OVERVIEW

Through its principal subsidiaries, Canaccord Capital Inc. (TSX & AIM: CCI) is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom and the United States. Canaccord is publicly traded on both the Toronto Stock Exchange (TSX) and AIM, a market operated by the London Stock Exchange (LSE). The Company has operations in two of the principal segments of the securities industry: capital markets and wealth management. Together, these operations offer a wide range of complementary investment banking services, investment products and brokerage services to Canaccord's institutional, corporate and private clients.

Canaccord's business is cyclical and experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond Canaccord's control. Our business is affected by the overall condition of the North American and European equity markets, including seasonal fluctuations.

(1) Previously known as Canaccord's Alliance Accounts and Private Investment Management.

Business environment

The profit-taking retreat in both the commodity and global equity prices of late June to early July was sharply reversed by the many positive earnings surprises and a resumption of US dollar weakness. A very strong relationship developed throughout the quarter, as a weak US dollar equalled higher commodity and equity prices to aggressive traders.

Consumer spending, especially in the US, remained an ongoing concern as the job picture showed only mild improvement. Corporations were able to raise record debt at very cheap interest levels in September, leading to renewed M&A activity. Many US corporations saw earnings benefit from severe job cuts and foreign currency gains; however, the real challenge was revenue growth.

The advance of many markets and sustained low interest rate levels were a result of the massive liquidity injected by central banks and governments. Risk tolerance was raised and credit markets returned to near normalcy. As more news on the US economy emerged, investors and the media focused on more positive future outcomes. The consensus view was that the worst was over for the economy and the markets. By mid-August, markets had so vigorously advanced that many markets experienced a pull-back.

The economies of many emerging nations recovered during the quarter, and in the case of China, growth resumed strongly. By quarter end many institutional investors underperformed and held too little exposure to equities. This sets the tone for a very interesting final quarter of calendar 2009.

Market data

The TSX, TSX Venture, and AIM all experienced year-over-year gains in trading volumes during fiscal Q2/10; however, volume on the NASDAQ fell by 24.1%. Compared to the previous quarter, the TSX Venture and AIM recorded an increase in trading volumes; however, the TSX and NASDAQ experienced a decline.

Financing values were up significantly on the TSX and TSX Venture and the NASDAQ compared to the same quarter last year, with increases of 268.5% and 240.0%, respectively. Compared to the previous quarter, financing values for the TSX and TSX Venture were up 37.2%, while the NASDAQ was up 70%. The AIM also experienced increases in financings compared to both the previous quarter and the same quarter last year.

Trading volume by exchange (billions of shares)

	July 2009	*August 2009*	*September 2009*	*Fiscal Q2/10*	*Change from fiscal Q2/09*	*Change from fiscal Q1/10*
TSX	8.7	8.6	11.0	28.3	10.1%	(14.5)%
TSX Venture	3.2	3.9	5.3	12.4	55.0%	11.7%
AIM	13.9	17.5	28.4	59.8	100.7%	8.1%
NASDAQ	15.2	13.5	15.1	43.8	(24.1)%	(9.7)%

Source: TSX Statistics, LSE AIM Statistics, Thomson One

Total financing value by exchange

	July 2009	*August 2009*	*September 2009*	*Fiscal Q2/10*	*Change from fiscal Q2/09*	*Change from fiscal Q1/10*
TSX and TSX Venture (C$ billions)	5.5	3.0	11.4	19.9	268.5%	37.2%
AIM (£ billions)	0.9	0.2	0.4	1.5	66.7%	36.4%
NASDAQ (US$ billions)	2.9	5.9	11.6	20.4	240.0%	70.0%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Financing value for relevant AIM industry sectors

(£ millions, except for percentage amounts)	*July 2009*	*August 2009*	*September 2009*	*Fiscal Q2/10*	*Change from fiscal Q2/09*	*Change from fiscal Q1/10*
Oil and gas	£ 121.9	£ 54.1	£ 149.7	£ 325.7	21.3%	15.9%
Mining	105.1	20.1	82.9	208.1	149.2%	75.6%
Pharmaceutical and Biotech	23.0	6.9	0.9	30.8	104.0%	(52.3)%
Media	35.4	14.1	3.2	52.7	n.m.	126.2%
Technology	15.3	18.4	4.2	37.9	3.6%	(34.3)%
Total (of relevant sectors)	**£ 300.7**	**£ 113.6**	**£ 240.9**	**£ 655.2**	**61.5%**	**20.2%**

Source: LSE AIM Statistics
n.m.: not meaningful

Financing value for relevant TSX and TSX Venture industry sectors

($ millions, except for percentage amounts)	*July 2009*	*August 2009*	*September 2009*	*Fiscal Q2/10*	*Change from fiscal Q2/09*	*Change from fiscal Q1/10*
Oil and gas	$ 948.5	$ 558.3	$ 762.9	$ 2,269.7	115.1%	(0.8)%
Mining	363.1	267.1	5,816.5	6,446.7	n.m.	n.m.
Biotech	4.1	–	–	4.1	(89.5)%	100.0%
Media	–	57.5	–	57.5	100.0%	100.0%
Technology	20.2	2.9	6.8	29.9	70.9%	(28.6)%
Total (of relevant sectors)	**$ 1,335.9**	**$ 885.8**	**$ 6,586.2**	**$ 8,807.9**	**n.m.**	**72.1%**

Source: FPinfomart
n.m.: not meaningful

ABOUT CANACCORD FINANCIAL INC.

An evolution of our Company

On September 29, 2009 we announced a rebranding initiative for Canaccord Capital Inc. As of December 1, 2009, we will emerge as Canaccord Financial Inc., listed under the stock symbols CF on the TSX and CF. on AIM.

Through its principal subsidiaries, Canaccord Capital Inc. (CCI) is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and global capital markets. Since the establishment of its business in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value through comprehensive investment solutions, brokerage services and investment banking services for our individual, institutional and corporate clients. Canaccord has 32 offices worldwide, including 24 Wealth Management offices located across Canada. Canaccord Adams, the international capital markets division, operates in the US, UK, Canada and Barbados. Canaccord Capital Inc. is publicly traded on both the Toronto Stock Exchange and AIM, a market operated by the London Stock Exchange.

Canaccord Adams

Canaccord Adams offers mid-market corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the United States and the United Kingdom.

- Canaccord's research analysts have deep knowledge of more than 600 companies across eight primary focus sectors: Mining and Metals, Energy, Technology, Life Sciences, Consumer, Real Estate, Infrastructure and Sustainability.
- Our Sales and Trading desk executes timely transactions for more than 1,500 institutional relationships around the world, operating as an integrated team.
- With more than 65 skilled investment bankers, Canaccord Adams provides clients with sector expertise, intimate knowledge and insight, and broad equity transaction and M&A advisory experience.
- Our Fixed Income Operations in Canada and the UK cover a wide range of money market instruments, federal crown corporations, strips, euros, US Pays, gilts and structured products, as well as federal, provincial and municipal bonds.

Revenue from Canaccord Adams is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations.

Canaccord Wealth Management

On September 29, 2009, Canaccord announced the rebranding of its Private Client Services division as Canaccord Wealth Management. As part of this initiative, the Company unveiled a new product strategy under the "Complete Canaccord" offering, providing Canaccord Wealth Management clients with a complete wealth strategy tailored to their specific investment objectives and financial, estate and tax planning needs. This new format for providing comprehensive financial solutions to clients is another example of Canaccord's continued commitment to meeting the diverse needs of our client base.

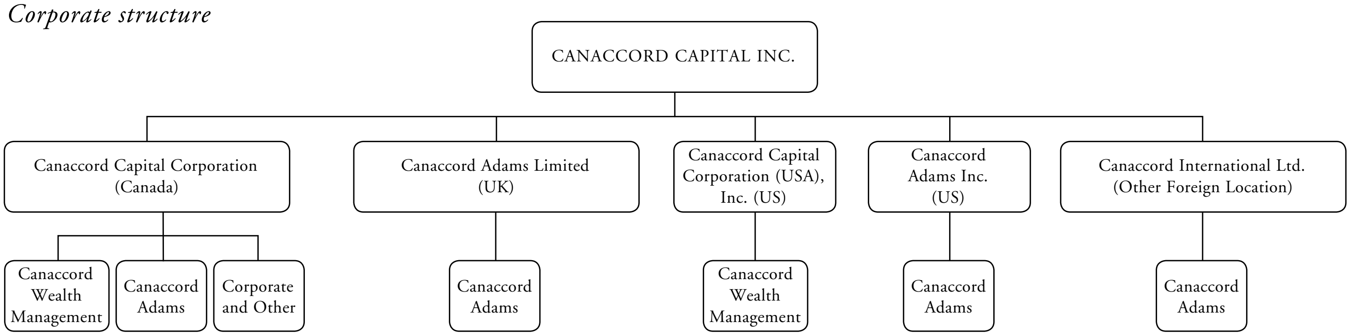
Canaccord Wealth Management also continued to deliver on its committment to providing superior training and education to Investment Advisors. A new personal and professional development platform, Canaccord University, was launched to support skill-building initiatives in the areas of products, technology and tools, and practice management. Advisors at Canaccord Wealth Management participate in both external and internal training opportunities to continually equip themselves to best serve our clients' financial needs. Many Canaccord Investment Advisors have completed the training required for advanced industry designations such as Chartered Financial Analyst or Certified Investment Manager.

Revenue from Canaccord Wealth Management is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by Advisory Teams in respect of investment banking and venture capital transactions by Wealth Management clients.

Corporate and Other

This segment, described as Corporate and Other, includes correspondent brokerage services, bank and other interest revenue, foreign exchange gains and losses, and expenses not specifically allocable to either the Canaccord Adams or Canaccord Wealth Management divisions. Also included in this segment are Canaccord's operations and support services, which are responsible for front and back-office information technology systems, compliance and risk management, operations, finance and all administrative functions.

Corporate structure



Consolidated operating results

Second quarter and first-half fiscal 2010 summary data [1]

(C$ thousands, except per share, employee and % amounts)	Three months ended September 30 2009	Three months ended September 30 2008	Quarter-over-quarter change	Six months ended September 30 2009	Six months ended September 30 2008	YTD-over-YTD change
Canaccord Capital Inc.						
Revenue						
Commission	$ **56,628**	$ 60,630	(6.6)%	$ **112,084**	$ 132,626	(15.5)%
Investment banking	**47,620**	34,024	40.0%	**103,506**	110,171	(6.0)%
Principal trading	**11,589**	87	n.m.	**23,059**	5,998	n.m.
Interest	**3,121**	11,734	(73.4)%	**6,597**	24,063	(72.6)%
Other	**4,786**	4,354	9.9%	**15,961**	10,679	49.5%
Total revenue	$ **123,744**	$ 110,829	11.6%	$ **261,207**	$ 283,537	(7.9)%
Expenses						
Incentive compensation	**63,966**	50,977	25.5%	**132,429**	133,704	(1.0)%
Salaries and benefits	**13,983**	14,195	(1.5)%	**27,785**	29,638	(6.3)%
Other overhead expenses [2]	**37,934**	50,633	(25.1)%	**77,137**	101,642	(24.1)%
Total expenses	$ **115,883**	$ 115,805	0.1%	$ **237,351**	$ 264,984	(10.4)%
Income (loss) before income taxes	**7,861**	(4,976)	n.m.	**23,856**	18,553	28.6%
Net income (loss)	**6,746**	(5,398)	n.m.	**15,858**	11,061	43.4%
Earnings (loss) per share – diluted	**0.12**	(0.11)	n.m.	**0.28**	0.21	33.3%
Return on average common equity	**6.9%**	(5.0)%	11.9p.p.	**8.3%**	5.3%	3.0p.p.
Book value per share – period end	**6.78**	7.15	(5.2)%			
Number of employees	**1,539**	1,688	(8.8)%			

(1) Data is considered to be GAAP except for ROE, book value per share and number of employees.
(2) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
p.p.: percentage points
n.m.: not meaningful

Geographic distribution of revenue for the second quarter of fiscal 2010 [1]

(C$ thousands, except % amounts)	Three months ended September 30 2009	Three months ended September 30 2008	Quarter-over-quarter change	Six months ended September 30 2009	Six months ended September 30 2008	YTD-over-YTD change
Canada	$ **79,190**	$ 80,775	(2.0)%	$ **167,124**	$ 189,673	(11.9)%
UK	**13,774**	13,096	5.2%	**34,700**	46,815	(25.9)%
US	**30,137**	18,284	64.8%	**57,316**	43,905	30.5%
Other Foreign Location	**643**	(1,326)	(148.5)%	**2,067**	3,144	(34.3)%
Total	$ **123,744**	$ 110,829	11.6%	$ **261,207**	$ 283,537	(7.9)%

(1) For a business description of Canaccord's geographic distribution please refer to the "About Canaccord Financial Inc." section on page 7.

Second quarter 2010 vs. second quarter 2009

On a consolidated basis, revenue is generated through five activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, principal trading, interest and other. Revenue for the three months ended September 30, 2009 was $123.7 million, an increase of 11.6% or $12.9 million compared to the same period a year ago.

For the second quarter of fiscal 2010, revenue generated from commissions decreased by $4.0 million to $56.6 million compared to the same period a year ago. This decrease was due to a $2.5 million commission revenue decline in our Canaccord Wealth Management segment and a $1.5 million drop in our Canaccord Adams segment.

Investment banking revenue was $47.6 million, an increase of $13.6 million or 40.0%, primarily due to stronger capital markets activity in the US. Revenue derived from principal trading was $11.6 million, an increase of $11.5 million mainly due to stronger market-making operation in our UK subsidiary.

Interest revenue was $3.1 million, which decreased by $8.6 million or 73.4% due to the drop in the number and size of margin accounts and lower interest rates.

Other revenue was $4.8 million, up $0.4 million or 9.9%, which was mainly attributed to an increase in foreign exchange gains in the quarter.

Second quarter revenue in Canada was $79.2 million, a decrease of 2.0% or $1.6 million from the same period a year ago. This change was due to a $3.5 million decline in revenue from our Corporate and Other segment and $3.4 million from our Canaccord Wealth Management segment. This was offset by a $5.3 million increase in revenue in the Canadian capital markets segment.

Revenue in the UK was $13.8 million, up 5.2% or $0.7 million compared to the same period a year ago. Revenue from Other Foreign Location was $0.6 million, an increase of $2.0 million. The growth in revenue was mainly attributed to principal trading activity during the quarter.

Revenue in the US was $30.1 million, up $11.9 million or 64.8% from Q2/09. Revenue improved significantly compared to Q2/09 because of favourable trends in the equity markets, changes in the competitive landscape and increased activity in respect of both public and private offerings and advisory work.

First-half fiscal year 2010 vs. first-half fiscal year 2009

Revenue for the six months ended September 30, 2009 was $261.2 million, down 7.9% or $22.3 million compared to the same period a year ago. Revenue generated from commissions decreased by 15.5% to $112.1 million compared to the prior year largely due to the significantly weaker market conditions during Q1/10 compared to Q1/09. The Q1/09 results were relatively stronger as this period was prior to the market disruption that occurred near the end of Q2/09.

Investment banking revenue was $103.5 million, representing a decrease of 6.0% primarily due to the lower financing activity in equity markets in our Canadian, UK and Other Foreign Location operations. This was offset by an increase in revenue in our US operations, comparing the first half of fiscal year 2010 to the first half of fiscal year 2009.

Principal trading experienced an increase of $17.1 million to $23.1 million compared to the same period last year. The increase in principal trading activity in our UK operations resulted in higher principal trading revenues in the first half of fiscal year 2010. Interest revenue was $6.6 million, down 72.6% due to a decrease in interest revenue from banks and clients as a result of lower interest rates and smaller margin accounts. Other revenue increased by $5.3 million to $16.0 million during the first-half fiscal year 2010 as a result of foreign exchange gains.

Year-to-date revenue in Canada was $167.1 million, a decrease of 11.9% or $22.5 million from the same period a year ago. First-half fiscal year 2010 revenue in the UK was $34.7 million, a decrease of 25.9% or $12.1 million from the same period a year ago. Revenue in the US was $57.3 million, an increase of 30.5% or $13.4 million compared to the first-half fiscal year 2009. Revenue from Other Foreign Location was $2.1 million compared to $3.1 million in the six months ended September 30, 2008. The overall year-to-date decline in revenue was a result of weaker market conditions in Q1/10 compared to Q1/09. However, revenue increased significantly in the US operations due to improvements in the equity markets, changes in the competitive landscape and increased activity in respect of both public and private offerings as well as increased advisory fees.

Expenses as a percentage of revenue

	Three months ended September 30			Six months ended September 30		
(in percentage points)	*2009*	*2008*	*Quarter-over-quarter change*	*2009*	*2008*	*YTD-over-YTD change*
Incentive compensation	**51.7%**	46.0%	5.7p.p.	**50.7%**	47.2%	3.5p.p.
Salaries and benefits	**11.3%**	12.8%	(1.5)p.p.	**10.6%**	10.4%	0.2p.p.
Other overhead expenses (1)	**30.7%**	45.7%	(15.0)p.p.	**29.5%**	35.8%	(6.3)p.p.
Total	**93.7%**	104.5%	(10.8)p.p.	**90.8%**	93.4%	(2.6)p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
p.p.: percentage points

Second quarter 2010 vs. second quarter 2009

Expenses for the three months ended September 30, 2009 were $115.9 million, up 0.1% from a year ago.

Incentive compensation expense was $64.0 million for the quarter, an increase of 25.5% or $13.0 million, consistent with the net increase in incentive-based revenue. Consolidated incentive compensation as a percentage of total revenue was 51.7%, up 5.7 percentage points, due to a decrease in non-incentive-based revenue, primarily interest revenue, as well as higher long term incentive plan (LTIP) expense. Salaries and benefits expense was $14.0 million, a decrease of 1.5% in the second quarter of fiscal 2010 from the same period a year ago, attributable to reductions in the number of staff during fiscal 2010.

The total compensation (incentive compensation plus salaries) payout as a percentage of consolidated revenue for Q2/10 was 63.0%, an increase of 4.2 percentage points from 58.8% in Q2/09. This was mainly due to a decreased proportion of non-incentive-based revenue in consolidated revenue.

First-half fiscal year 2010 vs. first-half fiscal year 2009

Expenses for the six months ended September 30, 2009 were $237.4 million, an overall decrease of $27.6 million or 10.4% from a year ago. Incentive compensation expense was $132.4 million, a decrease of 1.0%, which was consistent with the decrease in incentive-based revenue. Consolidated incentive compensation as a percentage of total revenue was 50.7%, an increase of 3.5 percentage points mainly as a result of the dramatic decline in interest revenue, a non-incentive-based revenue item.

Salaries and benefits expense was $27.8 million, a decrease of 6.3% in the first half of fiscal 2010 compared to the same period a year ago for the same reasons mentioned above. The total compensation (incentive compensation plus salaries) payout as a percentage of consolidated revenue was 61.3%, an increase of 3.7 percentage points from 57.6% in the first six months of fiscal 2009, a result of the significant decrease in non-incentive-based revenue as a percentage of consolidated revenue.

Other overhead expenses

(C$ thousands, except % amounts)	Three months ended September 30 2009	2008	Quarter-over-quarter change	Six months ended September 30 2009	2008	YTD-over-YTD change
Trading costs	$ 7,002	$ 6,717	4.2%	$ 14,326	$ 13,038	9.9%
Premises and equipment	6,104	5,957	2.5%	11,986	11,742	2.1%
Communication and technology	5,245	6,539	(19.8)%	10,734	12,702	(15.5)%
Interest	492	3,354	(85.3)%	1,337	7,313	(81.7)%
General and administrative	11,698	19,611	(40.3)%	23,586	38,888	(39.3)%
Amortization	1,906	2,072	(8.0)%	3,827	4,114	(7.0)%
Development costs	5,487	6,383	(14.0)%	11,341	13,845	(18.1)%
Total other overhead expenses	$ 37,934	$ 50,633	(25.1)%	$ 77,137	$ 101,642	(24.1)%

Second quarter 2010 vs. second quarter 2009

Other overhead expenses decreased by 25.1% or $12.7 million from the prior year to $37.9 million for the second quarter of fiscal 2010 mainly due to the decrease in general and administrative, interest, development costs and communication and technology expenses.

General and administrative expense declined due to lower expenses in promotion and travel, professional fees, and reserve expense. Promotion and travel expenses decreased by $2.7 million or 39.3% due to a firm-wide effort to decrease expenses incurred by the firm as part of the cost savings initiative and also due to expense recoveries from compensation pools. Professional fees expenses dropped by $3.2 million or 61.7% due to non-recurring consultancy fees incurred in Q2/09 to upgrade internal infrastructure. Reserve expense was $1.3 million or 134.6% lower than Q2/09 due to less provision for receivables when collectibility cannot be reasonably determined and the decrease in reserve expense was mainly attributed to our Canaccord Wealth Management segment.

Interest expense decreased by $2.9 million or 85.3%, which was attributable to the decline in interest rates over the past year. The US operations reduced hiring incentives during Q2/10, resulting in the $0.9 million or 14.0% decrease in development costs compared to Q2/09. Certain communication and technology expenses were recovered from compensation pools as part of our cost alignment strategy, leading to the 19.8% or $1.3 million decline in this expense.

Net income for Q2/10 was $6.7 million compared to a net loss of $5.4 million the same period a year ago. Diluted EPS was $0.12 in Q2/10 compared to a loss per share of $0.11 in Q2/09. The increases in net income and EPS were mainly due to an increase in revenue along with similar expense levels compared to the same quarter last period. Annualized ROE for Q2/10 was 6.9% compared to an annualized ROE of (5.0)% in Q2/09. Book value per diluted share for Q2/10 was $6.78 versus $7.15 in Q2/09.

The effective tax rate for this quarter was 14.2% compared to (8.5)% in the same quarter last year and 43.0% last quarter. The increase from a year ago was due primarily to the reduction of previously recorded valuation allowances. The decrease from Q1/10 was due to a charge taken in the last quarter for adjustments to future tax assets to reflect tax rate reductions netted against the utilization of tax losses carried forward.

First-half fiscal year 2010 vs. first-half fiscal year 2009

Other overhead expenses for the six months ended September 30, 2009 decreased by 24.1% or $24.5 million to $77.1 million from the same period a year ago. The main reason for the decrease was a drop in general and administrative, interest, communication and technology, and development expenses. General and administrative expense was down by $15.3 million primarily as a result of the $7.8 million decrease in promotion and travel expenses. As explained above, this decrease was because of a combination of a firm-wide effort to lower promotion and travel expense spending and additional expense recoveries from compensation pools. Professional fees were down $4.7 million as a result of non-recurring consultancy fees incurred in Q2/09 to upgrade internal infrastructure.

The remaining decrease in overhead expenses was due to interest expense, which dropped 81.7% or $6.0 million, and development costs, which decreased $2.5 million. The decline in interest expense was the result of a decrease in clients' payable balances in addition to lower interest rates. Development costs were reduced because of a $4.1 million drop in hiring incentives paid in the US, and Corporate and Other segments; however, this was offset by a $1.6 million increase in hiring incentives invested by our Canaccord Wealth Management segment as part of its overall restructuring strategy.

Net income for the first half of fiscal 2010 was $15.9 million compared to $11.1 million for the same period a year ago. Diluted EPS was $0.28 compared to $0.21 a year ago, and annualized ROE was 8.3% compared to 5.3% a year ago. This increase was the result of greater revenue due to strengthening market activities along with consistent amount of expenses incurred compared to the same period in the prior year. Book value per diluted share at the period end was $6.78, a 5.2% decrease from $7.15.

Income tax expense was $8.0 million in the year to date of fiscal 2009, an increase of $0.5 million. The change was largely due to the increase in income. The year-to-date effective tax rate was 33.5% compared to 40.4% for the same period last year. The lower effective tax rate was due in part to changes in estimates, a decrease in expenses not deductible for tax purposes and utilization of tax losses carried forward.

RESULTS OF OPERATIONS

Canaccord Adams (1)

(C$ thousands, except employees and % amounts)	Three months ended September 30 2009	Three months ended September 30 2008	Quarter-over-quarter change	Six months ended September 30 2009	Six months ended September 30 2008	YTD-over-YTD change
Canaccord Adams						
Revenue	$ **78,475**	$ 58,336	34.5%	$ **163,972**	$ 163,129	0.5%
Expenses						
Incentive compensation	**42,761**	29,998	42.5%	**87,992**	82,527	6.6%
Salaries and benefits	**3,376**	3,919	(13.9)%	**6,780**	8,142	(16.7)%
Other overhead expenses	**17,881**	29,233	(38.8)%	**38,378**	57,501	(33.3)%
Total expenses	$ **64,018**	$ 63,150	1.4%	$ **133,150**	$ 148,170	(10.1)%
Income before income taxes (2)	**14,457**	(4,814)	n.m.	**30,822**	14,959	106.0%
Number of employees	**482**	551	(12.5)%			

(1) Data is considered to be GAAP except for number of employees.
(2) See "Intersegment Allocated Costs".
n.m.: not meaningful

Revenue from Canaccord Adams is generated from commissions and fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord's principal and international trading operations.

Second quarter 2010 vs. second quarter 2009
Revenue for Canaccord Adams in Q2/10 was $78.5 million, an increase of 34.5% or $20.1 million from the same quarter a year ago, due to the stronger global capital markets in Canada and the US in Q2/10 compared to Q2/09.

Revenue from Canadian operations
Canaccord Adams in Canada generated revenue of $34.5 million in Q2/10, an increase of 18.4% or $5.4 million from Q2/09. The increase in revenue in this geographic sector was largely due to an improvement in capital markets activity in Canada since the first quarter of fiscal 2010. Canadian revenue for Canaccord Adams of $34.5 million represented 43.9% (Q2/09: 49.9%) of Canaccord Adams' total revenue.

Revenue from UK and Other Foreign Location
Canaccord Adams' operations in the UK and Europe include providing institutional sales and trading, corporate finance and research services. Revenue derived from capital markets activity outside of Canada, the UK and the US is reported as Other Foreign Location, which includes operations for Canaccord International Ltd. Revenue in the UK and Other Foreign Location was $14.4 million, which increased 22.5% or $2.6 million from the same period a year ago mainly due to an increase in market-making operations during Q2/10. UK and Other Foreign Location revenue of $14.4 million was 18.4% (Q2/09: 20.2%) of Canaccord Adams' total revenue.

Revenue from US operations
The US operations reflect the capital markets activities of Canaccord Adams Inc. Second quarter 2010 revenue for Canaccord Adams in the US was $29.6 million (Q2/09: $17.5 million), an increase of $12.1 million or 69.5% compared to the same period last year primarily due to improvements in the equity markets, changes in the competitive landscape and increased activity in respect of both public and private offerings as well as increased advisory fees. Revenue from the US operations represented 37.7% (Q2/09: 29.9%) of Canaccord Adams' total revenue.

Expenses
Expenses for Q2/10 were $64.0 million, up 1.4% or $0.9 million. This was mainly attributed to the increase in incentive compensation of $12.8 million or 42.5% due to higher incentive-based revenue in the quarter. Salary and benefits expense for the quarter was down $0.5 million or 13.9% due to the decrease of 69 employees in this segment. Total compensation expense as a percentage of revenue for the quarter was 58.8%, an increase of 0.7 percentage points from 58.1% in Q2/09.

General and administrative expense was $5.2 million in Q2/10, a decrease of $7.0 million or 57.2%. Promotion and travel expenses were down $3.1 million or 56.8% due to the cost reduction initiatives announced in fiscal 2009 and changes in expense allocations to compensation pools introduced in fiscal 2009. Professional fees were $3.2 million lower due to non-recurring consultancy fees to upgrade internal infrastructure incurred in Q2/09.

Income before income taxes for the quarter was $14.5 million compared to a net loss before income taxes of $4.8 million for the same period last year. The increase in income was mainly a result of the $20.1 million increase in revenue because of the improved economic conditions and favourable competitive environment in the small- to mid-size capital markets, especially in the US operations.

First-half fiscal year 2010 vs. first-half fiscal year 2009
Revenue for Canaccord Adams for the first half of fiscal 2010 was $164.0 million, which increased $0.8 million from the same period last year due to recovering capital markets activities in all geographies where we operate, particularly in the US segment.

Revenue from Canadian operations
In Canada, revenue was $70.9 million, a slight decrease of 0.3% from the same period a year ago. Within Canada, $57.4 million was derived from investment banking and equities activity, while $13.5 million was from our international trading, registered traders and fixed income operations. Overall, our Canadian revenue represented 43.3% of Canaccord Adams' total revenue.

Revenue from UK and Other Foreign Location operations
Our UK and Other Foreign Location revenue was $36.8 million, a decrease of $13.2 million from the same period a year ago due to significantly lower revenue in Q1/10 compared to Q1/09 as a result of the market disruptions that began in Q2/09. Revenue from our UK and Other Foreign Location operations represented 22.4% of Canaccord Adams' total revenue.

Revenue from US operations
The US operations experienced a significant increase in revenue during the first half of fiscal 2010, mainly due to the improvements in the equity markets, changes in the competitive landscape and increased activity in respect of both public and private offerings as well as increased advisory fees. Revenue was $56.3 million, an increase of $14.2 million or 33.9% compared to the same period a year ago. Revenue from US operations represented 34.3% of Canaccord Adams' total revenue.

Expenses
Expenses for the first half of fiscal 2010 were $133.2 million, a decrease of $15.0 million. Incentive compensation was $88.0 million, an increase of $5.5 million or 6.6% compared to the same period a year ago. Incentive compensation expense as a percentage of revenue increased by 3.1 percentage points, a result of new LTIP grants during Q2/10.

Salary and benefits expense for the first half of fiscal 2010 declined by $1.4 million from a year ago related to the net decrease of 69 employees. The total compensation expense payout as a percentage of revenue for the first half of fiscal 2010 was 57.8%, an increase of 2.2 percentage points from 55.6% for the same period a year ago.

Overhead expenses were $38.4 million during the first half of fiscal 2010, a decrease of $19.1 million or 33.3% compared to the same period in fiscal 2009. This was mainly due to a $13.2 million decrease in general and administrative expense primarily connected to the $4.3 million decline in non-recurring consultancy fees paid to upgrade our internal infrastructure as well as a $7.5 million decrease in promotion and travel expenses. There were less hiring incentives incurred in our US operations, leading to a drop in development costs of $3.1 million to $4.7 million during the first half of fiscal 2010.

Income before income taxes for the period was $30.8 million compared to $15.0 million for the same period a year ago. This improvement was a result of lower expenses as part of our restructuring plan announced in fiscal 2009.

Canaccord Wealth Management [1]

(C$ thousands, except AUM and AUA, which are in C$ millions; employees; Advisory Teams; and % amounts)	*Three months ended September 30* 2009	2008	*Quarter-over-quarter change*	*Six months ended September 30* 2009	2008	*YTD-over-YTD change*
Revenue	**$ 40,138**	$ 43,844	(8.5)%	**$ 80,323**	$ 101,697	(21.0)%
Expenses						
Incentive compensation	**19,368**	20,116	(3.7)%	**38,011**	47,066	(19.2)%
Salaries and benefits	**4,360**	3,477	25.4%	**8,606**	7,258	18.6%
Other overhead expenses	**11,485**	12,318	(6.8)%	**23,764**	26,270	(9.5)%
Total expenses	**$ 35,213**	$ 35,911	(1.9)%	**$ 70,381**	$ 80,594	(12.7)%
Income before income taxes [2]	**4,925**	7,933	(37.9)%	**9,942**	21,103	(52.9)%
Assets under management	**453**	609	(25.6)%			
Assets under administration	**11,386**	11,584	(1.7)%			
Number of Advisory Teams	**334**	341	(2.1)%			
Number of employees	**698**	744	(6.2)%			

(1) Data is considered to be GAAP except for AUM, AUA, number of Advisory Teams, and number of employees.
(2) See "Intersegment Allocated Costs".

Revenue from Canaccord Wealth Management is generated through traditional commission-based brokerage services; the sale of fee-based products and services; margin interest; and fees and commissions earned by Advisory Teams in respect of investment banking and venture capital transactions by private clients.

Second quarter 2010 vs. second quarter 2009

Revenue from Canaccord Wealth Management was $40.1 million, a decrease of $3.7 million or 8.5% mainly due to lower client interest revenue. AUA decreased by 1.7% or $0.2 billion to $11.4 billion compared to Q2/09. AUM decreased by 25.6% year over year. There were 334 Advisory Teams at the end of the second quarter of fiscal 2010, a decrease of 7 from a year ago. Canaccord's fee-based revenue accounted for 15.2% of Canaccord Wealth Management's revenue in Q2/10 compared to 19.3% in Q2/09, a decrease of 4.1 percentage points.

Expenses for Q2/10 were $35.2 million, a decrease of 1.9% or $0.7 million. This change was made up of lower expenses in incentive compensation, down by $0.7 million, and in other overhead expense, down by $0.8 million, but offset by a $0.9 million increase in salaries and benefits expense. The movement in incentive compensation expense was consistent with the decline in revenue. Other overhead expenses decreased mainly due to lower interest expense of $2.4 million resulting from the drop in interest rates. This decrease was offset by a $1.2 million increase in development costs due to investments made through hiring incentives relating to Canaccord Wealth Management's recruiting strategy.

Income before income taxes for the quarter was $4.9 million compared to $7.9 million from the same period a year ago. The decrease was due to reduced revenue in Q2/10 compared to Q2/09 as described above.

First-half fiscal year 2010 vs. first-half fiscal year 2009

Revenue from Canaccord Wealth Management was $80.3 million, a decrease of $21.4 million. The decrease in revenue from Canaccord Wealth Management was attributed to the weak market conditions experienced since the market disruptions in fiscal 2009. Fee-related revenue as a percentage of total Canaccord Wealth Management revenue decreased by 2.8 percentage points to 14.5% compared to the same period last year.

Expenses for the six months ended September 30, 2009 were $70.4 million, a decrease of $10.2 million or 12.7%. Incentive compensation expense decreased by $9.1 million or 19.2%, in line with the 21.0% decline in total revenue. Interest expense decreased by $5.0 million or 93.5%, a result of lower interest rates and smaller cash balances in our client accounts. The total compensation expense payout as a percentage of revenue for the first six months of fiscal 2010 was 58.0%, an increase of 4.6 percentage points from 53.4% for the same period a year ago. The significant decrease in non-incentive-based revenue, particularly interest revenue, is the main reason for this increase in compensation expense payout as a percentage of revenue.

The decrease in expenses was offset by an increase in development costs of $1.6 million or 53.5%, which was mainly due to additional hiring incentives incurred as part of our recruiting strategy in this segment.

Income before income taxes for the first half of fiscal 2010 was $9.9 million, a decline of 52.9% from the same period a year ago.

Corporate and Other (1)

(C$ thousands, except employees and % amounts)	Three months ended September 30 2009	Three months ended September 30 2008	Quarter-over-quarter change	Six months ended September 30 2009	Six months ended September 30 2008	YTD-over-YTD change
Revenue	**$ 5,131**	$ 8,649	(40.7)%	**$ 16,912**	$ 18,711	(9.6)%
Expenses						
Incentive compensation	**1,837**	863	112.9%	**6,426**	4,111	56.3%
Salaries and benefits	**6,247**	6,799	(8.1)%	**12,399**	14,238	(12.9)%
Other overhead expenses	**8,568**	9,082	(5.7)%	**14,995**	17,871	(16.1)%
Total expenses	**$ 16,652**	$ 16,744	(0.5)%	**$ 33,820**	$ 36,220	(6.6)%
Loss before income taxes (2)	**(11,521)**	(8,095)	42.3%	**(16,908)**	(17,509)	(3.4)%
Number of employees	**359**	393	(8.7)%			

(1) Data is considered to be GAAP except for number of employees.
(2) See "Intersegment Allocated Costs".

This segment, described as Corporate and Other, includes correspondent brokerage services, bank and other interest revenue, foreign exchange gains and losses and expenses not specifically allocable to either the Canaccord Adams or Canaccord Wealth Management divisions. Also included in this segment are Canaccord's operations and support services, which are responsible for front and back-office information technology systems, compliance and risk management, operations, finance, and all administrative functions.

Second quarter 2010 vs. second quarter 2009

Revenue for the three months ended September 30, 2009 was $5.1 million, a decrease of 40.7% or $3.5 million from the same quarter a year ago. The change was mainly related to a $4.0 million decline in interest revenue compared to the same quarter in the prior year, which was due to lower interest rates.

Expenses for Q2/10 were $16.7 million, a decrease of 0.5%. Incentive compensation expense increased by $1.0 million due to higher LTIP expense.

Overall, loss before income taxes was $11.5 million in Q2/10 compared to $8.1 million in the same quarter a year ago. The increased loss was mainly due to a drop in interest revenue.

First-half fiscal year 2010 vs. first-half fiscal year 2009
Revenue was $16.9 million, down $1.8 million, primarily attributed to the decline in interest revenue offset by an increase in foreign exchange gains.

Expenses for the first half of fiscal 2010 were $33.8 million, a decrease of $2.4 million. There was a net increase in incentive compensation expense of $2.3 million or 56.3% mainly due to higher long-term incentive compensation expense. This was offset by a decrease in salaries and benefits expense, a result of the staff restructuring in fiscal 2009. General and administrative expense also decreased by $1.3 million mainly due to less contingent liability accruals and a drop in promotion and travel expenses during the period. Development costs also decreased by $1.0 million, resulting from decreased spending on systems development.

Overall, loss before income taxes was $16.9 million compared to $17.5 million for the same period a year ago.

Intersegment allocated costs
Included in the Corporate and Other segment are certain trade processing, support services, research, and other expenses that have been incurred to support the activities within the Canaccord Adams and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $8.2 million for the quarter ending September 30, 2009 and to Canaccord Adams such allocable costs were $2.2 million.

FINANCIAL CONDITION

Below are specific changes in selected balance sheet items.

Assets
Cash and cash equivalents were $709.5 million on September 30, 2009 compared to $701.2 million on March 31, 2009. Refer to the Liquidity and Capital Resources section below for more details.

Securities owned were $517.1 million compared with $133.7 million on March 31, 2009, mainly attributable to an increase in fixed income activity, net holdings of marketable securities, and additional corporate finance bought deals. This was a result of a firm initiative to expand the Fixed Income group, which deals in the primary and secondary markets of all fixed income products.

Accounts receivable were $2.1 billion at September 30, 2009 compared to $1.1 billion at March 31, 2009, attributed to an increase in brokers and investment dealers, and clients' receivables. This increase was due to greater business activities and expansion of the Fixed Income group. Accounts receivable net accounts payable remained constant at $(0.4) million comparing September 30, 2009 and March 31, 2009.

Other assets were $95.1 million compared to $126.1 million at March 31, 2009, mainly due to a decrease in income taxes receivable and future income taxes.

Liabilities
Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At September 30, 2009 Canaccord had available credit facilities with banks in Canada, the US, and the UK in the aggregate amount of $460.9 million (March 31, 2009 – $568.7 million). These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On September 30, 2009 there was bank indebtedness of $85.6 million compared to $75.6 million on March 31, 2009.

Accounts payable were $2.5 billion compared to $1.5 billion at March 31, 2009, an increase of $1.0 billion mainly related to an increase in payables to brokers and investment dealers. As discussed above in "Assets", the increase was due to greater business activities, expansion of the Fixed Income group, and additional corporate finance bought deals.

Other liabilities were $397.2 million, an increase of $292.8 million compared to $104.4 million at March 31, 2009 due to the $10.0 million repayment of subordinated debt offset by a $302.8 million increase in securities sold short, a result of the Company's initiative to grow the Fixed Income group.

OFF-BALANCE SHEET ARRANGEMENTS

A subsidiary of the Company has entered into irrevocable, secured standby letters of credit from a financial institution totalling $2.5 million (US$2.3 million) [March 31, 2009 – $2.9 million (US$2.3 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure comprised of share capital, retained earnings and accumulated other comprehensive losses. On September 30, 2009, cash and cash equivalents of $709.5 million, net of bank indebtedness of $85.6 million, were $623.9 million, a decrease of $1.7 million from $625.6 million as of March 31, 2009. During the six months ended September 30, 2009, financing activities used cash in the amount of $12.1 million. Investing activities provided cash in the amount of $1.2 million mainly relating to the proceeds on net redemption of restructured ABCP notes. Operating activities provided cash in the amount of $7.7 million, which was due to net income offset by net changes in securities owned and securities sold short and net changes in payables and receivables. An increase in cash of $1.5 million was attributed to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $1.7 million compared to March 31, 2009.

Canaccord's business requires capital for operating and regulatory purposes. The majority of current assets reflected on Canaccord's balance sheet are highly liquid. The majority of the positions held as securities owned are readily marketable and all are recorded at their fair value. The fair value of these securities fluctuates daily as factors such as changes in market conditions, economic conditions and investor outlook affect market prices. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts.

During the six-month period ended September 30, 2009, there were no material changes to the Company's commitments from those described in Note 17 of the March 31, 2009 Audited Annual Consolidated Financial Statements.

OUTSTANDING SHARE DATA

	Outstanding shares as of September 30	
	2009	*2008*
Issued shares excluding unvested shares (1)	**48,681,034**	48,273,824
Issued shares outstanding (2)	**55,359,489**	54,552,553
Issued shares outstanding – diluted (3)	**57,226,445**	57,981,364
Average shares outstanding – basic	**48,420,751**	48,247,858
Average shares outstanding – diluted	**55,444,791**	53,956,302

(1) Excludes 3,746,523 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs, and 2,931,932 unvested shares purchased by the employee benefit trust for the long term incentive plan (LTIP).
(2) Includes 3,746,523 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs, and 2,931,932 unvested shares purchased by the employee benefit trust for the LTIP.
(3) Includes 1,866,956 of share issuance commitments.

At November 4, 2009, Canaccord had 55,359,489 common shares issued and outstanding, an increase of 806,936 common shares from September 30, 2008 due to shares issued in connection with stock-based compensation plans.

The Company renewed its normal course issuer bid (NCIB) and is currently entitled to acquire up to 2,767,974 of its shares from September 3, 2009 to September 2, 2010; this number represents 5% of its shares outstanding as of August 28, 2009. There were nil shares purchased through the NCIB between September 3, 2009 and September 30, 2009.

STOCK-BASED COMPENSATION PLANS

Stock options

The Company granted stock options to purchase common shares of the Company to independent directors and senior managers. The independent directors and senior managers have been granted options to purchase up to an aggregate of 2,449,993 common shares of the Company. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the stock options is $9.91.

On August 31, 2009, the independent directors of the Company approved the grant of stock options to certain senior managers of the Company and its subsidiaries. An aggregate of 2,099,993 options were granted at an exercise price of $9.47 per share that vest over five years. The options expire at the earliest of: (1) seven years after the grant date, (2) three years after death or any other event of termination of employment, (3) after any unvested optioned shares held by the optionee are cancelled for any reason, and (4) in the case of early retirement, after a determination that the optionee has competed with the Company or violated any non-competition, non-solicitation or non-disclosure obligations.

Long term incentive plan (LTIP)

Under the LTIP, eligible participants are awarded restricted share units (RSUs) which vest over three years. For employees in Canada, an employee benefit trust (the Trust) has been established, and either (a) the Company will fund the Trust with cash, which will be used by a trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until RSUs vest, or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the United States and the United Kingdom, at the time of each RSU award, the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant.

INTERNATIONAL FINANCIAL CENTRE

Canaccord is a member of the International Financial Centre Vancouver and International Financial Centre Montreal, which provide certain tax and financial benefits pursuant to the *International Financial Business (Tax Refund) Act* of British Columbia and the *Act Respecting International Financial Centres* of Quebec. Accordingly, Canaccord's overall income tax rate is less than the rate that would otherwise be applicable.

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On September 30, 2009, forward contracts outstanding to sell US dollars had a notional amount of US$10.0 million, an increase of $0.5 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$7.0 million, an increase of US$1.5 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in London, England are conducted in UK pounds sterling; however, any foreign exchange risk in respect of these transactions is generally limited, as pending settlements on both sides of the transaction are typically in UK pounds sterling.

RELATED PARTY TRANSACTIONS

Security trades executed for employees, officers and directors of Canaccord are transacted in accordance with terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the overall operations of Canaccord.

CRITICAL ACCOUNTING ESTIMATES

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with Canadian GAAP and are described in Note 1 to the Audited Annual Consolidated Financial Statements. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgment based on available information. Actual results or amounts could differ from estimates, and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

Securities owned and sold short, including share purchase warrants and options, are categorized as held for trading as per Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *"Financial Instruments – Recognition and Measurement"*, and are recorded at fair value with unrealized gains and losses recognized in net income. In the case of publicly traded securities, fair value is determined on the basis of market prices from independent sources, such as listed exchange prices or dealer price quotations. Adjustments to market prices are made for liquidity, relative to the size of the position, holding periods and other resale restrictions, if applicable. Investments in illiquid or non-publicly traded securities categorized as held for trading are measured at fair value determined by a valuation model. There is inherent uncertainty and imprecision in estimating the factors that can affect value and in estimating values generally. The extent to which valuation estimates differ from actual results will affect the amount of income or loss recorded for a particular security position in any given period. With Canaccord's security holdings consisting primarily of publicly traded securities except as noted below, our procedures for obtaining market prices from independent sources, the validation of estimates through actual settlement of transactions and the consistent application of our approach from period to period, we believe that the estimates of fair value recorded are reasonable.

Asset-backed commercial paper

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Company's holdings in ABCP. The Company estimates the fair value of its ABCP holdings by discounting expected future cash flows on a probability weighted basis considering the best available data. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods. Refer to Note 7 in the Audited Annual Consolidated Financial Statements for further details.

Provisions

Canaccord records provisions related to pending or outstanding legal matters and doubtful accounts associated with client receivables, loans, advances and other receivables. Provisions in connection with legal matters are determined on the basis of management's judgment in consultation with legal counsel, considering such factors as the amount of the claim, the possibility of wrongdoing by an employee of Canaccord, and precedents. Client receivables are generally collateralized by securities and, therefore, any impairment is generally measured after considering the market value of any collateral.

Provisions in connection with other doubtful accounts are generally based on management's assessment of the likelihood of collection and the recoverable amount. Provisions are also recorded utilizing discount factors in connection with syndicate participation.

Tax

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Canaccord operates within different tax jurisdictions and is subject to their individual assessments. Tax filings can involve complex issues, which may require an extended period of time to resolve in the event of a dispute or re-assessment by tax authorities. Accounting standards require a valuation allowance when it is more likely than not that all or a portion of a future income tax asset will not be realized prior to its expiration. Although realization is not assured, Canaccord believes that, based on all evidence, it is more likely than not that all of the future income tax assets, net of the valuation allowance, will be realized. Canaccord believes that adequate provisions for income taxes have been made for all years.

Consolidation of variable interest entities

The Company consolidates variable interest entities (VIEs) in accordance with the guidance provided by CICA Accounting Guideline 15, *"Consolidation of Variable Interest Entities"* (AcG-15). AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. The enterprise that consolidates a VIE is called the primary beneficiary of the VIE. An enterprise should consolidate a VIE when that enterprise has a variable interest that will absorb a majority of the entity's expected losses or receive a majority of the entity's expected residual returns.

The Company has established an employee benefit trust to fulfill obligations to employees arising from the Company's stock-based compensation plan. The employee benefit trust has been consolidated in accordance with AcG-15 as it meets the definition of a VIE and the Company is the primary beneficiary of the employee benefit trust.

Stock-based compensation plans

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company uses the fair value method to account for such awards. Under this method, the Company measures the fair value of stock-based awards as of the grant date and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in contributed surplus. In the case where vesting is also dependent on performance criteria, the cost is recognized over the vesting period in accordance with the rate at which such performance criteria are achieved (net of estimated forfeitures). Otherwise, the cost is recognized on a graded basis. When stock-based compensation awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations and Consolidated Financial Statements

In January 2009 the CICA issued a new accounting standard, CICA Handbook Section 1582, *"Business Combinations"*, which replaces the former Section 1581, *"Business Combinations"*. This standard harmonizes Canadian guidance to the International Financial Reporting Standard (IFRS) 3, *"Business Combinations"*. This standard requires additional use of fair value measurements, transaction costs to be expensed, and increased financial statement notes disclosure. It also provides guidance on the recognition and measurement of goodwill acquired in the business combination. This standard is to be applied prospectively for business combinations for which the acquisition date is on or after April 1, 2011.

In addition, the CICA has issued Handbook Section 1601, *"Consolidated Financial Statements"*, and Handbook Section 1602, *"Non-controlling Interests"*, which replace CICA Handbook Section 1600, *"Consolidated Financial Statements"*. CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600 except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 harmonizes Canadian standards with amended International Accounting Standard 27, *"Consolidated and Separate Financial Statements"*. This Canadian standard provides guidance on accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. These two standards will be effective for the Company beginning April 1, 2011.

Early adoption prior to April 1, 2011 is permitted, and all three standards must be adopted concurrently. The impact of adoption of these standards is being assessed.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace Canadian GAAP currently followed by the Company. The purpose of this adoption is to increase the comparability of financial reporting among countries and to improve transparency. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms with IFRS for the comparative periods presented.

The Company is currently in the process of evaluating the potential impact of IFRS on the consolidated financial statements. This is an ongoing process as the International Accounting Standards Board (IASB) and the AcSB continue to issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in the current Canadian GAAP financial statements may differ significantly when presented in accordance with IFRS. Some of the significant differences identified between IFRS and Canadian GAAP may have a material effect on the Company's consolidated financial statements.

In order to prepare for the conversion to IFRS, the Company has developed an IFRS conversion plan, which includes the following activities:

- Identification of accounting differences between existing Canadian GAAP and IFRS
- Review of presentation of financial statements under IFRS
- Determination of potential business impacts
- Evaluation of the impact on financial systems
- Evaluation of the impact of IFRS on internal controls over financial reporting and disclosure controls and procedures
- Assessment of training and resource requirements
- Development of a communication plan for both internal and external stakeholders

Key elements of the plan that are currently in progress include, but are not limited to:

- Evaluation of major accounting differences
- Assessment of the application of IFRS 1 "*First time adoption of IFRS*"
- Development of ongoing training and education for employees

CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

The CICA issued a new accounting standard, CICA Handbook Section 3064, *"Goodwill and Intangible Assets"*, which prescribes when expenditures qualify for recognition as intangible assets and provides increased guidance on the recognition and measurement of internally generated goodwill and intangible assets. The Company adopted Section 3064 effective April 1, 2009. The adoption of this new standard had no impact on the Company's financial statements.

Financial Instruments – Disclosures

The AcSB amended CICA Handbook Section 3862, "*Financial Instruments – Disclosures*", to increase disclosure requirements regarding the fair value measurements of financial instruments. The Company adopted these new amendments during fiscal 2010 and this information is included in Note 4.

ASSET-BACKED COMMERCIAL PAPER

As a result of liquidity issues in the ABCP market, there has been very limited trading of the ABCP since mid-August 2007. On March 17, 2008 the Pan-Canadian Investors Committee (the Committee) for ABCP filed proceedings for a plan of compromise and arrangement (the Plan) under the *Companies' Creditors Arrangement Act* (Canada) (CCAA) with the Ontario Superior Court (the Court). The Court issued the final implementation order in the ABCP restructuring process on January 12, 2009 and the restructuring closed on January 21, 2009. The first two installments of interest (to August 31, 2008) were made during the year ended March 31, 2009 and one further and final payment is scheduled to be made on November 4, 2009. Reimbursement of restructuring costs under the Canaccord Relief Program is expected shortly thereafter.

There has been very limited trading of the restructured ABCP notes since January 21, 2009 and, as such, no meaningful market quote is available. There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimated the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data at September 30, 2009.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Based on an evaluation performed as of March 31, 2009, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of our disclosure controls and procedures were effective as defined under *National Instrument 52-109*. During the quarter ended September 30, 2009, there were no changes that would have materially affected, or are reasonably likely to materially affect, Canaccord's disclosure controls and procedures.

Changes in internal control over financial reporting

An evaluation of the Company's internal control over financial reporting was performed as of March 31, 2009. Based on this evaluation, the President & CEO and the Executive Vice President & CFO concluded that our internal controls over financial reporting are designed and operating effectively as defined under *National Instrument 52-109* and there were no material weaknesses. There were no changes in internal control over financial reporting that occurred during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

DIVIDEND POLICY

Although dividends are expected to be declared and paid quarterly, the Board of Directors, in its sole discretion, will determine the amount and timing of any dividends. All dividend payments will depend on general business conditions, Canaccord's financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

DIVIDEND DECLARATION

On November 4, 2009 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on December 10, 2009 with a record date of November 20, 2009. The reinstatement of the quarterly dividend is an indication of the Board's confidence in Canaccord's improved business environment and the Company's ability to earn stable returns for shareholders.

HISTORICAL QUARTERLY INFORMATION

Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord's quarterly results. The expense structure of Canaccord's operations is geared towards providing service and coverage in the current market environment. If general capital markets activity were to drop significantly, Canaccord could experience losses.

The following table provides selected quarterly financial information for the nine most recently completed financial quarters ended September 30, 2009. This information is unaudited but reflects all adjustments of a recurring nature that are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

	Fiscal 2010		Fiscal 2009				Fiscal 2008		
(C$ thousands, except per share amounts)	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*
Revenue									
Canaccord Adams	**$ 78,475**	**$ 85,497**	$ 64,972	$ 49,250	$ 58,336	$ 104,793	$ 77,965	$ 109,583	$ 89,071
Canaccord Wealth Management	**40,138**	**40,185**	37,255	33,532	43,844	57,853	54,463	61,166	57,415
Corporate and Other	**5,131**	**11,781**	4,769	4,406	8,649	10,062	11,018	12,605	12,383
Total revenue	**$ 123,744**	**$ 137,463**	$ 106,996	$ 87,188	$ 110,829	$ 172,708	$ 143,446	$ 183,354	$ 158,869
Net income (loss)	**6,746**	**9,112**	3,666	(62,378)	(5,398)	16,459	(35,154)	15,048	12,411
EPS – basic	**$ 0.14**	**$ 0.19**	$ 0.07	$ (1.27)	$ (0.11)	$ 0.35	$ (0.80)	$ 0.34	$ 0.28
EPS – diluted	**$ 0.12**	**$ 0.16**	$ 0.07	$ (1.27)	$ (0.11)	$ 0.31	$ (0.80)	$ 0.31	$ 0.26

RISKS

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. An investment in the common shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord's business. Canaccord is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to specific interest rate risk as a result of its principal trading in fixed income securities. Canaccord Wealth Management revenue is dependent on trading volumes and, as such, is dependent on the level of market activity and investor confidence. Canaccord Adams' revenue is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations and changes in business conditions and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. The Company has a capital management framework to maintain the level of capital that will meet the firm's regulated subsidiaries' target ratios as set out by the respective regulators, fund current and future operations, ensure that the firm is able to meet its financial obligations as they come due, and support the creation of shareholder value. The regulatory bodies that certain of the Company's subsidiaries are subject to are listed in Note 16 of the March 31, 2009 Audited Annual Consolidated Financial Statements. Further discussion regarding risks can be found in our Annual Information Form.

ADDITIONAL INFORMATION

A comprehensive discussion of our business, strategies, objectives and risks is available in our Annual Information Form and Management's Discussion and Analysis, including our Audited Annual Consolidated Financial Statements in Canaccord's 2009 Annual Report, which have been posted to shareholders and are available on our website at canaccordfinancial.com and on SEDAR at sedar.com.

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at (in thousands of dollars)	*September 30, 2009*	*March 31, 2009*
ASSETS		
Current		
Cash and cash equivalents	$ 709,455	$ 701,173
Securities owned [note 3]	517,070	133,691
Accounts receivable [notes 5 and 11]	2,085,356	1,061,161
Income taxes receivable	2,107	23,771
Future income taxes	12,019	15,680
Total current assets	3,326,007	1,935,476
Investment	5,000	5,000
Investment in asset-backed commercial paper [note 6]	34,280	35,312
Equipment and leasehold improvements	41,718	46,311
	$ 3,407,005	$ 2,022,099
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	$ 85,600	$ 75,600
Securities sold short [note 3]	382,209	79,426
Accounts payable and accrued liabilities [notes 5 and 11]	2,535,971	1,469,369
Subordinated debt [note 8]	15,000	25,000
Total current liabilities	3,018,780	1,649,395
Commitments and contingencies [note 13]		
Shareholders' equity		
Common shares [note 9]	193,291	183,619
Contributed surplus	44,393	44,383
Retained earnings	176,726	160,868
Accumulated other comprehensive losses	(26,185)	(16,166)
Total shareholders' equity	388,225	372,704
	$ 3,407,005	$ 2,022,099

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands of dollars, except per share amounts)	*For the three months ended* September 30, 2009	*For the three months ended* September 30, 2008	*For the six months ended* September 30, 2009	*For the six months ended* September 30, 2008
REVENUE				
Commission	$ 56,628	$ 60,630	$ 112,084	$ 132,626
Investment banking	47,620	34,024	103,506	110,171
Principal trading	11,589	87	23,059	5,998
Interest	3,121	11,734	6,597	24,063
Other	4,786	4,354	15,961	10,679
	123,744	110,829	261,207	283,537
EXPENSES				
Incentive compensation	63,966	50,977	132,429	133,704
Salaries and benefits	13,983	14,195	27,785	29,638
Trading costs	7,002	6,717	14,326	13,038
Premises and equipment	6,104	5,957	11,986	11,742
Communication and technology	5,245	6,539	10,734	12,702
Interest	492	3,354	1,337	7,313
General and administrative	11,698	19,611	23,586	38,888
Amortization	1,906	2,072	3,827	4,114
Development costs	5,487	6,383	11,341	13,845
	115,883	115,805	237,351	264,984
Income (loss) before income taxes	7,861	(4,976)	23,856	18,553
Income tax expense (recovery) [note 7]				
Current	(201)	1,409	4,360	(10,141)
Future	1,316	(987)	3,638	17,633
	1,115	422	7,998	7,492
Net income (loss) for the period	$ 6,746	$ (5,398)	$ 15,858	$ 11,061
Basic earnings (loss) per share [note 9[iv]]	$ 0.14	$ (0.11)	$ 0.33	$ 0.23
Diluted earnings (loss) per share [note 9[iv]]	$ 0.12	$ (0.11)	$ 0.28	$ 0.21

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands of dollars)	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the six months ended September 30, 2009	For the six months ended September 30, 2008
Net income (loss) for the period	$ 6,746	$ (5,398)	$ 15,858	$ 11,061
Other comprehensive loss, net of taxes				
Net change in unrealized losses on translation of self-sustaining foreign operations	(10,304)	(6,332)	(10,019)	(6,762)
Comprehensive income (loss) for the period	$ (3,558)	$ (11,730)	$ 5,839	$ 4,299

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

As at and for the six months ended September 30, 2009 and 2008 (in thousands of dollars)	September 30, 2009	September 30, 2008
Common shares, opening	$ 183,619	$ 111,142
Shares issued	3,296	68,829
Shares cancelled	–	(442)
Acquisition of common shares for long term incentive plan [note 9]	(5,237)	(13,839)
Release of vested common shares from employee benefit trust [note 9]	8,880	4,778
Unvested share purchase loans	2,733	(403)
Common shares, closing	193,291	170,065
Contributed surplus, opening	44,383	34,024
Excess on redemption of common shares	–	(340)
Stock-based compensation [note 10]	(393)	6,261
Unvested share purchase loans	403	1,178
Contributed surplus, closing	44,393	41,123
Retained earnings, opening	160,868	222,597
Net income for the period	15,858	11,061
Dividends	–	(13,457)
Retained earnings, closing	176,726	220,201
Accumulated other comprehensive losses, opening	(16,166)	(10,319)
Other comprehensive income losses for the period	(10,019)	(6,762)
Accumulated other comprehensive losses, closing	(26,185)	(17,081)
Shareholders' equity	$ 388,225	$ 414,308

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands of dollars)	*For the three months ended* September 30, 2009	*For the three months ended* September 30, 2008	*For the six months ended* September 30, 2009	*For the six months ended* September 30, 2008
OPERATING ACTIVITIES				
Net income (loss) for the period	$ 6,746	$ (5,398)	$ 15,858	$ 11,061
Items not affecting cash				
Amortization	1,906	2,072	3,827	4,114
Stock-based compensation expense	5,807	4,272	11,075	10,580
Future income tax (recovery) expense	1,316	(987)	3,638	17,633
Changes in non-cash working capital				
(Increase) decrease in securities owned	(349,400)	60,440	(384,189)	36,225
(Increase) decrease in accounts receivable	(830,505)	283,839	(925,543)	181,393
Decrease (increase) in income taxes receivable	15,623	479	19,354	(8,319)
Increase (decrease) in securities sold short	326,489	(17,027)	303,167	1,424
Increase (decrease) in accounts payable and accrued liabilities	818,244	(337,801)	960,473	(193,981)
Cash provided by (used in) operating activities	(3,774)	(10,111)	7,660	60,130
FINANCING ACTIVITIES				
Repayment of subordinated debt	–	–	(10,000)	–
Issuance of shares for cash net of issuance costs	–	–	–	66,462
Purchase and cancellation of shares	–	(391)	–	(782)
Decrease in unvested common share purchase loans	1,790	208	3,136	775
Acquisition of common shares for long term incentive plan	(776)	(13,049)	(5,237)	(13,839)
Dividends paid	–	(13,457)	–	(13,457)
Cash provided by (used in) financing activities	1,014	(26,689)	(12,101)	39,159
INVESTING ACTIVITIES				
Purchase of equipment and leasehold improvements	(113)	(2,087)	(565)	(2,757)
Proceeds on net redemption of investment in ABCP	867	–	1,761	–
Cash provided by (used in) investing activities	754	(2,087)	1,196	(2,757)
Effect of foreign exchange on cash balances	(2,619)	(1,662)	1,527	(2,675)
(Decrease) increase in cash position	(4,625)	(40,549)	(1,718)	93,857
Cash position, beginning of period	628,480	555,017	625,573	420,611
Cash position, end of period	$ 623,855	$ 514,468	$ 623,855	$ 514,468
Cash position is comprised of:				
Cash and cash equivalents	$ 709,455	$ 521,322	$ 709,455	$ 521,322
Call loans	(85,600)	(6,854)	(85,600)	(6,854)
	$ 623,855	$ 514,468	$ 623,855	$ 514,468
Supplemental cash flow information				
Interest paid	$ 436	$ 3,344	$ 1,227	$ 7,267
Income taxes paid	1,179	2,283	2,003	2,836

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2009 (in thousands of dollars, except per share amounts)

Through its principal subsidiaries, Canaccord Capital Inc. (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom (UK) and the United States of America (US). The Company has operations in each of the two principal segments of the securities industry: capital markets and wealth management services. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's private, institutional and corporate clients.

The Company's business is cyclical and experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond the Company's control. The Company's business is affected by the overall condition of the North American and European equity and bond markets, including the seasonal variance in these markets.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (GAAP) with respect to interim financial statements. These interim unaudited consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 1 to the Company's audited consolidated financial statements as at and for the year ended March 31, 2009 as filed on SEDAR on May 26, 2009 (Audited Annual Consolidated Financial Statements) except for the changes in accounting policies as described in Note 2. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements and notes thereon should be read in conjunction with the Audited Annual Consolidated Financial Statements.

The preparation of these unaudited interim consolidated financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of results that may be expected for the full year.

Recent accounting pronouncements

Business Combinations and Consolidated Financial Statements

In January 2009, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting standard, CICA Handbook Section 1582, *"Business Combinations"*, which replaces the former Section 1581, *"Business Combinations"*. This standard harmonizes Canadian guidance to the International Financial Reporting Standard (IFRS) 3, *"Business Combinations"*. This standard requires additional use of fair value measurements, transaction costs to be expensed and increased financial statements note disclosure. It also provides guidance on the recognition and measurement of goodwill acquired in the business combination. This standard is to be applied prospectively by the Company for business combinations for which the acquisition date is on or after April 1, 2011.

In addition, the CICA has issued Handbook Section 1601, *"Consolidated Financial Statements"*, and Handbook Section 1602, *"Non-controlling Interests"*, which replace CICA Handbook Section 1600, "*Consolidated Financial Statements"*. CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600 except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 substantially harmonizes Canadian standards with amended International Accounting Standard 27, *"Consolidated and Separate Financial Statements"*. This Canadian standard provides guidance on accounting for non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. These two standards will be effective for the Company beginning April 1, 2011.

Early adoption prior to April 1, 2011 is permitted, and all three standards must be adopted concurrently. The impact of adoption of these standards is not expected to have a material impact on the Company's consolidated financial statements.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace Canadian GAAP currently followed by the Company. The purpose of this adoption is to increase the comparability of financial reporting among countries and to improve transparency. The Company will be required to begin reporting under IFRS for its fiscal year ended March 31, 2012 and will be required to provide information that conforms with IFRS for the comparative periods presented.

The Company is currently in the process of evaluating the potential impact of IFRS on the consolidated financial statements. This is an ongoing process as the International Accounting Standards Board (IASB) and the AcSB continue to issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in the current Canadian GAAP financial statements may differ significantly when presented in accordance with IFRS. Some of the significant differences identified between IFRS and Canadian GAAP may have a material impact on the Company's consolidated financial statements.

2. CHANGE IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

The CICA issued a new accounting standard, CICA Handbook Section 3064, *"Goodwill and Intangible Assets"*, which prescribes when expenditures qualify for recognition as intangible assets and provides increased guidance on the recognition and measurement of internally generated goodwill and intangible assets. The Company adopted Section 3064 effective April 1, 2009. The adoption of this new standard has no impact on the consolidated financial statements.

Financial Instruments – Disclosures

The AcSB amended CICA Handbook Section 3862 "*Financial Instruments – Disclosures*" to increase disclosure requirements regarding the fair value measurements of financial instruments. The Company adopted these new amendments during fiscal 2010 and this information is included in Note 4.

3. SECURITIES OWNED AND SECURITIES SOLD SHORT

	September 30, 2009		March 31, 2009	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 368,250	$ 336,183	$ 86,069	$ 72,315
Equities and convertible debentures	148,820	46,026	47,622	7,111
	$ 517,070	$ 382,209	$ 133,691	$ 79,426

As at September 30, 2009, corporate and government debt maturities ranged from 2009 to 2055 (March 31, 2009 – 2009 to 2049), bearing interest ranging from 0.75% to 12.00% (March 31, 2009 – 3.00% to 10.75%).

4. FINANCIAL INSTRUMENTS

During the periods, there were no material changes to the risks associated with the Company's financial instruments from those described in Note 4 of the Audited Annual Consolidated Financial Statements. Additional disclosures regarding fair value measurements of financial instruments as required by new amendments made to CICA Handbook Section 3862 are presented below.

A fair value hierarchy is presented below that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses inputs based on quoted prices, Level 2 uses observable inputs other than quoted prices and Level 3 uses inputs that are not based on observable market data.

	Carrying value		Estimated fair value		
			September 30, 2009		
	September 30, 2009	March 31, 2009	Level 1	Level 2	Level 3
Held for trading (1)					
Cash and cash equivalents	$ 709,455	$ 701,173	$ 709,455	$ –	$ –
Securities owned, net of securities sold short	134,861	54,265	131,127	3,734	–
Investment in ABCP [note 6]	34,280	35,312	–	–	34,280
Available for sale financial assets					
Investment (2)	5,000	5,000	n/a	n/a	n/a
Other financial liabilities					
Subordinated debt	15,000	25,000	15,000	–	–

(1) The fair values of the Company's bank indebtedness, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.
(2) Investment is classified as available for sale and carried at cost as the investment does not have a quoted market price. The estimated fair value of the investment cannot be reliably determined and, therefore, it is not disclosed in the above table.

5. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	September 30, 2009	March 31, 2009
Brokers and investment dealers	$ 897,534	$ 331,930
Clients	678,598	288,877
RRSP cash balances held in trust	448,435	397,011
Other	60,789	43,343
	$ 2,085,356	$ 1,061,161

Accounts payable and accrued liabilities

	September 30, 2009	March 31, 2009
Brokers and investment dealers	**$ 971,068**	$ 419,437
Clients	**1,195,134**	923,902
Other	**369,769**	126,030
	$ 2,535,971	$ 1,469,369

Accounts payable to clients include $448.4 million (March 31, 2009 – $397.0 million) payable to clients for RRSP cash balances held in trust.

Client security purchases are entered into on either a cash or margin basis. In the case of a margin account, the Company extends a loan to a client for the purchase of securities, using securities purchased and/or other securities in the client's account as collateral. Amounts loaned to any client are limited by margin regulations of the Investment Industry Regulatory Organization of Canada and other regulatory authorities and are subject to the Company's credit review and daily monitoring procedures.

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the clients' accounts. Interest on margin loans and amounts due to clients is based on a floating rate [September 30, 2009 – 5.25%–6.25% and 0.00%–0.05%, respectively; March 31, 2009 – 5.50%–6.25% and 0.00%–0.20%, respectively].

6. INVESTMENT IN ASSET-BACKED COMMERCIAL PAPER

	September 30, 2009	March 31, 2009
Investment in asset-backed commercial paper	**$ 34,280**	$ 35,312

As a result of liquidity issues in the asset-backed commercial paper (ABCP) market, there has been very limited trading of the ABCP since mid-August 2007. In January 2009, the Company received restructured ABCP notes upon the final implementation order issued by the Ontario Superior Court in a plan of arrangement under the *Companies' Creditors Arrangement Act* (Canada) (CCAA) (the Plan). During the quarter ended September 30, 2009, there were no material changes to the accounting treatment of investment in ABCP. Refer to Note 7 of the Audited Annual Consolidated Financial Statements for further information.

The Plan as amended provided for a declaratory release that was effective on implementation of the Plan and that, with the closing of the Canaccord Relief Program, resulted in the release of all existing and future ABCP-related claims against the Company.

There is no assurance that the validity or effectiveness of the declaratory release will not be challenged in actions commenced against the Company and others. Any determination that the declaratory release is invalid or ineffective could materially adversely affect the Company's business, results of operations and financial condition.

There has been very limited trading of the restructured ABCP notes since January 21, 2009 and, as such, no meaningful market quote is available. There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of its ABCP by discounting expected future cash flows on a probability weighted basis considering the best available data at the reporting date.

The assumptions used in the valuation model include:

	September 30, 2009	March 31, 2009
Weighted average interest rate	**5.01%**	4.72%
Weighted average discount rate	**6.06%**	6.83%
Maturity of notes	**7 to 18 years**	8 to 19 years
Credit losses	**30% to 100%**	25% to 100%

The following is a summary of transactions impacting ABCP for the six-month period September 30, 2009:

	Amount
Balance, March 31, 2009	$ 35,312
Net redemptions	(2,108)
Purchases under the client relief program	806
Fair value adjustment	270
Balance, September 30, 2009	**$ 34,280**

7. Income taxes

The Company's income tax expense differs from the amount that would be computed by applying the combined federal and provincial/state income tax rates as a result of the following:

	For the three months ended		*For the six months ended*	
	September 30, 2009	*September 30, 2008*	***September 30, 2009***	*September 30, 2008*
Income taxes at the estimated statutory rate	**$ 2,330**	$ (1,553)	**$ 7,204**	$ 5,815
Less: International Finance Business recovery of provincial taxes	**(33)**	–	**(181)**	–
Less: Difference in tax rates in foreign jurisdictions	**265**	(265)	**55**	(912)
Non-deductible items affecting the determination of taxable income	**342**	699	**674**	1,041
Change in valuation allowance related to US operating losses	**(1,879)**	1,781	**(2,696)**	1,766
Change in FIT asset – reversal period of temporary differences	**90**	(240)	**2,942**	(218)
Income tax expense – current and future	**$ 1,115**	$ 422	**$ 7,998**	$ 7,492

8. Subordinated debt

	September 30, 2009	*March 31, 2009*
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	**$ 15,000**	$ 25,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the Investment Industry Regulatory Organization of Canada.

9. Share capital

	September 30, 2009	*March 31, 2009*
Share capital		
Common shares	**$ 252,715**	$ 249,418
Unvested share purchase loans	**(28,062)**	(30,911)
Acquisition of common shares for long term incentive plan [note 10]	**(31,362)**	(34,888)
	$ 193,291	$ 183,619

Share capital of Canaccord Capital Inc. is comprised of the following:

[i] Authorized

Unlimited common shares without par value
Unlimited preferred shares without par value

[ii] Issued and fully paid

Common shares

	Number of shares	*Amount*
Balance, September 30, 2008	54,552,553	$ 242,309
Shares issued in connection with stock compensation plans [note 10]	765,363	8,128
Shares cancelled	(225,072)	(1,019)
Balance, March 31, 2009	55,092,844	249,418
Shares issued in connection with stock compensation plans [note 10]	266,645	3,297
Balance, September 30, 2009	**55,359,489**	**$ 252,715**

The Company renewed its normal course issuer bid (NCIB) and is currently entitled to acquire up to 2,767,974 of its shares from September 3, 2009 to September 2, 2010; this number represents 5% of its shares outstanding as of August 28, 2009. There were nil shares purchased through the NCIB between September 3, 2009 and September 30, 2009.

[iii] Common share purchase loans

The Company provides forgivable common share purchase loans to employees in order to purchase common shares. The unvested balance of forgivable common share purchase loans is presented as a deduction from share capital. The forgivable common share purchase loans are amortized over a vesting period up to five years. The difference between the unvested and unamortized values is included in contributed surplus.

[iv] Earnings per share

	For the three months ended		For the six months ended	
	September 30, 2009	September 30, 2008	**September 30, 2009**	September 30, 2008
Basic earnings (loss) per share				
Net income (loss) for the period	**$ 6,746**	$ (5,398)	**$ 15,858**	$ 11,061
Weighted average number of common shares (number)	**48,536,387**	49,020,939	**48,420,751**	48,247,858
Basic earnings (loss) per share	**$ 0.14**	$ (0.11)	**$ 0.33**	$ 0.23
Diluted earnings (loss) per share				
Net income (loss) for the period	**$ 6,746**	$ (5,398)	**$ 15,858**	$ 11,061
Weighted average number of common shares (number)	**48,536,387**	49,020,939	**48,420,751**	48,247,858
Dilutive effect of unvested shares (number)	**3,746,523**	2,949,931	**3,746,523**	2,949,931
Dilutive effect of stock options (number) [note 10]	**24,909**	811	**10,734**	3,171
Dilutive effect of share issuance commitment in connection with retention plan (number) [note 10]	**–**	602,366	**–**	602,366
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 10]	**3,020,875**	2,556,807	**3,061,594**	2,078,364
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 10]	**261,418**	7,716	**205,189**	74,612
Adjusted weighted average number of common shares (number)	**55,590,112**	55,138,570	**55,444,791**	53,956,302
Diluted earnings (loss) per share	**$ 0.12**	$ (0.11)	**$ 0.28**	$ 0.21

10. STOCK-BASED COMPENSATION PLANS

Stock options

The Company granted stock options to purchase common shares of the Company to independent directors and senior managers. The stock options vest over a four- to five-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director. The exercise price is based on the fair market value of the common shares at grant date. The weighted average exercise price of the stock options was $9.91 at September 30, 2009.

During the quarter ended September 30, 2009, the independent directors of the Company approved the grant of stock options to certain senior managers of the Company and its subsidiaries. An aggregate of 2,099,993 options were granted at an exercise price of $9.47 per share that vest over five years. The options expire at the earliest of: (1) seven years after the grant date, (2) three years after death or any other event of termination of employment, (3) after any unvested optioned shares held by the optionee are cancelled for any reason, and (4) in the case of early retirement, after a determination that the optionee has competed with the Company or violated any non-competition, non-solicitation or non-disclosure obligations.

The following is a summary of the Company's stock options to independent directors and senior managers as at September 30, 2009 and changes during the year then ended:

	Number of shares	Weighted average exercise price
Balance, September 30, 2008	275,000	$ 15.54
Granted	–	–
Expired	(50,000)	16.31
Balance, March 31, 2009	225,000	15.37
Granted	2,224,993	9.34
Balance, September 30, 2009	**2,449,993**	**$ 9.91**

The fair value of each stock option grant was estimated on grant date using the Black-Scholes option pricing model with the following assumptions:

	August 2009 grant	May 2009 grant	August 2008 grant	June 2008 grant
Dividend yield	2.00%	2.30%	5.10%	5.10%
Expected volatility	44.00%	44.00%	30.00%	30.00%
Risk-free interest rate	2.45%	2.45%	2.32%	2.32%
Expected life	5 years	5 years	5 years	5 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Compensation expense of $195 and $257 has been recognized for the three and six months ended September 30, 2009 ($50 and $101 for the three and six months ended September 30, 2008).

Long term incentive plan

Under the long term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs) which vest over three years. For employees in Canada, an employee benefit trust (the Trust) has been established, and either (a) the Company will fund the Trust with cash, which will be used by a trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until RSUs vest, or (b) the Company will issue common shares from treasury to participants following vesting of RSUs. For employees in the United States and the United Kingdom, at the time of each RSU award, the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant.

The costs of the RSUs are amortized over the vesting period of three years. Compensation expense of $5.6 million and $10.8 million has been recognized for the three and six months ended September 30, 2009 ($4.0 million and $8.8 million for the three and six months ended September 30, 2008).

	For the three months ended		*For the six months ended*	
	September 30, 2009	*September 30, 2008*	***September 30, 2009***	*September 30, 2008*
Awards outstanding, beginning of period	**4,974,663**	3,258,398	**4,602,385**	2,221,578
Grants	**995,136**	857,105	**1,903,460**	2,061,975
Vested	**(522,548)**	(233,945)	**(1,058,594)**	(401,995)
Awards outstanding, end of period	**5,447,251**	3,881,558	**5,447,251**	3,881,558

	For the three months ended		*For the six months ended*	
	September 30, 2009	*September 30, 2008*	***September 30, 2009***	*September 30, 2008*
Common shares held by Trust, beginning of period	**3,252,159**	1,576,127	**3,075,300**	1,621,895
Acquired	**76,652**	1,606,903	**648,581**	1,706,903
Released on vesting	**(396,879)**	(171,975)	**(791,949)**	(317,743)
Common shares held by Trust, end of period	**2,931,932**	3,011,055	**2,931,932**	3,011,055

11. RELATED PARTY TRANSACTIONS

Security trades executed by the Company for employees, officers and directors are transacted in accordance with the terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the unaudited interim consolidated financial statements.

Accounts receivable and accounts payable and accrued liabilities include the following balances with the related parties described above:

	September 30, 2009	*March 31, 2009*
Accounts receivable	**$ 42,241**	$ 38,733
Accounts payable and accrued liabilities	**80,235**	77,334

12. SEGMENTED INFORMATION

The Company has two operating segments:

Canaccord Adams – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and Other Foreign Location and the US.
Canaccord Wealth Management – provides brokerage services and investment advice to retail or private clients in Canada and the US.

The Corporate and Other segment includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Adams and Canaccord Wealth Management.

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on operating results.

The Company does not allocate total assets or equipment and leasehold improvements to the segments. Amortization is allocated to the segments based on square footage occupied. There are no significant intersegment revenues.

	For the three months ended September 30							
				2009				*2008*
	Canaccord Adams	*Canaccord Wealth Management*	*Corporate and Other*	*Total*	*Canaccord Adams*	*Canaccord Wealth Management*	*Corporate and Other*	*Total*
Revenue	**$ 78,475**	**$ 40,138**	**$ 5,131**	**$ 123,744**	$ 58,336	$ 43,844	$ 8,649	$ 110,829
Expenses	**61,305**	**31,982**	**15,203**	**108,490**	58,542	34,122	14,686	107,350
Amortization	**926**	**618**	**362**	**1,906**	926	411	735	2,072
Development costs	**1,787**	**2,613**	**1,087**	**5,487**	3,682	1,378	1,323	6,383
Income (loss) before income taxes	**$ 14,457**	**$ 4,925**	**$ (11,521)**	**$ 7,861**	$ (4,814)	$ 7,933	$ (8,095)	$ (4,976)

	For the six months ended September 30							
				2009				*2008*
	Canaccord Adams	*Canaccord Wealth Management*	*Corporate and Other*	*Total*	*Canaccord Adams*	*Canaccord Wealth Management*	*Corporate and Other*	*Total*
Revenue	**$ 163,972**	**$ 80,323**	**$ 16,912**	**$ 261,207**	$ 163,129	$ 101,697	$ 18,711	$ 283,537
Expenses	**126,535**	**64,643**	**31,005**	**222,183**	138,527	76,830	31,668	247,025
Amortization	**1,884**	**1,220**	**723**	**3,827**	1,838	820	1,456	4,114
Development costs	**4,731**	**4,518**	**2,092**	**11,341**	7,805	2,944	3,096	13,845
Income (loss) before income taxes	**$ 30,822**	**$ 9,942**	**$ (16,908)**	**$ 23,856**	$ 14,959	$ 21,103	$ (17,509)	$ 18,553

The Company's business operations are grouped into the following four geographic segments (revenue is attributed to geographic areas on the basis of the underlying corporate operating results):

	For the three months ended		*For the six months ended*	
	September 30, 2009	*September 30, 2008*	***September 30, 2009***	*September 30, 2008*
Canada				
Revenue	**$ 79,190**	$ 80,750	**$ 167,124**	$ 189,628
Equipment and leasehold improvements	**29,533**	24,799	**29,533**	24,799
Goodwill and other intangible assets	**–**	3,959	**–**	3,959
United Kingdom				
Revenue	**$ 13,775**	$ 13,096	**$ 34,700**	$ 46,815
Equipment and leasehold improvements	**5,843**	7,411	**5,843**	7,411
United States				
Revenue	**$ 30,137**	$ 18,309	**$ 57,316**	$ 43,950
Equipment and leasehold improvements	**6,342**	7,044	**6,342**	7,044
Goodwill and other intangible assets	**–**	27,856	**–**	27,856
Other Foreign Location				
Revenue	**$ 642**	$ (1,326)	**$ 2,067**	$ 3,144

13. COMMITMENTS AND CONTINGENCIES

During the period, there were no material changes, except for the contingency disclosed below, to the Company's commitments and contingencies from those described in Note 17 of the Audited Annual Consolidated Financial Statements.

a) Canaccord Capital Corporation was one of the underwriters of a public offering of 13% senior secured notes of Redcorp Ventures Ltd. under a prospectus dated July 5, 2007. The offering was for a total of $142.0 million and Canaccord participated for 12.5% of that amount ($17.8 million). A number of entities have given notice to the underwriters (including Canaccord) alleging that the statements in the prospectus describing the security for Redcorp's obligations under the notes were incorrect and constitute, among other things, negligent misstatements, which were reasonably relied upon by these entities to their detriment in deciding to purchase the notes and, as a result, the underwriters (including Canaccord) are liable to compensate these entities for all of their losses flowing from the misrepresentations. The defences to these claims, third party claims and the quantification of damages are yet to be determined. Canaccord intends to vigorously defend itself against these claims.

14. SUBSEQUENT EVENTS

a) On October 1, 2009, Canaccord Adams Limited, a wholly owned subsidiary of the Company, acquired Intelli Partners Limited and its wholly owned subsidiary, Intelli Corporate Finance Limited, a corporate advisory and brokerage boutique located in Edinburgh, Scotland (Intelli) with a net working capital of approximately $5.3 million, for cash consideration of approximately $7.0 million. Intelli is focused on investment companies and companies within the asset management sector.

b) On November 4, 2009, the Board of Directors declared a common share dividend of $0.05 per share payable on December 10, 2009, with a record date of November 20, 2009.

SHAREHOLDER INFORMATION

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The CCI fiscal 2009 Annual Report is available on our website at canaccord.com. For a printed copy please contact the Investor Relations department.

FISCAL 2010 EXPECTED DIVIDEND (1) EARNINGS RELEASE DATES

	Expected earnings release date	*Dividend record date*	*Dividend payment date*
Q1/10	August 6, 2009	suspended	suspended
Q2/10	November 5, 2009	November 20, 2009	December 10, 2009
Q3/10	February 4, 2010	February 26, 2010	March 10, 2010
Q4/10	May 19, 2010	June 4, 2010	June 15, 2010

(1) Dividends are subject to Board of Directors approval. All dividend payments will depend on general business conditions and the Company's financial conditions, results of operations, capital requirements and such other factors as the Board determines to be relevant.

SHAREHOLDER ADMINISTRATION:

For information about stock transfers, address changes, dividends, lost stock certificates, tax forms and estate transfers, contact:

COMPUTERSHARE INVESTOR SERVICES INC.:

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(toll-free within North America)
514-982-7555 (international)
Fax: 1-866-249-7775
(toll-free within North America) or
416-263-9524 (international)
Email: service@computershare.com
Internet: computershare.com
Offers enrolment for self-service account management for registered shareholders through Investor Centre.

FINANCIAL INFORMATION:

For present and archived financial information, please visit canaccordfinancial.com.

AUDITOR:

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

CORPORATE WEBSITE:

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