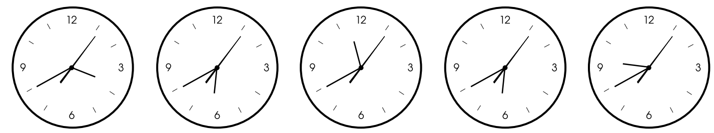
THIRD QUARTER

FISCAL 2012 REPORT TO SHAREHOLDERS

A WORLD OF OPPORTUNITY



CANACCORD Financial

VANCOUVER SAN FRANCISCO | NEW YORK TORONTO | LONDON EDINBURGH | BEIJING SHANGHAI | MELBOURNE SYDNEY

Canaccord Financial Inc. Reports Third Quarter Fiscal 2012 Results

(All dollar amounts are stated in Canadian dollars unless otherwise indicated)[1]

TORONTO, February 8, 2012 – During the third quarter of fiscal 2012, the quarter ended December 31, 2011, Canaccord Financial Inc. (Canaccord, TSX: CF, AIM: CF.) generated $147.9 million in revenue and recorded net income of $2.5 million, or $0.01 per common share. Restructuring and acquisition-related expense items (Significant Items) totalling $10.7 million, or $8.1 million after tax, were incurred during the quarter, including $6.3 million of restructuring costs, $2.7 million related to the proposed acquisition of Collins Stewart Hawkpoint plc (Collins Stewart Hawkpoint), and $1.7 million of amortization of intangible assets. Excluding Significant Items, a non-IFRS measure, Canaccord recorded net income of $10.6 million or $0.11 per diluted common share.[2]

"The strategic investments we undertook to expand our global capabilities and enhance Canaccord's long term performance highlighted our fiscal third quarter, with our announced acquisition of Collins Stewart Hawkpoint, and the closing of our acquisition of a 50% interest in BGF Equities," said Paul Reynolds, President and CEO of Canaccord Financial Inc. "Combined, these growth initiatives will add important scale to our UK and US businesses, establish key operations in Singapore, Hong Kong, Australia and Europe, and provide a strong, high-margin UK Wealth Management business to our global platform."

Mr. Reynolds continued, "We're particularly pleased with the record advisory revenue our Merger, Acquisition and Restructuring practice generated during the quarter, due in part to our growing presence in Asia and our strong corporate relationships in Canada. As global economic and market challenges continue to restrain capital raising activities, we see the growth of our advisory business as a key opportunity to offset reduced activity in some of Canaccord's other business segments, while we best position our company for the eventual market recovery."

THIRD QUARTER OF FISCAL 2012 VS. THIRD QUARTER OF FISCAL 2011

- Revenue of $147.9 million, down 42% or $106.9 million from $254.8 million
- Expenses of $142.8 million, down 26% or $50.1 million from $192.9 million
- Net income of $2.5 million compared to net income of $43.0 million
- Return on common equity (ROE) of 0.6%, down from 24.3%[2][3]
- Diluted earnings per common share (EPS) of $0.01 compared to diluted EPS of $0.51

Excluding significant items[2][4]

- Expenses of $132.1 million, down 31% or $58.1 million from $190.2 million
- Net income of $10.6 million compared to net income of $45.6 million
- ROE of 4.6%, down from 25.0%[2][3]
- Diluted EPS of $0.11 compared to diluted EPS of $0.55 in the third quarter of 2011

Contents

THIRD QUARTER OF FISCAL 2012 VS. SECOND QUARTER OF FISCAL 2012

- Revenue of $147.9 million, up 24% or $28.4 million from $119.5 million
- Expenses of $142.8 million, up 13% or $16.4 million from $126.4 million
- Net income of $2.5 million compared to a net loss of $5.3 million
- ROE of 0.6%, up from (2.8)%[(2)(3)]
- Diluted EPS of $0.01 compared to diluted loss per common share of $0.09 in the second quarter of 2012

Excluding significant items[(2)(4)]

- Expenses of $132.1 million, up 8% or $9.6 million from $122.5 million
- Net income of $10.6 million compared to a net loss of $1.7 million
- ROE of 4.6%, up from (0.9)%[(2)(3)]
- Diluted EPS of $0.11 compared to diluted loss per common share of $0.05 in the second quarter of 2012

YEAR-TO-DATE FISCAL 2012 VS. YEAR-TO-DATE FISCAL 2011

(Nine months ended December 31, 2011 vs. nine months ended December 31, 2010)

- Revenue of $427.2 million, down 23% or $128.8 million from $556.0 million
- Expenses of $413.3 million, down 12% or $58.6 million from $471.9 million
- Net income of $10.4 million compared to net income of $58.4 million
- ROE of 1.3%, down from 11.4%[(2)(3)]
- Diluted EPS of $0.09 compared to diluted EPS of $0.72 in the year to date fiscal 2011

Excluding significant items[(2)(4)]

- Expenses of $397.7 million, down $57.2 million from $454.9 million
- Net income of $23.1 million compared to net income of $71.9 million
- ROE of 3.4%, down from 14.1%[(2)(3)]
- Diluted EPS of $0.23 compared to diluted EPS of $0.89 in the year to date fiscal 2011

FINANCIAL CONDITION AT END OF THIRD QUARTER 2012 VS. THIRD QUARTER 2011

- Cash and cash equivalents balance of $700.9 million, down $12.2 million from $713.1 million
- Working capital of $471.9 million, up $100.4 million from $371.5 million
- Total shareholders' equity of $852.3 million, up $127.6 million from $724.7 million
- Book value per diluted common share for the period end was $8.54, up 1.4% or $0.11 from $8.43[(2)]
- On February 8, 2012, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on March 15, 2012 with a record date of March 2, 2012
- On February 8, 2012, the Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on April 2, 2012 with a record date of March 16, 2012

SUMMARY OF OPERATIONS

Corporate

- On November 1, 2011, Canaccord Financial Inc. closed its acquisition of a 50% interest in BGF Equities (BGF). The aggregate consideration paid by Canaccord for the 50% interest in BGF totalled AUD$40.2 million [C$42.2 million]. Subsequent to the closing, BGF was rebranded as Canaccord BGF. The 50% interest was acquired through the purchase of shares from certain existing shareholders and the purchase of treasury shares as follows:
  - AUD$14.7 million for the purchase of existing BGF Equities shares, primarily from passive non-executive shareholders
  - AUD$5.5 million[(5)] in Canaccord common shares (the Consideration Shares) issued to key executives of BGF
  - AUD$20.0 million for the subscription of treasury shares in BGF

- On December 15, 2011, Canaccord Financial Inc. announced that it had made a formal offer to acquire 100% of the equity of Collins Stewart Hawkpoint (LSE: CSHP) for a price of £0.96 per CSHP-LN common share
  - The proposed acquisition will significantly grow the scale of Canaccord's capital markets operations in the UK and US, and will expand the Company's operations into Singapore. The transaction will also provide Canaccord with a strong UK and European wealth management business.
  - It is intended that the acquisition will be implemented by way of a court-sanctioned scheme of arrangement under the *UK Companies Act*, which requires approval from Collins Stewart Hawkpoint shareholders
  - Subject to Collins Stewart Hawkpoint shareholder approval and obtaining formal clearances from the UK Financial Services Authority, the Monetary Authority of Singapore and certain other regulatory authorities, Canaccord believes court hearings to sanction the scheme and associated matters will occur on March 16, 2012 and March 21, 2012, and the acquisition will close ("the scheme will become effective") at 8:00 am London time on March 22, 2012. Further announcements will be made if there are changes to these dates.
- During the fiscal third quarter, Canaccord Financial Inc. repurchased and cancelled 650,000 of its common shares under the terms of its normal course issuer bid (NCIB). 1,350,000 shares remain available for repurchase under the NCIB.

Capital Markets

- Canaccord Genuity led or co-led 20 transactions globally, raising total proceeds of $324.1 million[6] during fiscal Q3/12
- Canaccord Genuity participated in 77 transactions globally, raising total proceeds of $1.2 billion[6] during fiscal Q3/12
- During fiscal Q3/12, Canaccord Genuity led or co-led the following transactions:
  - C$69.0 million for Artis Real Estate Investment Trust on the TSX
  - £46.5 million for Rockhopper Exploration PLC on AIM
  - C$46.0 million for Carpathian Gold Inc. on the TSX
  - C$46.0 million for Huntingdon Real Estate Investment Trust on the TSX
  - US$43.4 million for NewLink Genetics Corp. on NASDAQ
  - US$40.1 million for Metminco Ltd. on AIM
  - C$34.3 million for Amica Mature Lifestyles Inc. on the TSX
  - C$33.4 million for Premier Gold Mines Limited on the TSX
- Canaccord Genuity generated record advisory revenues of $38.5 million during fiscal Q3/12, an increase of 53% compared to the same quarter last year
- During fiscal Q3/12, Canaccord Genuity advised on the following M&A and advisory transactions:
  - Daylight Energy on its acquisition by Sinopec International Petroleum Exploration and Production Corporation
  - Second Lien Noteholders of OPTI Canada Inc. with respect to restructuring of debt and sale of the company
  - Zarlink Semiconductor Inc. with respect to the hostile bid and eventual acquisition by Microsemi Corporation
  - Labopharm Inc. on its acquisition by Paladin Labs Inc.
  - Grayd Resource Corporation on its acquisition by Agnico-Eagle Mines Ltd.
  - Hathor Exploration Limited on its acquisition by Rio Tinto Ltd.
  - New Gold Inc. on its acquisition of Silver Quest Resources Ltd.

Wealth Management

- Canaccord Wealth Management recorded a net loss of $0.9 million before taxes in Q3/12
- Assets under administration were $14.4 billion, down 2% from $14.6 billion at the end of Q2/12 and down 10% from $16.0 billion at the end of Q3/11[2]
- Assets under management were $607 million, up 6% from $574 million at the end of Q2/12 and up 18% from $514 million at the end of Q3/11[2]
- As at December 31, 2011, Canaccord Wealth Management had 278 Advisory Teams[7], an increase of six from 272 Advisory Teams as of December 31, 2010 and an increase of seven from 271 Advisory Teams as of September 30, 2011
- During the third quarter of Canaccord's fiscal year, the Independent Wealth Management (IWM) platform added three new branches: Summerland, British Columbia; Trail, British Columbia; and Brampton, Ontario
- Canaccord Wealth Management now has 37 branches across Canada, including 25 operating on the IWM platform

Non-IFRS measures

The non-International Financial Reporting Standards (IFRS) measures presented include assets under administration, assets under management, book value per diluted common share, return on common equity and figures that exclude significant items. Significant items include restructuring costs and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting effects of these items do in fact reflect the underlying financial results of Canaccord's business; thus, these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS

	Three months ended December 31		Quarter-over-	Nine months ended December 31		YTD-over-YTD
(C$ thousands, except % amounts)	**2011**	2010	quarter change	**2011**	2010	change
Total revenue per IFRS	**$ 147,889**	$ 254,834	(42.0)%	**$ 427,172**	$ 556,036	(23.2)%
Total expenses per IFRS	**142,822**	192,918	(26.0)%	**413,252**	471,880	(12.4)%
Significant items recorded in Canaccord Genuity						
Acquisition-related costs – Collins Stewart Hawkpoint	**2,700**	—	n.m.	**2,700**	—	n.m.
Acquisition-related costs – BGF	**—**	—	—	**1,443**	—	n.m.
Acquisition-related costs – The Balloch Group Limited (TBG)	**—**	1,750	(100.0)%	**—**	1,750	(100.0)%
Acquisition-related costs – Genuity Capital Markets (Genuity)	**—**	—	—	**—**	10,990	(100.0)%
Amortization of intangible assets	**1,767**	930	90.0%	**3,627**	4,196	(13.6)%
Restructuring costs	**1,292**	—	n.m.	**1,292**	—	n.m.
Significant items recorded in Corporate and Other						
Acquisition-related costs – prospective acquisitions not pursued	**—**	—	—	**1,513**	—	n.m.
Restructuring costs	**5,000**	—	n.m.	**5,000**	—	n.m.
Total significant items	**10,759**	2,680	301.5%	**15,575**	16,936	(8.0)%
Total expenses excluding significant items	**132,063**	190,238	(30.6)%	**397,677**	454,944	(12.6)%
Net income before tax – adjusted	**$ 15,826**	$ 64,596	(75.5)%	**$ 29,495**	$ 101,092	(70.8)%
Income taxes – adjusted	**5,182**	18,992	(72.7)%	**6,391**	29,219	(78.1)%
Net income – adjusted	**$ 10,644**	$ 45,604	(76.7)%	**$ 23,104**	$ 71,873	(67.9)%
Earnings per common share – basic, adjusted	**$ 0.12**	$ 0.61	(80.3)%	**$ 0.26**	$ 0.99	(73.7)%
Earnings per common share – diluted, adjusted	**$ 0.11**	$ 0.55	(80.0)%	**$ 0.23**	$ 0.89	(74.2)%

n.m.: not meaningful

(1) As required by the Canadian Accounting Standards Board (AcSB), the Company adopted IFRS effective April 1, 2011. All financial information provided for fiscal 2012 is in accordance with IFRS, and all comparative financial information for the four quarters of fiscal 2011 has been restated and presented in accordance with IFRS.

(2) See Non-IFRS Measures above.

(3) ROE is presented on an annualized basis. ROE for the period is calculated by dividing the annualized net income (loss) available to common shareholders for the period over the average common shareholders' equity for the period. See Non-IFRS Measures above.

(4) Significant items include restructuring costs and acquisition-related expense items as discussed under Non-IFRS Measures above.

(5) A total of 623,796 Consideration Shares were issued, calculated on the basis of Canaccord's volume-weighted average trading price on the Toronto Stock Exchange for a period of 20 consecutive trading days ending on the third trading day before closing. Using this method of valuation, the shares were valued at AUD$5.3 million.

(6) Source: FP Infomart and Company Information

(7) 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 licensed 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 of business.

To Our Shareholders

The third quarter of fiscal 2012 was a period of growth for Canaccord Financial. We announced the transformative acquisition of Collins Stewart Hawkpoint plc to grow our operations in the UK, Europe, the US and Singapore. We closed our acquisition of a 50% interest in BGF Equities to establish operations in Australia and Hong Kong. And we leveraged the expanded M&A and restructuring capabilities we gained through our acquisition of Genuity Capital Markets in May 2010 to achieve record advisory revenue this quarter.

Over the last few years, we've set out to become a pre-eminent global, growth-focused investment bank. And we're making significant progress to deliver on that goal. The market dislocation and the current economic environment have provided some challenges for our business over the short term. However, they have also provided us with exceptional opportunities to capture strategically important assets that we believe will enhance the long term value and performance of our company.

The steady, recurring revenue generated through Collins Stewart's wealth management business will enhance the stability of our earnings, while its significant on-and-offshore operations will substantially grow our assets under administration. Our expansion into Europe, Australia, Singapore and Hong Kong provides us with important access to many key markets where we see opportunities to leverage our capabilities and expand our client base, while also diversifying our revenue streams through a growing number of geographic markets. And as our Asia-Pacific strategy continues to take shape, we're confident Canaccord will emerge as a leading investment bank for resource companies and investors in that region – a vital sector for many Asian economies and a complementary expansion to our well-regarded resource industry knowledge base.

We're building a business to meet the evolving needs of our clients, and a company that can adapt to changing market opportunities to capture long term value for our shareholders. Furthermore, we're choosing to invest strategically in corporate development activities that can provide benefits to many parts of our business.

Our clients are increasingly expressing an interest in cross-border activities. Our expanding M&A and restructuring practice has never been more active. And we've developed a strong, progressively more global pipeline of business. All are key indicators the investments we've made in the Company the last several years are building shareholder value. Even more, they are examples of the opportunities we see for Canaccord in the years ahead and reasons we're excited about the future of our business.

QUARTERLY PERFORMANCE

During Canaccord's fiscal third quarter of 2012, the Company generated $147.9 million in revenue, an increase of 24% from the previous quarter, but down 42% from the record revenue we generated in the same quarter last year, when market activity was significantly more pronounced. Even so, the record advisory revenue generated by our global M&A team this quarter provided a substantial contribution to Canaccord's performance, and helped to counteract reduced business activity experienced in other segments of our company.

As noted last quarter, difficult decisions to reduce staffing levels in certain geographies and flatten our management structure were implemented during Q3/12. $6.3 million of pre-tax restructuring charges associated with these initiatives were booked during the quarter. While decisions like these are never easy, we believe they were necessary to better align our resources with our current economic environment and best deploy capital in areas we see the most opportunity in.

Investments we're making to significantly strengthen our global operations and enhance the long term performance of our company were also apparent in this quarter's results. $4.5 million of pre-tax acquisition-related expenses were booked during the quarter, including $2.7 million for the proposed acquisition of Collins Stewart Hawkpoint.

Despite the difficult market environment our industry continues to contend with, Canaccord performed relatively well. Excluding the restructuring and acquisition-related expense items noted above, net income for the third quarter of fiscal 2012 was $10.6 million, or $0.11 per diluted common share. Including these expense items, on an IFRS basis, net income for the quarter was $2.5 million, or $0.01 per diluted common share.

We continue to maintain a very strong balance sheet, ending the quarter with $700.9 million of cash and cash equivalents and $471.9 million in working capital. The Company is very well capitalized to meet our operational needs; though, to facilitate our impending acquisition of Collins Stewart Hawkpoint, we secured a $150 million credit facility in December, which will be repayable 180 days after it is first drawn upon. We were also very active in share buybacks during the quarter, purchasing 650,000 CF common shares from the market that were subsequently cancelled. 1,350,000 common shares remain available for repurchase under our current normal course issuer bid (NCIB) arrangement.

CANACCORD GENUITY

Record advisory revenue was a key driver of Canaccord Genuity's performance this quarter, which helped to offset slower investment banking and trading activity. At $38.5 million, advisory revenue was 78% higher than last quarter and 53% higher than the same quarter last year. Much of the advisory business generated during fiscal Q3/12 was achieved through cross-border transactions – highlighting the strength of our global M&A capabilities and underscoring the potential we believe exists by expanding our advisory business into Europe through our acquisition of Collins Stewart Hawkpoint.

Canaccord Genuity advised on seven M&A and restructuring transactions that closed during the quarter. Of these transactions, two specifically demonstrated the importance of our growing Asian advisory practice and provided significant fees to our business. Canaccord advised Daylight Energy Ltd. on its $2.2 billion acquisition by Sinopec International Petroleum Exploration, as well as the Second Lien Noteholders of OPTI Canada with respect to the restructuring and sale of that company.

Ongoing economic and market instability continues to drag on global capital raising activities. This, combined with lower trading volumes on some of the key exchanges we operate on, affected the overall results of our capital markets division this quarter. Globally, Canaccord Genuity generated $93.6 million in revenue, up 35% from the previous quarter, but down significantly from the record revenue generated by the division in the same quarter of last year.

Despite the challenging market environment, Canaccord Genuity led 20 transactions during the quarter, raising $324 million for clients, and participated in 77 transactions globally that raised $1.2 billion. Our pipeline of transactions remains strong across all our geographies, and we expect capital raising activities will rebound when economic concerns and uncertainty related to the European debt crisis subside.

During the fiscal third quarter, we were also very pleased to welcome new colleagues in Australia and Hong Kong, through the acquisition of a 50% interest in BGF Equities – now known as Canaccord BGF. Contributions from this business are now being recorded on a fully consolidated basis and are attributable to Canaccord Genuity. While still very early in our shared business strategy, we're already seeing positive indications from our operations in Australia and Hong Kong.

CANACCORD WEALTH MANAGEMENT

Prolonged market volatility and cautious investor sentiment continued to affect the performance of Canaccord Wealth Management. Revenue for the third quarter was $44.6 million, down 6% from last quarter and 35% from the same quarter last year.

Ongoing efforts to improve the efficiency of the business have helped to lower the break-even point of the division; however, expansion and recruitment activities did impact some expense lines. During the fiscal third quarter Canaccord Wealth Management welcomed three new IWM branches: Trail and Summerland, British Columbia, and Brampton, Ontario. This expansion activity, combined with recruiting efforts during the period, increased the number of Advisory Teams by seven, ending the quarter with 278 Advisory Teams across Canada.

Expenses for the division during Q3/12 were $37.2 million, a slight decrease from the previous quarter, but 28% lower than the same period last year. After expense allocations, Canaccord Wealth Management recorded a small pre-tax loss of $0.9 million during the fiscal third quarter.

As a positive indication of growth in our discretionary accounts platform, assets under management continued to grow, ending the quarter at $607 million – an increase of 6% from the end of the second quarter and 18% compared to the same quarter last year. Assets under administration were $14.4 billion at December 31, 2011, down approximately 2% from the end of last quarter and 10% compared to the same period last year.

LOOKING FORWARD

As we move forward with the acquisition and integration of Collins Stewart Hawkpoint, we're increasingly more confident that our shared culture and values will provide for a seamless combination. The Collins Stewart Hawkpoint shareholder vote to approve the transaction takes place on February 9, 2012. Assuming we receive approval from their shareholders and from all applicable regulators, we anticipate closing will occur in late March.

When our combined business emerges, Canaccord will be better positioned for the eventual market recovery than ever before. We'll benefit from the strong, recurring fee-based revenue from a high-margin wealth management business in the UK. We'll leverage our expanded advisory capabilities in the UK and Europe to add value to new and established corporate clients. We'll grow our Asia presence through a strategically important Singapore office with listing capabilities. And we'll combine the best capital markets professionals on one back-office platform.

Most importantly, we'll see our business repositioned in the minds of our clients and within the competitive landscape – as a formidable, independent competitor to many larger investment banks in the UK and the US.

We look forward to welcoming new colleagues and offices from Collins Stewart Hawkpoint to Canaccord's global platform in the next few months. I'm convinced our combined capabilities, shared corporate relationships and pooled sector expertise will generate significant value for our clients and shareholders in the years ahead.

Kind regards,

PAUL D. REYNOLDS
President & CEO
Canaccord Financial Inc.

Management's Discussion and Analysis

Third quarter fiscal 2012 for the three months and nine months ended December 31, 2011 – this document is dated February 8, 2012

The following discussion of the financial condition and results of operations for Canaccord Financial Inc. (Canaccord or the Company) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and nine-month periods ended December 31, 2011 compared to the corresponding periods in the preceding fiscal year. The three- and nine-month periods ended December 31, 2011 are also referred to as third quarter 2012, Q3/12, fiscal Q3/12 and year-to-date fiscal 2012 in the following discussion. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three- and nine-month periods ended December 31, 2011, beginning on page 29 of this report; our Annual Information Form (AIF) dated June 1, 2011; and the 2011 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2011 (Audited Annual Consolidated Financial Statements) in Canaccord's Annual Report dated May 17, 2011 (the Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2011 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The Company adopted International Financial Reporting Standards (IFRS) beginning first quarter 2012, and consequently, the financial information presented in this document, including comparative information, is prepared in compliance with IFRS unless specifically noted. This MD&A is based on unaudited interim condensed consolidated financial statements prepared in accordance with IFRS.

Cautionary statement regarding forward-looking information

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, 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", "could" 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 discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com as well as the factors discussed in the section entitled "Risks" in this MD&A, which includes market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2012 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

Although the forward-looking information contained in this document is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this document and should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Certain statements included in this document may be considered "financial outlook" for purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this document. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, further developments or otherwise.

PRESENTATION OF FINANCIAL INFORMATION AND NON-IFRS MEASURES

Transition to International Financial Reporting Standards

As required by the Canadian Accounting Standards Board (AcSB), the Company adopted IFRS effective April 1, 2011. The unaudited interim condensed consolidated financial statements for the three- and nine-month periods ended December 31, 2011 (Third Quarter 2012 Financial Statements) have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), using accounting policies consistent with those expected to be applied in preparing the Company's annual consolidated financial statements for the year ending March 31, 2012.

The Company followed the provisions of IFRS 1, "*First-Time Adoption of IFRS*" (IFRS 1), in preparing its Third Quarter 2012 Financial Statements. The Third Quarter 2012 Financial Statements contain comparative information as of December 31, 2010 and March 31, 2011, as well as for the three- and nine-month periods ended December 31, 2010 that has also been presented in accordance with IFRS. An explanation of the transition to IFRS is presented in Note 4 of the unaudited interim condensed consolidated financial statements for the three-month period ended June 30, 2011 (First Quarter 2012 Financial Statements) and includes an explanation of initial elections upon first-time adoption of IFRS, changes to accounting policies and a reconciliation of amounts previously reported under Canadian Generally Accepted Accounting Principles (CGAAP) to amounts reported under IFRS for comparative financial information.

Adoption of IFRS

Please refer to Note 5 of the First Quarter 2012 Financial Statements for a detailed description of the significant accounting policies adopted by the Company upon adoption of IFRS. Also included in the Transition to International Financial Reporting Standards section of our MD&A for the quarter ended June 30, 2011 is a discussion intended to provide a high level overview of the impact of adopting IFRS, including the impact to comparative financial information presented in our First Quarter 2012 Financial Statements. Our assessment and conclusions with respect to the impact of adopting IFRS have not changed from what was presented in our MD&A for the quarter ended June 30, 2011. Such discussion is not intended to be exhaustive of all identified differences between CGAAP and IFRS.

Non-IFRS measures

Certain non-IFRS measures are utilized by Canaccord as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures presented include assets under administration, assets under management, book value per diluted common share, return on common equity and figures that exclude significant items.

Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share, which is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.

Assets under administration (AUA) and assets under management (AUM) are non-IFRS 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 Canaccord 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 Counselling Program* and the *Complete Canaccord Managed Account Program*. Services provided include the selection of investments and the provision of investment advice. AUM is also administered by Canaccord and is included in AUA.

Financial statement items that exclude significant items are non-IFRS measures. Significant items include restructuring costs and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Significant Items table on page 13.

Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting effects of these items do in fact reflect the underlying financial results of Canaccord's business; thus, these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

BUSINESS OVERVIEW

Through its principal subsidiaries, Canaccord Financial Inc. 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 its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has 52 offices worldwide, including 36 Wealth Management offices located across Canada. Canaccord Genuity, the international capital markets division, operates in Canada, the US, the UK, China, Hong Kong, Australia and Barbados.

Canaccord Financial Inc. is publicly traded under the symbol CF on the TSX and the symbol CF. on AIM, a market operated by the London Stock Exchange. Canaccord Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A.

Our business is subject to the overall condition of the North American, Australian, Asian and European equity markets, including seasonal fluctuations.

Business environment

The fiscal third quarter was characterized by a moderate recovery in risk assets as global equities responded to several factors. These include the easing financial stress in Europe as the European Central Bank implemented its long term refinancing operation; stronger-than-expected US economic statistics; and rising expectations of a soft landing in China.

Fuelled by relatively robust economic performance, US equities benefited the most from the increase in investors' risk appetite with the S&P 500 rising 11.2% in the fiscal third quarter. The S&P/TSX Composite rose a more moderate 2.8%, constrained by the downward pressure on resource prices arising from the strength of the US dollar. The price of gold was under pressure for most of the quarter as it fell 3.4%. It was the first quarterly drop in gold prices since Canaccord's fiscal fourth quarter of 2009. Other industrial commodities such as crude and copper, which rose 24.8% and 9.1%, respectively, fared much better as a result of a strong upturn in Chinese imports. Nevertheless, despite the recovery in risk assets, the limited price appreciation in Canadian equities and continued market volatility were not enough to turn business sentiment around. The net result was a subdued pace of equity underwriting and secondary market trading.

On a forward basis, global economic risks remain well balanced. In the US, the economic recovery has entered into a self-sustaining phase as corporations are borrowing again, jobs creation is accelerating and unit labour costs are rising again. However, consumption, which remains the key driver of growth, could weaken if geopolitical risks escalate and push crude oil prices north of $115 a barrel. In China, the economy remains resilient, but a further slowdown seems unavoidable if policymakers are targeting a transition to a consumer/service-based economy. In Europe, the swift depreciation of the Euro in the second half of the calendar year, combined with the steep drop in European bond yields, has turned monetary conditions accommodative and investors' expectations seem to have shifted toward a mild recession scenario for 2012. However, insolvency issues have not been addressed yet and a disorderly debt default in Greece could quickly derail the cautious optimism in financial markets.

Against this balanced economic outlook, the US Federal Reserve's decision to maintain rates at current levels for the next three years is bullish for inflation, hard assets and Canadian equities in particular. With inflation-protected bonds providing a negative return to investors, the S&P/TSX Composite – with 50% of its market capitalization in resource equities – is well positioned to capture investors' demand for inflation protection. Moreover, as monetary reflation goes global, the world economy should start accelerating again in the latter half of the year. It is expected that equity markets will take this constructive backdrop into account, leading to an improvement in capital markets activities.

Market data

Financing values on the TSX, TSX Venture and AIM markets during Canaccord's fiscal third quarter were down substantially compared to the same period last year, yet increased modestly compared to the previous quarter. On the NASDAQ, financing values were down slightly compared to the same quarter last year, but up by 96% compared to the previous quarter.

Financings in Canaccord's key sectors on the TSX and TSX Venture were down 44% compared to the same quarter last year, but up 49% compared to the previous quarter. While most of Canaccord's key sectors experienced declines compared to the same quarter last year, financings in the Real Estate sector increased. Compared to the previous quarter, financings in both the Oil and Gas and Real Estate sectors increased.

Financings in Canaccord's key sectors on AIM were down 67% compared to the same quarter last year, but up 51% compared to the previous quarter. Resource sector financings were down significantly compared to the same quarter last year, but Health Care, Media and Technology all experienced increases. Compared to the previous quarter, financings in all key sectors increased, especially Health Care.

TOTAL FINANCING VALUE BY EXCHANGE

	October 2011	November 2011	December 2011	Fiscal Q3/12	Change from fiscal Q3/11	Change from fiscal Q2/12
TSX and TSX Venture (C$ billions)	2.5	5.5	3.2	11.2	(45.1)%	7.7%
AIM (£ billions)	0.1	0.3	0.4	0.8	(74.2)%	14.3%
NASDAQ (US$ billions)	1.5	4.4	3.9	9.8	(10.9)%	96.0%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

FINANCING VALUE FOR RELEVANT TSX AND TSX VENTURE INDUSTRY SECTORS

(C$ millions, except for % amounts)	October 2011	November 2011	December 2011	Fiscal Q3/12	Change from fiscal Q3/11	Change from fiscal Q2/12
Oil and Gas	697.0	1,681.3	1,031.6	3,409.9	(15.9)%	212.5%
Mining	162.2	835.6	200.1	1,197.9	(79.1)%	(13.1)%
Biotech	7.8	17.4	—	25.2	(72.4)%	(76.2)%
Media	—	—	—	—	(100.0)%	n.m.
Real Estate	308.7	451.7	789.5	1,549.9	40.6%	14.0%
Technology	2.5	1.5	—	4.0	(91.0)%	(98.3)%
Total (of relevant sectors)	**$ 1,178.2**	**$ 2,987.5**	**$ 2,021.2**	**$ 6,186.9**	**(44.2)%**	**48.5%**

Source: FP Infomart
n.m.: not meaningful

FINANCING VALUE FOR RELEVANT AIM INDUSTRY SECTORS

(£ millions, except for % amounts)	October 2011	November 2011	December 2011	Fiscal Q3/12	Change from fiscal Q3/11	Change from fiscal Q2/12
Oil and Gas	61.2	184.3	37.7	283.2	(73.1)%	8.0%
Mining	30.8	52.4	70.8	154.0	(81.6)%	16.6%
Health Care	4.8	15.1	76.9	96.8	53.2%	1,208.1%
Media	1.2	36.2	0.8	38.2	68.3%	730.4%
Technology	2.2	9.2	109.9	121.3	24.0%	128.4%
Total (of relevant sectors)	**£ 100.2**	**£ 297.2**	**£ 296.1**	**£ 693.5**	**(66.5)%**	**51.0%**

Source: LSE AIM Statistics

About Canaccord's operations

Canaccord Financial Inc.'s operations are primarily divided into two business segments: Canaccord Genuity (capital markets operations) and Canaccord 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 administrative segment is referred to as Corporate and Other.

Canaccord Genuity

Canaccord Genuity offers 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 US, the UK, and China. Currently, China's operations are limited to advisory activities. Canaccord also has a 50% interest in Canaccord BGF, which provides a full range of investment banking and wealth management services to clients in Australia and Hong Kong. Operations of Canaccord BGF are considered to be part of Canaccord Genuity's global platform.

- Canaccord Genuity's research analysts have deep knowledge of more than 750 companies across our focus sectors: Mining and Metals, Energy, Technology, Life Sciences, Agriculture and Fertilizers, Media and Telecommunications, Financials, Consumer Products, Real Estate, Infrastructure, Sustainability and CleanTech, Transportation and Industrial Products, Paper and Forestry Products, Investment Trusts, Support Services, and Structured Products
- Our sales and trading desks execute timely transactions for more than 2,000 institutional relationships around the world, operating as an integrated team on one common platform
- With more than 150 senior level investment bankers, Canaccord Genuity provides clients with deep sector expertise and broad equity transaction and M&A advisory experience

Revenue from Canaccord Genuity 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 Genuity's principal and international trading operations.

Canaccord Wealth Management

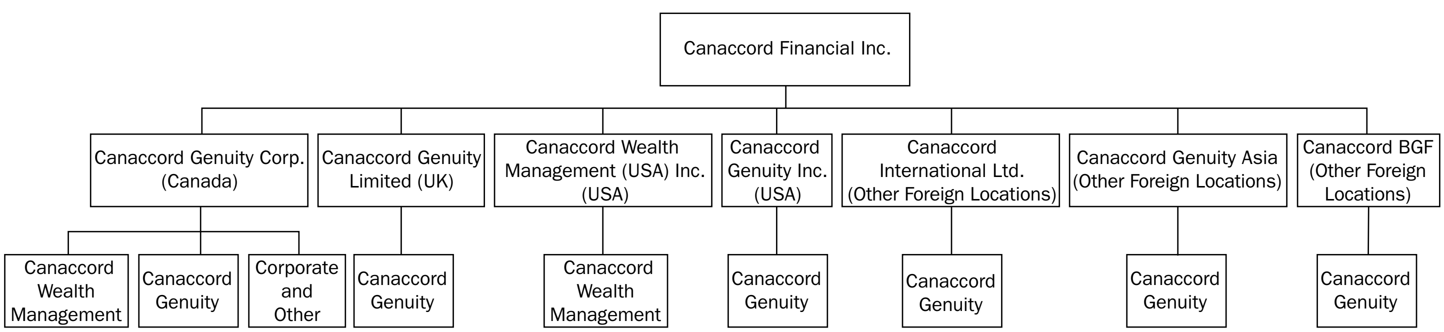
As a leading independent investment dealer, Canaccord Wealth Management provides comprehensive wealth management solutions and services to our private clients. Recognizing the growing complexity of many clients' financial circumstances, Canaccord Wealth Management Investment Advisors are focused on providing tailored financial services and have access to a complete suite of financial planning solutions to meet their clients' needs. Many Canaccord Wealth Management Investment Advisors have obtained advanced industry designations, such as Chartered Financial Analyst or Certified Investment Manager, and all have ongoing access to experts who specialize in financial planning and insurance solutions. Canaccord Wealth Management has made technology a priority to ensure that our Investment Advisors are supported by the latest and best-in-class software and technology systems. This, combined with Canaccord Wealth Management's robust online and seminar-based training program, provides our Investment Advisors with the information and tools needed to cater to the specific needs and financial objectives of each Canaccord Wealth Management client.

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 from investment banking and venture capital transactions by private clients.

Corporate and Other

Canaccord's administrative segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest, foreign exchange gains and losses, and activities not specifically allocable to either the Canaccord Genuity 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[1]



[1] Canaccord owns 100% interest in all subsidiaries except for Canaccord BGF, in which Canaccord owns a 50% interest.

CONSOLIDATED OPERATING RESULTS

THIRD QUARTER AND YEAR-TO-DATE FISCAL 2012 SUMMARY DATA(1)(2)(3)

(C$ thousands, except per share, employee and % amounts)	Three months ended December 31			QTD Q3/12 vs. Q3/11	Nine months ended December 31			YTD fiscal 2012 vs. 2011
	2011	2010	2009		**2011**	2010	2009	
	IFRS	IFRS	CGAAP		**IFRS**	IFRS	CGAAP	
Canaccord Financial Inc. (CFI)								
Revenue								
Commission	**$ 57,380**	$ 87,433	$ 60,696	(34.4)%	**$ 178,707**	$ 212,691	$ 172,780	(16.0)%
Investment banking	**32,015**	116,716	82,089	(72.6)%	**121,672**	223,853	161,045	(45.6)%
Advisory fees	**38,541**	25,276	6,328	52.5%	**82,736**	59,212	30,878	39.7%
Principal trading	**3,304**	10,658	15,645	(69.0)%	**3,878**	26,213	38,704	(85.2)%
Interest	**8,147**	7,753	3,099	5.1%	**23,594**	16,333	9,696	44.5%
Other	**8,502**	6,998	5,340	21.5%	**16,585**	17,734	21,301	(6.5)%
Total revenue	**$ 147,889**	$ 254,834	$ 173,197	(42.0)%	**$ 427,172**	$ 556,036	$ 434,404	(23.2)%
Expenses								
Incentive compensation	**69,815**	126,640	93,872	(44.9)%	**209,267**	269,663	226,301	(22.4)%
Salaries and benefits	**15,009**	14,739	14,945	1.8%	**46,289**	46,877	42,730	(1.3)%
Other overhead expenses(4)	**49,006**	49,789	42,070	(1.6)%	**145,748**	142,600	119,207	2.2%
Acquisition-related costs	**2,700**	1,750	—	54.3%	**5,656**	12,740	—	(55.6)%
Restructuring costs	**6,292**	—	—	n.m.	**6,292**	—	—	n.m.
Total expenses	**$ 142,822**	$ 192,918	$ 150,887	(26.0)%	**$ 413,252**	$ 471,880	$ 388,238	(12.4)%
Income before income taxes	**5,067**	61,916	22,310	(91.8)%	**13,920**	84,156	46,166	(83.5)%
Net income	**2,531**	42,997	15,113	(94.1)%	**10,448**	58,420	30,971	(82.1)%
Net income (loss) attributable to:								
CFI shareholders	**3,026**	42,997	15,113	(93.0)%	**10,943**	58,420	30,971	(81.3)%
Non-controlling interests	**(495)**	—	—	n.m.	**(495)**	—	—	n.m.
Earnings per common share – diluted	**0.01**	0.51	0.27	(98.0)%	**0.09**	0.72	0.56	(87.5)%
Return on common equity(5)	**0.6%**	24.3%	15.2%	(23.6) p.p.	**1.3%**	11.4%	10.6%	(10.1) p.p.
Dividends per common share	**0.10**	0.075	0.05	33.3%	**0.30**	0.175	0.10	71.4%
Book value per diluted common share(6)	**8.54**	8.43	7.00	(1.4)%				
Total assets	**4,439,877**	4,555,884	2,583,857	(2.5)%				
Total liabilities	**3,569,364**	3,831,158	2,183,190	(6.8)%				
Non-controlling interests	**18,218**	—	—	n.m.				
Total shareholders' equity	**852,295**	724,726	400,667	17.6%				
Number of employees	**1,735**	1,628	1,570	6.6%				
Excluding significant items(7)								
Total expenses	**$ 132,063**	$ 190,238	$ 150,887	(30.6)%	**$ 397,677**	$ 454,944	$ 388,238	(12.6)%
Income before income taxes	**15,826**	64,596	22,310	(75.5)%	**29,495**	101,092	46,166	(70.8)%
Net income	**10,644**	45,604	15,113	(76.7)%	**23,104**	71,873	30,971	(67.9)%
Net income attributable to CFI shareholders	**10,825**	45,604	15,113	(76.3)%	**23,285**	71,873	30,971	(67.6)%
Earnings per common share – diluted	**0.11**	0.55	0.27	(80.0)%	**0.23**	0.89	0.56	(74.2)%

(1) The Company adopted IFRS beginning April 1, 2011. Consequently, data for the three- and nine-month periods ended December 31, 2011 and their comparative periods ended December 31, 2010 is in compliance with IFRS. Figures for the three- and nine-month periods ended December 31, 2009 are in accordance with Canadian GAAP (CGAAP). See the Transition to International Financial Reporting Standards section on page 7.

(2) Data is in accordance with IFRS/CGAAP except for ROE, book value per diluted common share, number of employees and figures excluding significant items.

(3) Data includes the results of Genuity Capital Markets since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and the results for Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been fully consolidated and a 50% non-controlling interest has been recognized, which represents the portion of Canaccord BGF's net loss since November 1, 2011 attributable to the non-controlling shareholders.

(4) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.

(5) ROE is presented on an annualized basis. ROE for the third quarter and year-to-date fiscal 2012 is calculated by dividing the annualized net income available to common shareholders for the period over the average common shareholders' equity for the period.

(6) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.

(7) Net income and earnings per diluted common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on page 13.

p.p.: percentage points

n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

(C$ thousands, except % amounts)	Three months ended December 31 2011	2010	Quarter-over-quarter change	Nine months ended December 31 2011	2010	YTD-over-YTD change
Total revenue per IFRS	**$ 147,889**	$ 254,834	(42.0)%	**$ 427,172**	$ 556,036	(23.2)%
Total expenses per IFRS	**142,822**	192,918	(26.0)%	**413,252**	471,880	(12.4)%
Significant items recorded in Canaccord Genuity						
Acquisition-related costs – Collins Stewart Hawkpoint plc (Collins Stewart Hawkpoint)	**2,700**	—	n.m.	**2,700**	—	n.m.
Acquisition-related costs – BGF Equities (BGF)	**—**	—	—	**1,443**	—	n.m.
Acquisition-related costs – The Balloch Group Limited (TBG)	**—**	1,750	(100.0)%	**—**	1,750	(100.0)%
Acquisition-related costs – Genuity Capital Markets (Genuity)	**—**	—	—	**—**	10,990	(100.0)%
Amortization of intangible assets	**1,767**	930	90.0%	**3,627**	4,196	(13.6)%
Restructuring costs	**1,292**	—	n.m.	**1,292**	—	n.m.
Significant items recorded in Corporate and Other						
Acquisition-related costs – prospective acquisitions not pursued	**—**	—	—	**1,513**	—	n.m.
Restructuring costs	**5,000**	—	n.m.	**5,000**	—	n.m.
Total significant items	**10,759**	2,680	301.5%	**15,575**	16,936	(8.0)%
Total expenses excluding significant items	**132,063**	190,238	(30.6)%	**397,677**	454,944	(12.6)%
Net income before tax – adjusted	**$ 15,826**	$ 64,596	(75.5)%	**$ 29,495**	$ 101,092	(70.8)%
Income taxes – adjusted	**5,182**	18,992	(72.7)%	**6,391**	29,219	(78.1)%
Net income – adjusted	**$ 10,644**	$ 45,604	(76.7)%	**$ 23,104**	$ 71,873	(67.9)%
Earnings per common share – basic, adjusted	**$ 0.12**	$ 0.61	(80.3)%	**$ 0.26**	$ 0.99	(73.7)%
Earnings per common share – diluted, adjusted	**$ 0.11**	$ 0.55	(80.0)%	**$ 0.23**	$ 0.89	(74.2)%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8.
n.m.: not meaningful

GEOGRAPHIC DISTRIBUTION OF REVENUE FOR THE THIRD QUARTER AND YEAR-TO-DATE FISCAL 2012[1]

(C$ thousands, except % amounts)	Three months ended December 31 2011	2010	Quarter-over-quarter change	Nine months ended December 31 2011	2010	YTD-over-YTD change
Canada	**$ 110,444**	$ 196,906	(43.9)%	**$ 325,277**	$ 415,317	(21.7)%
UK	**12,748**	23,339	(45.4)%	**31,332**	58,122	(46.1)%
US	**18,003**	34,173	(47.3)%	**63,784**	81,972	(22.2)%
Other Foreign Locations[2]	**6,694**	416	n.m.	**6,779**	625	n.m.
Total	**$ 147,889**	$ 254,834	(42.0)%	**$ 427,172**	$ 556,036	(23.2)%

(1) For a business description of Canaccord's geographic distribution, please refer to the About Canaccord's Operations section on page 10.
(2) Other Foreign Locations include operations for Canaccord International Ltd., Canaccord Genuity Asia and Canaccord BGF.
n.m.: not meaningful

Revenue

Third quarter 2012 vs. third quarter 2011

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other. Revenue for the three months ended December 31, 2011 was $147.9 million, a decrease of 42.0% or $106.9 million compared to the same period a year ago.

For the third quarter of fiscal 2012, revenue generated from commissions decreased by $30.1 million, to $57.4 million, compared to the same period a year ago. Our Canaccord Genuity segment contributed $15.5 million to this decrease, and our Canaccord Wealth Management segment contributed a further $14.4 million to the decrease.

Investment banking revenue was $32.0 million, down $84.7 million or 72.6% as a result of decreased corporate finance activity due to the continuing global economic uncertainty during Q3/12. Advisory revenue grew $13.3 million or 52.5%, to $38.5 million, from the same period a year ago as a result of some large M&A and advisory transactions in Q3/12.

Revenue derived from principal trading dropped by $7.4 million or 69.0%, to $3.3 million, primarily due to decreased trading gains in our UK operations as a result of the continued financial stress in this region despite the long term refinancing operations implemented by the European Central Bank during Q3/12. Lower trading gains earned by our Fixed Income and Registered Traders groups also contributed to the decrease in principal trading revenue.

Revenue derived from interest revenue was $8.1 million, an increase of $0.4 million or 5.1%, mainly as a result of higher client margin balances during Q3/12. Other revenue was $8.5 million, up $1.5 million or 21.5%, which was mainly attributable to the appreciation of the Canadian dollar resulting in foreign exchange gains in the quarter.

Third quarter 2012 revenue in Canada was $110.4 million, a decrease of 43.9% or $86.5 million from the third quarter of last year. Revenue in our Canadian operations decreased in Q3/12 due to lower revenue earned from our capital markets and wealth management segments as a result of reduced activity due to continued volatility in the market.

Uncertainty in the European economy continued as the sovereign debt crisis remained unresolved. This resulted in a drop in UK revenue of 45.4% or $10.6 million, to $12.7 million, compared to the same period a year ago.

Revenue in the US was $18.0 million, a decline of $16.2 million or 47.3% from Q3/11. Revenue was down from the third quarter of last year, mainly due to a decrease in agency activity and investment banking transactions.

Canaccord's global expansion into Asia and Australia through its acquisition of TBG and a 50% interest in BGF resulted in a $6.3 million increase in revenue in our Other Foreign Locations geographic region. In particular, as a result of our expansion into the Chinese market and the strength of our global team, Canaccord was able to realize on a significant opportunity when it was appointed the lead advisor by Daylight Energy on its acquisition by Sinopec, which closed during Q3/12. The related revenue was shared among different geographies to reflect the combined efforts of our global team.

Year-to-date fiscal year 2012 vs. year-to-date fiscal year 2011

Revenue for the nine months ended December 31, 2011 was $427.2 million, a decrease of 23.2% or $128.9 million compared to the same period a year ago, mainly due to the volatile global economic environment in fiscal 2012. Commission revenue was $178.7 million, representing a decrease of 16.0%. Revenue generated from investment banking activities decreased by 45.6%, to $121.7 million, due to a decline in financing activity in equity markets in Canada, the UK and the US.

As a result of our expanded M&A business, advisory fees increased by $23.5 million or 39.7%, to $82.7 million, compared to the same period in the prior year. Specifically, our Canadian operations were a main contributor to this increase, which earned $62.0 million in advisory fees representing a 44.6% increase compared to the same period last year. Uncertainties in the global market conditions led to a drop in principal trading revenue of $22.3 million, to $3.9 million, compared to the same period last year. Principal trading revenue in our UK and Canadian operations were particularly affected by the instability in the economic environment, as indicated by the $11.1 million and $9.7 million decrease in principal trading revenue in these regions, respectively.

Interest revenue was $23.6 million, an increase of 44.5% due to higher interest rates during fiscal 2012 compared to the same period in fiscal 2011. Other revenue dropped by $1.1 million, to $16.6 million, during the nine months ended December 31, 2011, largely as a result of reduced foreign exchange gains due to the fluctuation of the Canadian dollar.

Revenue in all our geographic regions, with the exception of Other Foreign Locations, decreased in the nine months ended December 31, 2011 compared to the same period a year ago, mainly due to the continuing European debt crisis and the slow recovery in the US economy. Revenue for the nine months ended December 31, 2011 in our Canadian, UK and US operations decreased by 21.7%, 46.1%, and 22.2%, respectively, compared to the same period last year. As discussed above, revenue from Other Foreign Locations was $6.8 million compared to $0.6 million in the nine months ended December 31, 2010 as a result of the Company's global expansion into Asia and Australia.

EXPENSES AS A PERCENTAGE OF REVENUE

(in percentage points)	Three months ended December 31 2011	2010	Quarter-over-quarter change	Nine months ended December 31 2011	2010	YTD-over-YTD change
Incentive compensation	**47.2%**	49.7%	(2.5) p.p.	**49.0%**	48.5%	0.5 p.p.
Salaries and benefits	**10.2%**	5.8%	4.4 p.p.	**10.8%**	8.4%	2.4 p.p.
Other overhead expenses[1]	**33.1%**	19.5%	13.6 p.p.	**34.1%**	25.7%	8.4 p.p.
Acquisition-related costs	**1.8%**	0.7%	1.1 p.p.	**1.3%**	2.3%	(1.0) p.p.
Restructuring costs	**4.3%**	—	4.3 p.p.	**1.5%**	—	1.5 p.p.
Total	**96.6%**	75.7%	20.9 p.p.	**96.7%**	84.9%	11.8 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

Expenses

Expenses for the three months ended December 31, 2011 were $142.8 million, a decrease of 26.0% or $50.1 million from the same period a year ago. Excluding significant items, total expenses decreased by $58.2 million or 30.6%.

Expenses for the nine months ended December 31, 2011 were $413.3 million, an overall decrease of $58.6 million or 12.4% from a year ago. Excluding significant items, total expenses dropped to $397.7 million for the nine months ended December 31, 2011 compared to $454.9 million for the same period last year.

Compensation expenses

Third quarter 2012 vs. third quarter 2011

Incentive compensation expense was $69.8 million for the quarter, down 44.9% or $56.8 million as a result of a decrease in incentive-based revenue. Incentive compensation as a percentage of total revenue was 47.2%, a decrease of 2.5 percentage points from Q3/11, mainly due to lower profitability in the consolidated group of companies. Salaries and benefits expense of $15.0 million in the third quarter of fiscal 2012 remained relatively consistent with the same period a year ago.

Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue for Q3/12 was 57.4%, an increase of 1.9 percentage points from 55.5% in Q3/11.

Year-to-date fiscal year 2012 vs. year-to-date fiscal year 2011

Incentive compensation expense was $209.3 million for the nine months ended December 31, 2011, down 22.4% from the prior year, which was consistent with lower incentive-based revenue during the period. Consolidated incentive compensation as a percentage of total revenue was 49.0%, a slight increase of 0.5 percentage points compared to the same period last year.

Salaries and benefits expense was $46.3 million in the nine months ended December 31, 2011, a decrease of 1.3% or $0.6 million compared to the same period a year ago. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 59.8%, an increase of 2.9 percentage points from 56.9% recorded in the same period in fiscal 2011.

OTHER OVERHEAD EXPENSES

(C$ thousands, except % amounts)	Three months ended December 31 2011	2010	Quarter-over-quarter change	Nine months ended December 31 2011	2010	YTD-over-YTD change
Trading costs	**$ 7,416**	$ 7,937	(6.6)%	**$ 24,123**	$ 22,883	5.4%
Premises and equipment	**6,633**	7,077	(6.3)%	**20,192**	19,755	2.2%
Communication and technology	**6,744**	6,111	10.4%	**19,885**	19,159	3.8%
Interest	**2,361**	3,037	(22.3)%	**6,736**	5,326	26.5%
General and administrative	**16,191**	17,049	(5.0)%	**48,728**	48,830	(0.2)%
Amortization[1]	**3,906**	2,786	40.2%	**9,758**	9,776	(0.2)%
Development costs	**5,755**	5,792	(0.6)%	**16,326**	16,871	(3.2)%
Total other overhead expenses	**$ 49,006**	$ 49,789	(1.6)%	**$ 145,748**	$ 142,600	2.2%

(1) Includes amortization of intangible assets in connection with the acquisition of Genuity and a 50% interest in BGF. Refer to the Selected Financial Information Excluding Significant Items table on page 13.

Other overhead expenses

Third quarter 2012 vs. third quarter 2011

Overhead expenses dropped by 1.6% or $0.8 million from the third quarter of fiscal 2011, to $49.0 million. The increases in amortization expense of $1.1 million and in communication and technology expense of $0.6 million were partially offset by the decreases in general and administrative expense of $0.9 million, in interest expense of $0.7 million and in trading costs of $0.5 million.

Amortization expense increased by $1.1 million, largely due to the amortization of intangible assets acquired through the purchase of a 50% interest in BGF, as reflected in our Other Foreign Locations segment. The $0.6 million increase in communication and technology expense was mainly attributable to investments made to improve our technology platform.

General and administrative expense decreased by $0.9 million, largely due to lower promotion and travel expense recognized in both our capital markets and wealth management segments, resulting from reduced business activities in Q3/12 compared to the same period in the prior year. Interest expense was $2.4 million, a decrease of $0.7 million or 22.3%, largely due to the fluctuating activity within our Fixed Income group. The decrease in trading costs of $0.5 million was consistent with the drop in revenue.

Year-to-date fiscal year 2012 vs. year-to-date fiscal year 2011

Other overhead expenses for the nine months ended December 31, 2011 increased by 2.2% or $3.1 million, to $145.7 million, from the same period a year ago. Increases in interest expense, trading costs, and communication and technology expense were partially offset by the decrease in development costs.

Interest expense was up $1.4 million due to increased activity within the Fixed Income group. Communication and technology expense was also up $0.7 million due to investments made in our technology structure, as discussed above.

Development costs decreased by $0.5 million, mainly due to reduced hiring incentives in our Canaccord Wealth Management and UK operations, offset by higher retention expense recognized in our Other Foreign Locations segment.

Net income

Third quarter 2012 vs. third quarter 2011

Net income for Q3/12 was $2.5 million compared to net income of $43.0 million in the same period a year ago. Diluted EPS was $0.01 in Q3/12 compared to diluted EPS of $0.51 in Q3/11. The lower net income was mainly attributable to lower revenue resulting from the continued volatile market conditions experienced during Q3/12 compared to the robust market environment in Q3/11. ROE for Q3/12 was 0.6% compared to ROE of 24.3% in Q3/11. Book value per diluted common share for Q3/12 was $8.54 versus $8.43 in Q3/11.

Significant items in Q3/12 included $6.3 million of restructuring costs related to staff reductions, $2.7 million of acquisition-related expense for the proposed acquisition of Collins Stewart Hawkpoint, and $1.8 million of amortization of intangible assets acquired in connection with the purchase of Genuity and a 50% interest in BGF. Excluding these significant items and adjusting for the related tax effects, net income was $10.6 million and diluted EPS was $0.11 in Q3/12, compared to net income of $45.6 million and diluted EPS of $0.55 in Q3/11. The Company's net earnings were negatively impacted by the uncertainties in the economic environment caused by the European debt crisis and concerns regarding US economic recovery.

The effective tax rate for this quarter was 50.0% compared to an effective tax rate of 30.6% in the same quarter last year. The change in the effective tax rate was driven by various permanent items as well as temporary differences not recognized in jurisdictions outside of Canada.

Year-to-date fiscal year 2012 vs. year-to-date fiscal year 2011

Net income for the nine months ended December 31, 2011 was $10.4 million compared to $58.4 million for the same period a year ago. Diluted EPS was $0.09 compared to $0.72 a year ago, and ROE was 1.3% compared to 11.4% a year ago. Net income excluding significant items was $23.1 million and diluted EPS was $0.23, compared to $71.9 million and $0.89, respectively, in the same period a year ago. See the Selected Financial Information Excluding Significant Items table on page 13 for a listing of such expenses incurred for the nine months ended December 31, 2011 and December 31, 2010. As discussed above, revenue and net income for the nine months ended December 31, 2011 have significantly declined compared to the same period in the prior year, mainly as a result of the market volatility in fiscal 2012 compared to fiscal 2011.

The year-to-date effective tax rate was 24.9% compared to 30.6% for the same period last year. The decrease in the effective tax rate was mainly due to temporary differences not previously recognized by subsidiaries outside of Canada. In addition, there has been a decrease in the statutory tax rates in Canada compared to the prior year.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

CANACCORD GENUITY[(1)(2)]

(C$ thousands, except employees and % amounts)	Three months ended December 31 2011	2010	Quarter-over-quarter change	Nine months ended December 31 2011	2010	YTD-over-YTD change
Revenue	**$ 93,581**	$ 177,758	(47.4)%	**$ 260,410**	$ 374,873	(30.5)%
Expenses						
Incentive compensation	**45,233**	83,043	(45.5)%	**128,264**	175,468	(26.9)%
Salaries and benefits	**4,241**	3,896	8.9%	**12,834**	12,071	6.3%
Other overhead expenses	**29,694**	29,607	0.3%	**89,610**	82,196	9.0%
Acquisition-related costs	**2,700**	1,750	54.3%	**4,143**	12,740	(67.5)%
Restructuring costs	**1,292**	—	n.m.	**1,292**	—	n.m.
Total expenses	**83,160**	118,296	(29.7)%	**236,143**	282,475	(16.4)%
Income before income taxes[(3)]	**$ 10,421**	$ 59,462	(82.5)%	**$ 24,267**	$ 92,398	(73.7)%
Number of employees	**650**	592	9.8%	**650**	592	9.8%
Excluding significant items[(4)]						
Total expenses	**$ 77,401**	$ 115,616	(33.1)%	**$ 227,081**	$ 265,539	(14.5)%
Income (loss) before income taxes	**16,180**	62,142	(74.0)%	**33,329**	109,334	(69.5)%

(1) Data is in accordance with IFRS except for number of employees and figures excluding significant items.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord BGF since the closing date of November 1, 2011 are also included. The operating results of Canaccord BGF have been consolidated and a 50% non-controlling interest has been recognized, which represents the portion of Canaccord BGF's net loss since November 1, 2011 attributable to the non-controlling shareholders.
(3) Income before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 21.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 13.
n.m.: not meaningful

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

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

(in percentage points)	Three months ended December 31 2011	2010	Quarter-over-quarter change	Nine months ended December 31 2011	2010	YTD-over-YTD change
Revenue generated in:						
Canada	**60.8%**	68.3%	(7.5) p.p.	**62.0%**	63.4%	(1.4) p.p.
UK	**13.6%**	13.2%	0.4 p.p.	**12.0%**	15.5%	(3.5) p.p.
US	**18.4%**	18.3%	0.1 p.p.	**23.4%**	20.9%	2.5 p.p.
Other Foreign Locations	**7.2%**	0.2%	7.0 p.p.	**2.6%**	0.2%	2.4 p.p.

p.p.: percentage points

Third quarter 2012 vs. third quarter 2011

Revenue for Canaccord Genuity in Q3/12 was $93.6 million, a decrease of 47.4% or $84.2 million from the same quarter a year ago, mainly as a result of continued instability in the global economic environment during Q3/12.

Capital markets activity dropped significantly in our Canadian operations during the third quarter of fiscal 2012, mainly as a result of the subdued pace of equity underwriting due to volatility in the market environment, leading to a decrease of 53.1% in revenue. Revenue in the UK and US operations was down 45.4% and 47.3%, respectively, due to the volatile economic climate in their geographic regions. Revenue from our Other Foreign Locations represented 7.2% of total Canaccord Genuity revenue, up 7.0 percentage points compared to the third quarter of fiscal 2011 as a result of the Company's global expansion into Asia and Australia.

Expenses

Expenses for Q3/12 were $83.2 million, down 29.7% or $35.1 million. Excluding significant items, total expenses decreased by $38.2 million or 33.1% from Q3/11. A decrease in incentive compensation expense of $37.8 million was the main contributor to the overall reduction in expenses. The decrease in incentive compensation expense was partially offset by a $1.1 million increase in amortization expense.

During the third quarter of fiscal 2012, the Canaccord Genuity segment incurred a $1.3 million restructuring charge related to staffing reductions. Also included in significant items are acquisition-related costs of $2.7 million in Q3/12 that were incurred in relation to the proposed acquisition of Collins Stewart Hawkpoint.

Incentive compensation expense was $45.2 million for the quarter, down 45.5% or $37.8 million as a result of the decrease in incentive-based revenue. The incentive compensation expense ratio was 48.3%, up 1.5 percentage points from 46.7% in Q3/11, mainly attributable to higher long-term incentive plan (LTIP) expense related to the amortization of grants that were awarded in prior periods.

Amortization expense was $2.9 million in Q3/12, up $1.1 million or 60.4% as the Company began to amortize the intangible assets acquired in relation to its purchase of a 50% interest in BGF.

Income before income taxes

Income before income taxes, excluding allocated overhead expenses for the quarter, was $10.4 million, a drop of $49.0 million or 82.5% from income earned in the same quarter a year ago. Excluding significant items, income before income taxes in Q3/12 was $16.2 million compared to $62.1 million in Q3/11. The decline in income is attributable to the significant drop in revenue in this segment, resulting largely from the challenging market environment in Q3/12.

Year-to-date fiscal year 2012 vs. year-to-date fiscal year 2011

Revenue for Canaccord Genuity in the nine months ended December 31, 2011 was $260.4 million, which was a decrease of $114.5 million from the same period last year. As discussed above, the decrease in revenue is attributable to the weakening global economic environment during fiscal 2012 compared to the robust market environment in fiscal 2011. Revenue from Canadian operations declined 32.1% from the same period a year ago and contributed $76.3 million to the overall decrease. Economic effects of the sovereign debt crisis in Europe led to a $26.8 million decrease in revenue generated from our UK operations. Revenue from the US capital markets segment also decreased by 22.3% or $17.5 million due to concerns over the US economic recovery.

Expenses

Expenses for the nine months ended December 31, 2011 were $236.1 million, down 16.4% or $46.3 million. The lower expenses were mainly attributable to decreases in incentive compensation expense of $47.2 million and acquisition-related costs of $8.6 million, and were partially offset by increases in general and administrative expense of $2.0 million, trading costs of $1.7 million, premises and equipment expense of $1.6 million, restructuring costs of $1.3 million and interest expense of $1.3 million.

During the nine months ended December 31, 2011, significant items included restructuring costs of $1.3 million incurred for staff reductions and acquisition-related costs of $4.1 million in relation to the purchase of a 50% interest in BGF and the proposed acquisition of Collins Stewart Hawkpoint. The acquisition of Genuity and TBG during the same period last year resulted in the recognition of $12.7 million of acquisition-related costs. Excluding significant items, total expenses of $227.1 million declined by 14.5% or $38.5 million compared to the same period last year.

The $47.2 million or 26.9% decrease in incentive compensation expense was consistent with the decrease in incentive-based revenue. The incentive compensation ratio increased to 49.3% from 46.8% due to an increase in LTIP expense recognized related to the amortization of awards granted in prior periods.

Trading costs increased by $1.7 million during the period due to higher expenses incurred in our US and Canadian operations. General and administrative expense was $28.4 million for the nine months ended December 31, 2011, up $2.0 million or 7.6%, mostly due to an increase in promotion and travel expense incurred to support the Company's global initiatives. Interest expense was $1.3 million higher due to increased activity within our Fixed Income group. To support the growth in our Canaccord Genuity segment, additional existing floor space was allocated from the Corporate and Other segment and, in addition, new floor space was obtained in our Canadian and US operations. This resulted in the $1.6 million increase in premises and equipment expense.

Income before income taxes

Income before income taxes, excluding allocated overhead expenses for the nine months ended December 31, 2011, was $24.3 million, a decrease of $68.1 million or 73.7% from the same period a year ago. The reduction in income before income taxes was a result of lower revenue in this segment, mainly attributable to volatile market conditions. Excluding significant items, income before income taxes for the nine months ended December 31, 2011 was $33.3 million compared to $109.3 million for the same period last year.

CANACCORD WEALTH MANAGEMENT[1]

(C$ thousands, except AUM and AUA (in C$ millions), employees, Advisory Teams and % amounts)	Three months ended December 31		Quarter-over-quarter change	Nine months ended December 31		YTD-over-YTD change
	2011	2010		**2011**	2010	
Revenue	**$ 44,571**	$ 68,599	(35.0)%	**$ 146,766**	$ 160,345	(8.5)%
Expenses						
Incentive compensation	**22,544**	35,901	(37.2)%	**74,546**	80,743	(7.7)%
Salaries and benefits	**3,437**	3,601	(4.6)%	**10,702**	12,300	(13.0)%
Other overhead expenses	**11,263**	12,510	(10.0)%	**32,840**	37,070	(11.4)%
Total expenses	**37,244**	52,012	(28.4)%	**118,088**	130,113	(9.2)%
Income before income taxes[2]	**$ 7,327**	$ 16,587	(55.8)%	**$ 28,678**	$ 30,232	(5.1)%
Assets under management	**$ 607**	$ 514	18.1%			
Assets under administration	**$ 14,367**	$ 16,006	(10.2)%			
Number of Advisory Teams	**278**	272	2.2%			
Number of employees	**699**	671	4.2%			

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams and number of employees.
(2) Income before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 21.

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 from investment banking and venture capital transactions by private clients.

Third quarter 2012 vs. third quarter 2011

Revenue from Canaccord Wealth Management was $44.6 million, a decrease of $24.0 million or 35.0%, mainly due to a $14.4 million decrease in commission revenue and a $10.5 million decrease in investment banking revenue.

AUA was down 10.2% or $1.6 billion, to $14.4 billion, compared to Q3/11, primarily due to poor market performance. AUM increased by 18.1% year over year due to an increase in the number of managed accounts compared to the prior year. There were 278 Advisory Teams at the end of the third quarter of fiscal 2012, an increase of six from a year ago. Canaccord's fee-based revenue was 8.1 percentage points higher than the same quarter of the prior year and accounted for 19.9% of Canaccord Wealth Management's revenue during the third quarter of 2012.

Expenses for Q3/12 were $37.2 million, a decrease of 28.4% or $14.8 million. This change was mainly due to a $13.4 million decrease in incentive compensation expense, which was consistent with the decline in incentive-based revenue.

General and administrative expense decreased by $0.5 million compared to the same quarter a year ago due to higher client settlement expenses incurred in Q3/11.

Income before income taxes excluding allocated overhead expenses for the quarter was $7.3 million compared to $16.6 million in the same period a year ago. Lower revenue in the segment is the primary contributor to the decrease in income before income taxes.

Year-to-date fiscal year 2012 vs. year-to-date fiscal year 2011

Revenue from Canaccord Wealth Management was $146.8 million during the nine months ended December 31, 2011, a decrease of $13.6 million from the same period in the prior year. This drop was attributable to decreases in commission revenue of $9.9 million and investment banking revenue of $7.9 million, offset by an increase in interest revenue of $2.4 million and other revenue of $2.7 million. Fee-related revenue as a percentage of total Canaccord Wealth Management revenue increased to 18.6% compared to 13.4% in Q3/11.

Expenses for the nine months ended December 31, 2011 were $118.1 million, down $12.0 million or 9.2% from the same period in the prior year. Incentive compensation expense dropped by $6.2 million or 7.7%, in line with the 8.5% decline in total revenue. Salaries and benefits expense decreased by $1.6 million due to restructuring costs incurred in the same period last year. The total compensation expense payout as a percentage of revenue for the first nine months of fiscal 2012 was 50.8%, a slight increase of 0.4 percentage points from 50.4% for the same period a year ago.

General and administrative expense decreased by $2.5 million or 20.6% as a result of lower client settlement expense, as well as a decline in office expense of $0.5 million related to non-recurring rebranding costs incurred in the nine months ended December 31, 2010. These decreases were partially offset by a $0.7 million increase in reserve expense for unsecured balances. Development costs were down $1.2 million, or 16.6%, in Q3/12 compared to the same period last year as a result of lower hiring incentives offered during the current fiscal year.

Income before income taxes excluding allocated overhead expenses for the nine months ended December 31, 2011 was $28.7 million compared to $30.2 million for the same period a year ago.

CORPORATE AND OTHER[1]

(C$ thousands, except employees and % amounts)	Three months ended December 31 2011	2010	Quarter-over-quarter change	Nine months ended December 31 2011	2010	YTD-over-YTD change
Revenue	**$ 9,737**	$ 8,477	14.9%	**$ 19,996**	$ 20,818	(3.9)%
Expenses						
Incentive compensation	**2,038**	7,696	(73.5)%	**6,457**	13,452	(52.0)%
Salaries and benefits	**7,331**	7,242	1.2%	**22,753**	22,506	1.1%
Other overhead expenses	**8,049**	7,672	4.9%	**23,298**	23,334	(0.2)%
Acquisition-related costs	**—**	—	—	**1,513**	—	n.m.
Restructuring costs	**5,000**	—	n.m.	**5,000**	—	n.m.
Total expenses	**22,418**	22,610	(0.8)%	**59,021**	59,292	(0.5)%
Loss before income taxes[2]	**$ (12,681)**	$ (14,133)	10.3%	**$ (39,025)**	$ (38,474)	(1.4)%
Number of employees	**386**	365	5.8%	**386**	365	5.8%
Excluding significant items[3]						
Total expenses	**17,418**	22,610	(23.0)%	**52,508**	59,292	(11.4)%
Loss before income taxes	**$ (7,681)**	$ (14,133)	45.7%	**$ (32,512)**	$ (38,474)	15.5%

(1) Data is in accordance with IFRS except for number of employees.
(2) Loss before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 21.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 13.
n.m.: not meaningful

This segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest revenue, foreign exchange gains and losses, and expenses not specifically allocable to either the Canaccord Genuity 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.

Third quarter 2012 vs. third quarter 2011

Revenue for the three months ended December 31, 2011 was $9.7 million, a growth of 14.9% or $1.3 million from the same quarter a year ago. The change was mainly related to a $1.1 million increase in foreign exchange gains recognized in Q3/12 due to the appreciation of the Canadian dollar compared to the beginning of the quarter.

Expenses for Q3/12 were $22.4 million, a slight decrease of $0.2 million or 0.8% due to lower incentive compensation and premises and equipment expense, offset by the restructuring costs incurred during the current quarter. Incentive compensation expense declined as a result of lower group profitability. Premises and equipment expense decreased due to cost containment efforts in this segment, as well as reallocation of certain expenses to the Canaccord Genuity segment. During Q3/12, the Company incurred restructuring charges of $5.0 million related to staff reductions.

Overall, loss before income taxes was $12.7 million in Q3/12 compared to $14.1 million in the same quarter a year ago. Excluding significant items, net loss before income taxes was $7.7 million in Q3/12 compared to $14.1 million in Q3/11.

Year-to-date fiscal year 2012 vs. year-to-date fiscal year 2011

Revenue was $20.0 million, down $0.8 million, primarily attributable to lower foreign exchange gains in the nine months ended December 31, 2011. The depreciation of the Canadian dollar since the beginning of the year resulted in a decrease in foreign exchange gains reported in this period.

Expenses for the nine months ended December 31, 2011 were $59.0 million, a slight decrease of $0.3 million. Incentive compensation expense declined by $7.0 million or 52.0% as a result of lower group profitability. The decrease in incentive compensation expense was offset by the restructuring costs recognized in the current fiscal period, as discussed above. Premises and equipment expense also decreased by $0.7 million, due to the reasons discussed above.

Overall, loss before income taxes was $39.0 million compared to $38.5 million for the same period a year ago. Net loss before income taxes excluding significant items was $32.5 million for the nine months ended December 31, 2011 compared to $38.5 million in 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 Genuity 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 $8.3 million and to Canaccord Genuity were $2.6 million for the three months ended December 31, 2011. For the nine months ended December 31, 2011, $25.2 million was allocated to Canaccord Wealth Management and $8.8 million to Canaccord Genuity.

FINANCIAL CONDITION

Below are specific changes in selected items on the Consolidated Statement of Financial Position.

Assets

Cash and cash equivalents were $700.9 million on December 31, 2011 compared to $954.1 million on March 31, 2011. Refer to the Liquidity and Capital Resources section on page 22 for more details.

Securities owned were $1.1 billion on December 31, 2011 compared with $0.9 billion on March 31, 2011, mainly attributable to an increase in corporate and government debt.

Accounts receivable were $2.2 billion at December 31, 2011 compared to $2.8 billion at March 31, 2011, mainly due to a decrease in receivables from clients.

Goodwill was $268.2 million and intangible assets were $86.4 million at December 31, 2011, representing the goodwill and intangible assets acquired from the purchase of Genuity, TBG and a 50% interest in BGF.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments were $68.5 million compared to $48.3 million at March 31, 2011. The increase in other assets is mainly due to the higher income taxes receivable balance as at December 31, 2011.

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 December 31, 2011, Canaccord had available credit facilities with banks in Canada, the US and the UK in the aggregate amount of $620.6 million [March 31, 2011 – $434.6 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 December 31, 2011, there was no bank indebtedness outstanding, compared to $13.6 million on March 31, 2011.

Securities sold short were $1.0 billion at December 31, 2011 compared to $0.7 billion at March 31, 2011 due to an increase in corporate and government debt.

Accounts payable, including provisions, were $2.6 billion, down from $3.6 billion on March 31, 2011, mainly due to a decrease in the clients payables balance.

Other liabilities, including income taxes payable, subordinated debt and deferred tax liabilities, were $23.8 million at December 31, 2011 compared to $47.1 million at March 31, 2011. The decrease was mainly due to a drop in income taxes payable.

Non-controlling interests were $18.2 million at December 31, 2011, which represents 50% of the net assets of Canaccord BGF not controlled by the Company.

OFF-BALANCE SHEET ARRANGEMENTS

A subsidiary of the Company has entered into irrevocable secured standby letters of credit from a financial institution totalling $2.3 million (US$2.3 million) [March 31, 2011 – $2.2 million (US$2.3 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco.

During the nine months ended December 31, 2011, the Company also entered into a $150 million senior secured credit agreement to finance a portion of the cash consideration payable under the terms of its proposed acquisition of Collins Stewart Hawkpoint, conditional on the closing of this transaction.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive loss. On December 31, 2011, cash and cash equivalents were $700.9 million, a decrease of $253.1 million from $954.1 million as of March 31, 2011. During the nine months ended December 31, 2011, financing activities provided cash in the amount of $26.3 million, mainly due to the issuance of Series A Preferred Shares, as discussed on page 23, partially offset by the acquisition of common shares for LTIP awards of $25.7 million, cash dividends paid for common and preferred shares of $27.3 million, a $13.6 million change in bank indebtedness, and a $13.3 million change in net vesting of share purchase loans. Investing activities used cash in the amount of $19.1 million, related to the purchase of equipment and leasehold improvements, and the acquisition of a 50% interest in BGF. Operating activities used cash in the amount of $263.1 million, which was largely due to increases in accounts payable, provisions, and accrued liabilities, offset by a decrease in accounts receivables, as well as other changes in non-cash working capital items. An increase in cash of $2.8 million was attributable to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $253.2 million compared to March 31, 2011.

Canaccord's business requires capital for operating and regulatory purposes. The majority of current assets reflected on Canaccord's Consolidated Statement of Financial Position are highly liquid. The majority of the positions held as securities owned are readily marketable, and all are recorded at their fair value. Securities sold short are highly liquid securities. 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.

In the normal course of business, the Company enters into contracts that give rise to commitments of future minimum payments that affect our liquidity.

The following table summarizes Canaccord's long term contractual obligations on December 31, 2011:

Contractual obligations payments due by period (C$ thousands)	Total	Fiscal 2013	Fiscal 2014–Fiscal 2015	Fiscal 2016–Fiscal 2017	Thereafter
Premises and equipment operating leases	218,046	25,367	52,455	49,038	91,186

OUTSTANDING COMMON SHARE DATA

Outstanding common shares as of December 31	**2011**	2010
Issued shares excluding unvested shares(1)	**74,998,990**	75,055,499
Issued shares outstanding(2)	**83,412,456**	82,626,059
Issued shares outstanding – diluted(3)	**87,141,674**	85,706,609
Average shares outstanding – basic	**74,523,387**	72,356,918
Average shares outstanding – diluted	**84,330,694**	80,941,606

(1) Excludes 4,931,379 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 3,482,087 unvested shares purchased by an employee benefit trust for the LTIP.
(2) Includes 4,931,379 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 3,482,087 unvested shares purchased by an employee benefit trust for the LTIP.
(3) Includes 3,729,218 of share issuance commitments.

The Company has filed a notice for a normal course issuer bid (NCIB) to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.4% of the Company's outstanding common shares as of December 31, 2011. There were 650,000 shares repurchased through the NCIB between June 13, 2011 and December 31, 2011, and 1,350,000 shares remain available for repurchase.

As of February 8, 2012, the Company has 83,412,456 common shares issued and outstanding.

PREFERRED SHARES

On June 23, 2011, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100 million. On July 7, 2011, the Company announced that it closed the over-allotment option and issued an additional 540,000 Series A Preferred Shares at $25.00 per share for gross proceeds of $13.5 million.

The aggregate net proceeds after deducting issue costs, net of deferred taxes of $1.0 million, were $110.8 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company's option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

As at December 31, 2011, a portion of the proceeds from this offering was spent on the acquisition of the 50% interest in BGF, which required cash consideration of $36.5 million, and other general corporate purposes. This is in accordance with the previously announced use of the proceeds for this offering.

SHARE-BASED PAYMENT PLANS

Share options

The Company grants share 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 2,482,675 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 share options is $9.83 per common share.

Long-term incentive plan

Under the LTIP, eligible participants are awarded restricted share units (RSUs), which generally 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 the trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until the RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of the RSUs. For employees in the US and the UK, the Company will allot common shares at the time of each RSU award, and these shares will be issued from treasury at the time they vest for each participant.

Deferred share units

Beginning April 1, 2011, the Company adopted a deferred share unit (DSU) plan for its independent directors. The independent directors can elect to have fees payable to them paid in the form of DSUs or in cash. Directors must elect annually as to how they wish their directors' fees to be paid and can specify the allocation of their directors' fees between DSUs and cash. When a director leaves the Board of Directors, outstanding DSUs are paid out in cash, with the amount equal to the number of DSUs granted multiplied by the closing share price as of the end of the fiscal quarter immediately following such terminations. Under the plan, the directors are not entitled to receive any common shares in the Company, and under no circumstances will DSUs confer on any participant any of the rights or privileges of a holder of common shares.

Common share purchase loans

The Company provides forgivable common share purchase loans to employees in order to purchase common shares. These loans are forgiven over a vesting period. No interest is charged related to the share purchase loans.

Retention plan

In connection with the acquisition of TBG, the Company established a retention plan that provides for the issuance of up to approximately 1,187,800 common shares of the Company to key employees of Canaccord Genuity Asia over a five-year graded vesting period. As of December 31, 2011, the award of 87,989 shares was forfeited upon the departure of a key employee. The estimated retention payments are amortized as development costs on a graded basis based on the expected revenue to be earned related to Canaccord Genuity Asia over the five-year vesting period. In addition, the applicable number of retention shares is included in diluted common shares outstanding. The maximum retention payments are estimated to be $12.7 million if all vesting conditions are met.

INTERNATIONAL FINANCIAL CENTRE

Canaccord is a member of the AdvantageBC International Business Centre Society (formerly known as the International Financial Centre British Columbia Society) and the Montreal International Financial Centre, both of which provide certain tax and financial benefits pursuant to the *International Business Activity Act* of British Columbia and the *Act Respecting International Financial Centres* of Québec. 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 period. On December 31, 2011, forward contracts outstanding to sell US dollars had a notional amount of US$3.7 million, a decrease of US$2.1 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$3.9 million, a decrease of US$15.1 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in the US, the UK, Australia, Hong Kong and China are conducted in the local currency; 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 the local currency.

RELATED PARTY TRANSACTIONS

The Company's related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by the Company, and (b) key management personnel, which are comprised of the directors of the Company, as well as executives involved in strategic decision-making for the Company.

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.

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan and share options. Directors have also been granted share options and have the right to acquire DSUs. Please see Note 16 of the First Quarter 2012 Unaudited Interim Condensed Consolidated Financial Statements for further information on the compensation of and transactions with key management personnel. Note 17 of the Third Quarter 2012 Unaudited Interim Condensed Consolidated Financial Statements also includes the accounts receivable and accounts payable and accrued liabilities balance with key management personnel.

BUSINESS COMBINATIONS

[i] BGF Capital Group Pty Ltd

On July 31, 2011, the Company announced that it had signed a definitive agreement to acquire a 50% interest in BGF Capital Group Pty Ltd, a boutique investment bank based in Australia, with offices in Melbourne, Sydney and Hong Kong. The transaction was completed on November 1, 2011 for consideration consisting of 623,796 Canaccord common shares valued at $5.7 million [AUD$5.5 million] and cash of $36.5 million [AUD$34.7 million]. The shares issued were valued at $9.20 per common share based on the closing share price as of November 1, 2011, the closing date of the transaction, in accordance with IFRS 3, "*Business Combinations*". All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and will be released ratably over five years. Subsequent to the closing of the transaction, BGF was rebranded as Canaccord BGF.

The purchase agreement grants the Company a call option to purchase the remaining 50% interest in BGF. The option will be exercisable by the Company for a three-month period commencing on November 1, 2016 at a price to be determined at that time by reference to Canaccord BGF's profits. As the option price is expected to approximate fair market value at the time of exercise, the value of this call option is nominal.

In accordance with IAS 27, "*Consolidated and Separate Financial Statements*" (IAS 27), the Company has consolidated the operating results of Canaccord BGF and recognized a 50% non-controlling interest, which represents the portion of Canaccord BGF net identifiable assets not controlled by the Company in Q3/12.

The Company has determined the purchase price allocation for this acquisition and has disclosed the preliminary allocation in its Q3/12 interim condensed consolidated financial statements. Please see Note 10 of the Third Quarter 2012 Unaudited Interim Condensed Consolidated Financial Statements for further information.

[ii] Collins Stewart Hawkpoint plc

On December 15, 2011, the Company announced that it had made an offer to acquire 100% of Collins Stewart Hawkpoint, an independent investment bank based in the UK, with operations in Europe, the US and Singapore. The Company offered £0.96 per Collins Stewart Hawkpoint share, or approximately £253.3 million, to acquire the entire issued share capital of Collins Stewart Hawkpoint. The final cost of the proposed acquisition is, in part, based on the Canaccord Financial Inc. share price at the acquisition date. The offer is expected to be paid as a combination of 60% cash and 40% Canaccord common shares. The cash consideration payable under the terms of the offer is expected to be funded through a combination of borrowing under a short term credit facility pursuant to a $150 million senior secured credit agreement, and the Company's existing cash resources.

The aggregate acquisition-related costs expected to be incurred by the Company in connection with the proposed acquisition of Collins Stewart Hawkpoint are estimated to be approximately $10.0 million [£6.3 million] plus applicable taxes. These costs are mainly comprised of professional and consulting fees, as well as charges related to the short term credit facility. Total costs expensed for the nine months ended December 31, 2011 were $2.7 million, which consisted mostly of professional and consulting fees. In addition to the acquisition-related costs incurred as of December 31, 2011, the Company expects to record additional significant expense items in connection with the closing of the acquisition and other expenditures related to the integration of the operations of the common business units of the Company and Collins Stewart Hawkpoint.

It is intended that the acquisition will be implemented by way of a court-sanctioned scheme of arrangement under the *UK Companies Act*. Subject to Collins Stewart Hawkpoint shareholder approval and obtaining formal clearances from the UK Financial Services Authority, the Monetary Authority of Singapore and certain other regulatory authorities, the Company believes court hearings to sanction the scheme and associated matters will occur on March 16, 2012 and March 21, 2012, and the acquisition will close ("the scheme will become effective") at 8:00 am London time on March 22, 2012. Further announcements will be made if there are changes to these dates.

The Company intends to put in place a £15 million retention package in Canaccord equity for key Collins Stewart Hawkpoint staff following completion of the offer. No discussions have taken place at this stage regarding the terms of this package or the basis on which it will be allocated.

Please see Note 10 of the Third Quarter 2012 Unaudited Interim Condensed Consolidated Financial Statements for further information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB) and using accounting policies that the Company expects to adopt in its consolidated financial statements as at and for the year ending March 31, 2012. The preparation of the consolidated financial statements for the year ending March 31, 2012 in conformity with IFRS requires the Company to use standards in effect as at March 31, 2012, which may differ from the policies that the Company has used in the current interim condensed consolidated financial statements. Differences may arise as a result of new standards being issued, with the effective date of March 31, 2012 or prior, before preparation of the Company's annual consolidated financial statements for the year ending March 31, 2012. Therefore, the accounting policies used in the Company's current interim condensed consolidated financial statements may differ from those used in the Company's consolidated financial statements for the year ending March 31, 2012.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, tax losses available for carry forward, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions and contingent liabilities. Significant accounting policies used and policies requiring management's judgment and estimates are disclosed in Notes 2 and 5 of the First Quarter 2012 Unaudited Interim Condensed Consolidated Financial Statements.

FUTURE CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Financial Instruments

In November 2009, the IASB issued IFRS 9, "*Financial Instruments*" (IFRS 9), which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

In October 2010, the IASB issued a revised version of IFRS 9 (IFRS 9 R). The revised standard adds guidance on the classification and measurement of financial liabilities. IFRS 9 R supersedes IFRS 9 and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. For annual periods beginning before January 1, 2013, an entity may elect to apply IFRS 9 R or IFRS 9. The IASB issued an exposure draft of IFRS 9 R in calendar 2011 to defer the effective date to January 1, 2015. The Company has not yet determined the impact of IFRS 9 or IFRS 9 R on its consolidated financial statements.

In December 2011, the IASB amended the accounting requirements and disclosures in IAS 32, "*Financial Instruments: Presentation*" (IAS 32), and IFRS 7 "*Financial Instruments: Disclosures*" (IFRS 7). These amendments will require additional disclosures relating to the offsetting of financial assets and financial liabilities. Amendments in IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and the clarifying amendments in IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company has not yet determined the impact of the amendments on its consolidated financial statements.

Presentation of Financial Statements

IAS 1, "*Presentation of Financial Statements*" (IAS 1), was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Other standards

The IASB issued the following standards in May 2011. These standards are effective for the annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not assessed the impact that these new and amended standards will have on its consolidated financial statements.

IFRS 10 – "Consolidated Financial Statements" (IFRS 10)

IFRS 10 replaces IAS 27, "*Consolidated and Separate Financial Statements*" and SIC-12, "*Consolidation – Special Purpose Entities*". This standard introduces a single consolidation model for all entities based on control, which is defined as whether an investor has (1) power over the investee, (2) exposure, or rights, to variable returns from its involvement with the investee, and (3) the ability to use its power over the investee to affect the amount of returns.

IFRS 11 – "Joint Arrangements" (IFRS 11)

IFRS 11 replaces IAS 31, "*Interests in Joint Ventures*" and SIC-13, "*Jointly Controlled Entities*". Under this standard, joint arrangements will be differentiated between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. For a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets and will be accounted for using the equity method.

IFRS 12 – "Disclosure of Interests in Other Entities" (IFRS 12)

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles.

IFRS 13 – "Fair Value Measurement" (IFRS 13)

IFRS 13 is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

IAS 27 – "Consolidated and Separate Financial Statements" (IAS 27) and IAS 28 – "Investments in Associates and Joint Ventures" (IAS 28)

The IASB has also made amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Based on an evaluation performed as of March 31, 2011, 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 nine months ended December 31, 2011, 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, 2011. Based on this evaluation, the President & CEO and the Executive Vice President & CFO concluded that Canaccord's internal control over financial reporting is designed and operating effectively as defined under *National Instrument 52-109* and that there are no material weaknesses. There were no changes in internal control over financial reporting that occurred during the nine months ended December 31, 2011 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 February 8, 2012, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on March 15, 2012, with a record date of March 2, 2012. The Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on April 2, 2012, with a record date of March 16, 2012.

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 designed to provide service and coverage in the current market environment. If general capital markets activity was to drop significantly, Canaccord could experience losses.

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended December 31, 2011. This information is unaudited but reflects all adjustments of a recurring nature, which 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 indications of future performance.

			Fiscal 2012				Fiscal 2011	Fiscal 2010
(C$ thousands,	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
except per share amounts)[1]	**IFRS**	**IFRS**	**IFRS**	IFRS	IFRS	IFRS	IFRS	CGAAP
Revenue								
Canaccord Genuity	**$ 93,581**	**$ 69,452**	**$ 97,377**	$ 163,771	$ 177,758	$ 96,963	$ 100,152	$ 83,496
Canaccord Wealth Management	**44,571**	**47,412**	**54,783**	72,704	68,599	44,539	47,207	54,990
Corporate and Other	**9,737**	**2,636**	**7,623**	11,120	8,477	7,783	4,558	4,647
Total revenue	**$ 147,889**	**$ 119,500**	**$ 159,783**	$ 247,595	$ 254,834	$ 149,285	$ 151,917	$ 143,133
Net income (loss)	**2,531**	**(5,278)**	**13,195**	41,323	42,997	10,251	5,172	7,526
Earnings (loss) per common share – basic	**$ 0.02**	**$ (0.09)**	**$ 0.17**	$ 0.55	$ 0.57	$ 0.14	$ 0.08	$ 0.15
Earnings (loss) per common share – diluted	**$ 0.01**	**$ (0.09)**	**$ 0.16**	$ 0.49	$ 0.51	$ 0.12	$ 0.07	$ 0.14

(1) The Company adopted IFRS effective April 1, 2011. All financial information provided in fiscal 2012 and for the four quarters of fiscal 2011 are in accordance with IFRS. Figures for Q4/10 are in accordance with CGAAP.

RISKS

The Company's ability to maintain and successfully execute its business strategy depends upon the personal reputation, judgment, business generation capabilities and project execution skills of its senior professionals. Any management disruption could result in a loss of clients and customers, or revenues from clients and customers, and could significantly affect the Company's business and results of operations.

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 or preferred 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 interest rate risk and credit spread 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 Genuity's 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, 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 financial services business is subject to extensive regulation in Canada, the US, the UK, Australia and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on Canaccord's business and profitability. 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, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that some of the Company's subsidiaries are subject to are listed in Note 16 of Canaccord's 2011 Audited Annual Consolidated Financial Statements.

Further discussion regarding risks can be found in our Annual Information Form.

ADDITIONAL INFORMATION

A comprehensive discussion of Canaccord's business, strategies, objectives and risks is available in our Annual Information Form and in the Management's Discussion and Analysis and Audited Annual Consolidated Financial Statements included in our 2011 Annual Report, which are available on our website at www.canaccordfinancial.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	**Notes**	**December 31, 2011**	March 31, 2011
ASSETS			
Current			
Cash and cash equivalents		**$ 700,914**	$ 954,068
Securities owned	**6**	**1,100,470**	947,185
Accounts receivable	**8, 17**	**2,215,448**	2,828,812
Income taxes receivable		**15,565**	—
Total current assets		**4,032,397**	4,730,065
Deferred tax assets		**2,419**	1,503
Investment	**9**	**5,934**	5,934
Equipment and leasehold improvements		**44,550**	40,818
Intangible assets	**11**	**86,380**	73,923
Goodwill	**11**	**268,197**	245,257
		$ 4,439,877	$ 5,097,500
LIABILITIES AND EQUITY			
Current			
Bank indebtedness		**$ —**	$ 13,580
Securities sold short	**6**	**952,750**	722,613
Accounts payable and accrued liabilities	**8, 17**	**2,582,411**	3,551,124
Provisions	**20**	**10,363**	6,151
Income taxes payable		**—**	23,977
Subordinated debt		**15,000**	15,000
Total current liabilities		**3,560,524**	4,332,445
Deferred tax liabilities		**8,840**	8,163
		3,569,364	4,340,608
Equity			
Preferred shares	**13**	**110,818**	—
Common shares	**14**	**466,295**	467,050
Contributed surplus		**51,557**	52,167
Retained earnings		**221,409**	238,647
Accumulated other comprehensive income (loss)		**2,216**	(972)
Total shareholders' equity		**852,295**	756,892
Non-controlling interests		**18,218**	—
Total equity		**870,513**	756,892
Total liabilities and equity		**$ 4,439,877**	$ 5,097,500

See accompanying notes

On behalf of the Board:

PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Unaudited Interim Condensed Consolidated Statements of Operations

		For the three months ended		For the nine months ended	
(in thousands of Canadian dollars, except per share amounts)	**Notes**	**December 31, 2011**	December 31, 2010	**December 31, 2011**	December 31, 2010
REVENUE					
Commission		**$ 57,380**	$ 87,433	**$ 178,707**	$ 212,691
Investment banking		**32,015**	116,716	**121,672**	223,853
Advisory fees		**38,541**	25,276	**82,736**	59,212
Principal trading		**3,304**	10,658	**3,878**	26,213
Interest		**8,147**	7,753	**23,594**	16,333
Other		**8,502**	6,998	**16,585**	17,734
		147,889	254,834	**427,172**	556,036
EXPENSES					
Incentive compensation		**69,815**	126,640	**209,267**	269,663
Salaries and benefits		**15,009**	14,739	**46,289**	46,877
Trading costs		**7,416**	7,937	**24,123**	22,883
Premises and equipment		**6,633**	7,077	**20,192**	19,755
Communication and technology		**6,744**	6,111	**19,885**	19,159
Interest		**2,361**	3,037	**6,736**	5,326
General and administrative		**16,191**	17,049	**48,728**	48,830
Amortization		**3,906**	2,786	**9,758**	9,776
Development costs		**5,755**	5,792	**16,326**	16,871
Acquisition-related costs	**10**	**2,700**	1,750	**5,656**	12,740
Restructuring costs	**20**	**6,292**	—	**6,292**	—
		142,822	192,918	**413,252**	471,880
Income before income taxes		**5,067**	61,916	**13,920**	84,156
Income taxes (recovery)	**12**				
Current		**4,703**	18,211	**7,155**	24,091
Deferred		**(2,167)**	708	**(3,683)**	1,645
		2,536	18,919	**3,472**	25,736
Net income for the period		**$ 2,531**	$ 42,997	**$ 10,448**	$ 58,420
Net income (loss) attributable to:					
CFI shareholders		**$ 3,026**	$ 42,997	**$ 10,943**	$ 58,420
Non-controlling interests		**(495)**	—	**(495)**	—
Weighted average number of common shares outstanding (thousands)					
Basic	**14iv**	**75,221**	74,947	**74,523**	72,357
Diluted	**14iv**	**83,822**	83,643	**84,331**	80,942
Earnings per common share					
Basic	**14iv**	**$ 0.02**	$ 0.57	**$ 0.10**	$ 0.81
Diluted	**14iv**	**$ 0.01**	$ 0.51	**$ 0.09**	$ 0.72
Dividends per common share	**15**	**$ 0.10**	$ 0.075	**$ 0.30**	$ 0.175

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	For the three months ended **December 31, 2011**	December 31, 2010	For the nine months ended **December 31, 2011**	December 31, 2010
Net income for the period	**$ 2,531**	$ 42,997	**$ 10,448**	$ 58,420
Other comprehensive income				
Net change in unrealized gains (losses) on translation of foreign operations	**(4,646)**	(3,683)	**3,024**	707
Comprehensive income (loss) for the period	**$ (2,115)**	$ 39,314	**$ 13,472**	$ 59,127
Comprehensive income (loss) attributable to:				
CFI shareholders	**$ (1,456)**	$ 39,314	**$ 14,131**	$ 59,127
Non-controlling interests	**$ (659)**	$ —	**$ (659)**	$ —

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

As at and for the nine months ended (in thousands of Canadian dollars)	**Notes**	**December 31, 2011**	December 31, 2010
Preferred shares, opening		**$ —**	$ —
Shares issued, net of share issuance costs	**13**	**110,818**	—
Preferred shares, closing		**110,818**	—
Common shares, opening		**467,050**	185,691
Shares issued in connection with the acquisition of 50% interest in BGF Capital Group Pty Ltd (BGF)		**5,739**	—
Shares issued in connection with the acquisition of Genuity Capital Markets (Genuity)		**—**	271,900
Shares issued in connection with share-based payments		**6,282**	5,918
Acquisition of common shares for long-term incentive plan (LTIP)		**(25,666)**	(14,688)
Release of vested common shares from employee benefit trust		**15,255**	16,777
Cancellation of shares in connection with the acquisition of Genuity		**(606)**	—
Shares cancelled		**(4,215)**	—
Net unvested share purchase loans		**2,456**	(1,078)
Common shares, closing		**466,295**	464,520
Contributed surplus, opening		**52,167**	58,103
Share-based payments		**3,406**	(3,650)
Cancellation of shares in connection with the acquisition of Genuity		**606**	—
Excess on cancellation of common shares		**(1,035)**	—
Unvested share purchase loans		**(3,587)**	(86)
Contributed surplus, closing		**51,557**	54,367
Retained earnings, opening		**238,647**	158,138
Net income attributable to CFI shareholders		**10,943**	58,420
Common shares dividends	**15**	**(24,473)**	(12,729)
Preferred shares dividends, including related tax impact	**15**	**(3,708)**	—
Retained earnings, closing		**221,409**	203,829
Accumulated other comprehensive income (loss), opening		**(972)**	1,301
Other comprehensive income attributable to CFI shareholders		**3,188**	707
Accumulated other comprehensive income, closing		**2,216**	2,008
Total shareholders' equity		**$ 852,295**	$ 724,724
Non-controlling interests, opening		**—**	—
Non-controlling interests of net identifiable assets acquired on acquisition of 50% interest in BGF		**21,450**	—
Non-controlling interests of deferred tax liability related to the identifiable intangible assets acquired		**(2,431)**	—
Foreign exchange on non-controlling interests		**(142)**	—
Comprehensive loss attributable to non-controlling interests		**(659)**	—
Non-controlling interests, closing		**18,218**	—
Total equity		**$ 870,513**	$ 724,724

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the nine months ended (in thousands of Canadian dollars)	**Notes**	**December 31, 2011**	December 31, 2010
OPERATING ACTIVITIES			
Net income for the period		**$ 10,448**	$ 58,420
Items not affecting cash			
Amortization		**9,758**	9,776
Deferred income tax expense (recovery)		**(3,683)**	1,645
Share-based compensation expense	**16iv**	**34,742**	29,651
Changes in non-cash working capital			
Increase in securities owned		**(151,287)**	(722,058)
Decrease (increase) in accounts receivable		**621,186**	(397,291)
Increase in income taxes receivable		**(35,349)**	(21,433)
Increase in securities sold short		**229,973**	489,665
(Decrease) increase in accounts payable, accrued liabilities and provisions		**(978,921)**	595,424
Cash used by operating activities		**(263,133)**	43,799
FINANCING ACTIVITIES			
Issuance of Series A Preferred Shares, net of share issuance costs		**110,818**	—
Acquisition of common shares for LTIP		**(25,666)**	(14,688)
Cash dividends paid on common shares		**(24,049)**	(12,540)
Cash dividends paid on preferred shares		**(3,254)**	—
Issuance of shares in connection with share-based payments		**555**	—
Decrease in net vesting of share purchase loans		**(13,255)**	(1,077)
Cancellation of common shares		**(5,250)**	—
Bank indebtedness		**(13,580)**	5,479
Cash provided by financing activities		**26,319**	(22,826)
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		**(9,254)**	(339)
Acquisition of 50% interest in BGF, net of cash acquired		**(9,848)**	—
Acquisition of Genuity		**—**	(37,997)
Cash used in investing activities		**(19,102)**	(38,336)
Effect of foreign exchange on cash balances		**2,762**	(1,372)
Decrease in cash position		**(253,154)**	(18,735)
Cash position, beginning of period		**954,068**	731,852
Cash position, end of period		**$ 700,914**	$ 713,117
Supplemental cash flow information			
Interest paid		**$ 6,404**	$ 5,970
Income taxes paid		**$ 50,904**	$ 23,961

See accompanying notes

Notes to Unaudited Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

NOTE 1. CORPORATE INFORMATION

Through its principal subsidiaries, Canaccord Financial Inc. (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom (UK), the United States of America (US), China, Hong Kong, Australia and Barbados. The Company has operations in each of the two principal segments of the securities industry: capital markets and wealth management. 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.

Canaccord Financial Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the *Registrar of Companies for British Columbia under the Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

The Company's common shares are publicly traded under the symbol CF on the TSX and the symbol CF. on AIM, a market operated by the London Stock Exchange. The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A.

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, Australian, Asian and European equity and debt markets, including the seasonal variance in these markets.

NOTE 2. BASIS OF PREPARATION

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB) and using accounting policies that the Company expects to adopt in its consolidated financial statements as at and for the year ending March 31, 2012. The preparation of the consolidated financial statements for the year ending March 31, 2012 in conformity with International Financial Reporting Standards (IFRS) requires the Company to use standards in effect as at March 31, 2012, which may differ from the policies that the Company has used in the current interim condensed consolidated financial statements. Differences may arise as a result of new standards being issued, with the effective date of March 31, 2012 or prior, before preparation of the Company's annual consolidated financial statements for the year ending March 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles (CGAAP).

The consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis except for selected non-current assets and financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

These unaudited interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except when otherwise indicated.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended March 31, 2011 (2011 Annual Financial Statements) and in consideration of the IFRS transition disclosures included in Notes 4 and 5 to the unaudited interim condensed consolidated financial statements as at and for the three months ended June 30, 2011. All defined terms used herein are consistent with those terms defined in the 2011 Annual Financial Statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 8, 2012.

NOTE 3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Financial Instruments

In November 2009, the IASB issued IFRS 9, "*Financial Instruments*" (IFRS 9), which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

In October 2010, the IASB issued a revised version of IFRS 9 (IFRS 9 R). The revised standard adds guidance on the classification and measurement of financial liabilities. IFRS 9 R supersedes IFRS 9 and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. For annual periods beginning before January 1, 2013, an entity may elect to apply IFRS 9 R or IFRS 9. The IASB issued an exposure draft of IFRS 9 R in calendar 2011 to defer the effective date to January 1, 2015. The Company has not yet determined the impact of IFRS 9 or IFRS 9 R on its consolidated financial statements.

In December 2011, the IASB amended the accounting requirements and disclosures in IAS 32, "*Financial Instruments – Presentation*" (IAS 32), and IFRS 7, "*Financial Instruments: Disclosures*" (IFRS 7). These amendments will require additional disclosures relating to the offsetting of financial assets and financial liabilities. Amendments in IFRS 7 are effective for annual periods beginning on or after January 1, 2013, and the clarifying amendments in IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company has not yet determined the impact of the amendments on its consolidated financial statements.

Presentation of Financial Statements

IAS 1, "*Presentation of Financial Statements*" (IAS 1), was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments on its consolidated financial statements.

Other standards

In addition, the IASB issued the following standards in May 2011. These standards are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not assessed the impact that these new and amended standards will have on its consolidated financial statements.

IFRS 10 – "Consolidated Financial Statements" (IFRS 10)

IFRS 10 replaces IAS 27, "*Consolidated and Separate Financial Statements*" and SIC-12, "*Consolidation – Special Purpose Entities*". This standard introduces a single consolidation model for all entities based on control, which is defined as whether an investor has (1) power over the investee, (2) exposure, or rights, to variable returns from its involvement with the investee, and (3) the ability to use its power over the investee to affect the amount of returns.

IFRS 11 – "Joint Arrangements" (IFRS 11)

IFRS 11 replaces IAS 31, "*Interests in Joint Ventures*" and SIC-13, "*Jointly Controlled Entities*". Under this standard, joint arrangements will be differentiated between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. For a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets and will be accounted for using the equity method.

IFRS 12 – "Disclosure of Interests in Other Entities" (IFRS 12)

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles.

IFRS 13 – "Fair Value Measurement" (IFRS 13)

IFRS 13 is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

IAS 27 – "Separate Financial Statements" (IAS 27) and IAS 28 – "Investments in Associates and Joint Ventures" (IAS 28)

The IASB has also made amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

NOTE 4. FIRST-TIME ADOPTION OF IFRS

As required by the Canadian Accounting Standards Board (AcSB), the Company adopted IFRS effective April 1, 2011. The Company's transition date was April 1, 2010, and the Company has prepared its IFRS opening consolidated statement of financial position as at that date. These unaudited interim condensed consolidated financial statements have been prepared in accordance with the accounting policies described in Note 5 of the Company's unaudited interim condensed consolidated financial statements as at and for the three months ended June 30, 2011.

For all periods up to and including the year ended March 31, 2011, the Company's financial statements conformed to CGAAP. Consequently, the Company will prepare for the first time its annual consolidated financial statements in accordance with IFRS for the year ending March 31, 2012.

The Company followed the provisions of IFRS 1, "*First-Time Adoption of IFRS*" (IFRS 1), in preparing its opening IFRS consolidated balance sheet as of the transition date. There are certain differences between the accounting policies of CGAAP and IFRS related to the accounting for transactions or events before the date of transition to IFRS, resulting in adjustments that would impact the opening IFRS statement of financial position. As required by IFRS 1, these adjustments are recognized directly through retained earnings as of April 1, 2010. Generally, IFRS is to be applied retrospectively with some mandatory exceptions and other exemptions permitted by IFRS 1.

The accompanying note disclosure provides details on the principal adjustments made by the Company in restating its CGAAP shareholders' equity, net income and comprehensive income for the three and nine months ended December 31, 2010.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain IFRS upon transition. The Company has applied the following exemptions to its opening consolidated statement of financial position dated April 1, 2010:

- Business combinations – IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, "*Business Combinations*" (IFRS 3), retrospectively to business combinations that occurred before the transition date. IFRS 3 was applied for the acquisition of Genuity and The Balloch Group Limited (TBG) for the year ended March 31, 2011. Consequently, IFRS 3 has been applied for all business combinations subsequent to April 1, 2010. This exemption was elected for all acquisitions that occurred prior to April 1, 2010.
- Cumulative translation differences – IFRS 1 permits a first-time adopter to not comply with the requirements of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*" (IAS 21), for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has reset to zero the cumulative translation difference and adjusted retained earnings by the same amount at the date of the transition to IFRS.
- Share-based compensation – IFRS 2, "*Share-Based Payments*" (IFRS 2), has not been applied to share-based payments granted prior to November 7, 2002 or to share-based payments granted subsequent to November 7, 2002 that vested before April 1, 2010.
- Leases – IFRS 1 permits a first-time adopter the option to determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. The Company has elected to use the information at the transition date in determining whether an arrangement contains a lease. This election did not affect the accounting for any of the Company's leases.

Estimates

The estimates at the transition date are consistent with those made previously in accordance with CGAAP, except where necessary to reflect any differences in accounting policies.

Reconciliation of financial position as reported under CGAAP to IFRS

Company reconciliation of financial position as at December 31, 2010:

	CGAAP	Share-based payments	Foreign exchange translation	Financial instruments	Provisions	Income taxes	IFRS
Notes		A	B	C	D	E	
ASSETS							
Current							
Cash and cash equivalents	$ 713,117	$ —	$ —	$ —	$ —	$ —	$ 713,117
Securities owned	1,098,154	—	—	—	—	—	1,098,154
Accounts receivable	2,383,057	—	—	—	—	—	2,383,057
Future income taxes	16,473	—	—	—	—	(16,473)	—
Total current assets	4,210,801	—	—	—	—	(16,473)	4,194,328
Deferred tax assets	—	—	—	—	—	1,034	1,034
Investment	5,000	—	—	1,732	—	—	6,732
Equipment and leasehold improvements	36,860	—	—	—	—	—	36,860
Intangible assets	74,854	—	—	—	—	—	74,854
Goodwill	242,074	—	—	—	—	—	242,074
	$ 4,569,589	$ —	$ —	$ 1,732	$ —	$ (15,439)	$ 4,555,882
LIABILITIES							
Current							
Bank indebtedness	$ 34,914	$ —	$ —	$ —	$ —	$ —	$ 34,914
Securities sold short	853,869	—	—	—	—	—	853,869
Accounts payable and accrued liabilities	2,910,424	—	—	—	(5,775)	—	2,904,649
Provisions	—	—	—	—	5,775	—	5,775
Income taxes payable	8,668	—	—	—	—	—	8,668
Subordinated debt	15,000	—	—	—	—	—	15,000
Total current liabilities	3,822,875	—	—	—	—	—	3,822,875
Deferred tax liabilities	23,120	—	—	—	—	(14,837)	8,283
	3,845,995	—	—	—	—	(14,837)	3,831,158
SHAREHOLDERS' EQUITY							
Common shares	464,520	—	—	—	—	—	464,520
Contributed surplus	55,102	(735)	—	—	—	—	54,367
Retained earnings	238,569	735	(35,304)	—	—	(171)	203,829
Accumulated other comprehensive income (loss)	(34,597)	—	35,304	1,732	—	(431)	2,008
Total shareholders' equity	723,594	—	—	1,732	—	(602)	724,724
	$ 4,569,589	$ —	$ —	$ 1,732	$ —	$ (15,439)	$ 4,555,882

Reconciliations of net income and comprehensive income as reported under CGAAP to IFRS

The following is a reconciliation of the Company's net income and comprehensive income reported in accordance with CGAAP to its net income and comprehensive income in accordance with IFRS for the three and nine months ended December 31, 2010:

		Three months ended December 31, 2010			Nine months ended December 31, 2010		
	Notes	CGAAP	Effect of transition	IFRS	CGAAP	Effect of transition	IFRS
REVENUE							
Commission		$ 87,433	$ —	$ 87,433	$ 212,691	$ —	$ 212,691
Investment banking		116,716	—	116,716	223,853	—	223,853
Advisory fees		25,276	—	25,276	59,212	—	59,212
Principal trading		10,658	—	10,658	26,213	—	26,213
Interest		7,753	—	7,753	16,333	—	16,333
Other		6,998	—	6,998	17,734	—	17,734
		254,834	—	254,834	556,036	—	556,036
EXPENSES							
Incentive compensation	A	127,033	(393)	126,640	271,947	(2,284)	269,663
Salaries and benefits		14,739	—	14,739	46,877	—	46,877
Trading costs		7,937	—	7,937	22,883	—	22,883
Premises and equipment		7,077	—	7,077	19,755	—	19,755
Communication and technology		6,111	—	6,111	19,159	—	19,159
Interest		3,037	—	3,037	5,326	—	5,326
General and administrative		17,049	—	17,049	48,830	—	48,830
Amortization		2,786	—	2,786	9,776	—	9,776
Development costs	A	5,819	(27)	5,792	16,075	796	16,871
Acquisition-related costs		1,750	—	1,750	12,740	—	12,740
		193,338	(420)	192,918	473,368	(1,488)	471,880
Income before income taxes		61,496	420	61,916	82,668	1,488	84,156
Income taxes (recovery)							
Current		18,211	—	18,211	24,091	—	24,091
Deferred	E	581	127	708	1,287	358	1,645
		18,792	127	18,919	25,378	358	25,736
Net income		$ 42,704	$ 293	$ 42,997	$ 57,290	$ 1,130	$ 58,420
Other comprehensive income (loss), net of taxes		(3,683)	—	(3,683)	707	—	707
Comprehensive income		$ 39,021	$ 293	$ 39,314	$ 57,997	$ 1,130	$ 59,127

Notes to the reconciliation of financial position as at December 31, 2010 and reconciliations of net income and comprehensive income for the three- and nine-month periods ended December 31, 2010

A. Share-based payment

Under CGAAP, the Company had the option to recognize forfeitures of share-based payments as they occurred or estimate a forfeiture rate at inception. The Company's former accounting policy was to recognize forfeitures as they occurred. Under IFRS, a forfeiture rate must be estimated upon inception. As a result of the transition, the Company determined a forfeiture rate based on historical data and calculated the impact on the amortization of all share-based payments.

CGAAP permitted share-based payments to be amortized using either a straight-line or graded amortization basis for awards that vest on a graded basis. Graded amortization is required under IFRS for these awards.

B. Foreign exchange translation

The Company has chosen to apply the election to not comply with the requirements of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*", for cumulative translation differences that existed at the date of transition to IFRS. As a result, the Company has eliminated the cumulative translation difference of $35.3 million and adjusted retained earnings by the same amount at the date of transition to IFRS.

C. Financial instruments

Financial assets with no quoted market price that are classified as available for sale are carried at cost under CGAAP. However, under IFRS, financial assets with no quoted market price that are classified as available for sale are carried at fair value unless fair value is not reliably measurable. Under CGAAP, the Company's investment in an Alternative Alpha Trading System is designated as available for sale and is carried at cost. Under IFRS, the investment should be recorded at fair value unless the fair value cannot be reliably measured, and any unrealized gains and losses should be recorded through other comprehensive income. Management has determined that a reliable fair value measurement can be made, and the fair value adjustment has been recognized accordingly.

D. Provisions

Under CGAAP, the Company accrued amounts related to contingent liabilities, which are included in accounts payable and accrued liabilities, in accordance with applicable recognition criteria. These amounts would be considered as provisions under IFRS and need to be disclosed separately on the face of the consolidated statement of financial position. IFRS also requires the provisions to be distinguished between current and non-current.

E. Income taxes

There are no identified material differences in the methodology of the calculation of provisions for current and deferred taxes; the various transitional adjustments described above result in adjustments to the book values of the corresponding accounts, leading to adjusted temporary differences. Upon transition to IFRS, the Company recalculated the deferred tax liability based on revised balances using a tax rate of 24.9%. In addition, in accordance with IFRS, deferred tax is to be classified as non-current, while this was classified as current or non-current based on the nature of the temporary differences under CGAAP.

Under IFRS, deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

F. Material adjustments to the statement of cash flows

There is no significant impact on the presentation of the Company's consolidated statement of cash flows for the nine months ended December 31, 2010. Adjustments include the effects on comprehensive income and non-cash operating items as a result of the transition adjustments described above.

NOTE 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements should be read in conjunction with the accounting policies disclosed in Notes 2 and 5 of the Company's unaudited interim condensed consolidated financial statements as at and for the three months ended June 30, 2011. As at November 1, 2011, the Company applied IAS 27, "*Consolidated and Separate Financial Statements*" (IAS 27), for its acquisition of the 50% interest in BGF, as discussed below and in Note 10. The following disclosure also provides additional information regarding commission revenue recognition.

Consolidation

These consolidated financial statements have been prepared in accordance with IFRS. The consolidated financial statements include the accounts of the Company, its subsidiaries and variable interest entities (VIEs) where the Company or one of its subsidiaries is the primary beneficiary.

In accordance with IAS 27, the operating results of a subsidiary should be consolidated if the Company acquires control. Control is presumed to exist when an entity owns greater than 50% of the voting shares. In cases where the parent does not own a majority of the voting rights, control still exists when there is power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the board of directors, or power to cast the majority of votes at meetings of the board of directors.

The Company has acquired a 50% interest in BGF [Note 10], which was rebranded to Canaccord BGF subsequent to the acquisition date. Although the Company does not own greater than 50% of the voting shares, the Company completed an evaluation of its relationship with the other shareholders and determined it met sufficient conditions as required by IAS 27 to consolidate. Therefore, the financial position, operating results, and cash flows of Canaccord BGF have been consolidated. The Company has also recognized a 50% non-controlling interest, which represents the portion of Canaccord BGF net identifiable assets not controlled by the Company. At acquisition date, the non-controlling interest was determined using the proportionate method.

Revenue recognition

Commission revenue consists of revenue generated through commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and are recorded as part of commission revenues. Facilitation losses for the three and nine months ended December 31, 2011 were $6.4 million and $26.5 million [December 31, 2010 – $2.8 million and $17.4 million].

NOTE 6. SECURITIES OWNED AND SECURITIES SOLD SHORT

	December 31, 2011		March 31, 2011	
	Securities owned	**Securities sold short**	Securities owned	Securities sold short
Corporate and government debt	**$ 1,019,372**	**$ 939,998**	$ 816,363	$ 689,509
Equities and convertible debentures	**81,098**	**12,752**	130,822	33,104
	$ 1,100,470	**$ 952,750**	$ 947,185	$ 722,613

As at December 31, 2011, corporate and government debt maturities ranged from 2012 to 2060 [March 31, 2011 – 2011 to 2060] and bear interest ranging from 0.50% to 13.50% [March 31, 2011 – 0.50% to 14.00%].

NOTE 7. FINANCIAL INSTRUMENTS

Presented below is a fair value hierarchy 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.

		Estimated fair value		
		December 31, 2011		
	December 31, 2011	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 700,914**	**$ 700,914**	**$ —**	**$ —**
Securities owned(1)	**1,100,470**	**1,093,999**	**5,913**	**558**
Investment	**5,934**	**—**	**—**	**5,934**
Securities sold short	**952,750**	**952,750**	**—**	**—**

(1) Securities owned includes $5,913 of broker warrants and $558 of investment in asset-backed commercial paper (ABCP).

		Estimated fair value		
		March 31, 2011		
	March 31, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 954,068	$ 954,068	$ —	$ —
Securities owned(1)	947,185	932,073	14,321	791
Investment	5,934	—	—	5,934
Securities sold short	722,613	722,613	—	—

(1) Securities owned includes $14,321 of broker warrants and $791 of investment in ABCP.

Securities lending and borrowing

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
December 31, 2011	**$ 89,543**	**$ 59,803**	**$ 58,071**	**$ 88,622**
March 31, 2011	117,187	51,364	52,075	119,295

Securities lending and borrowing are included in the accounts receivable and accounts payable and accrued liabilities balances on the statement of financial position.

NOTE 8. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	December 31, 2011	March 31, 2011
Brokers and investment dealers	**$ 1,319,238**	$ 1,426,005
Clients	**315,572**	789,896
RRSP cash balances held in trust	**508,550**	553,802
Other	**72,088**	59,109
	$ 2,215,448	$ 2,828,812

Accounts payable and accrued liabilities

	December 31, 2011	March 31, 2011
Brokers and investment dealers	**$ 1,490,194**	$ 1,649,601
Clients	**978,407**	1,642,532
Other	**113,810**	258,991
	$ 2,582,411	$ 3,551,124

Amounts due from and to brokers and investment dealers include balances from resale and repurchase agreements, securities loaned and borrowed, as well as brokers' and dealers' counterparty balances.

Client security purchases are entered into on either a cash or a 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 the margin regulations of the Investment Industry Regulatory Organization of Canada (IIROC) 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 on amounts due to clients is based on a floating rate [December 31, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at December 31, 2011, the allowance for doubtful accounts was $13.1 million [March 31, 2011 – $12.0 million].

NOTE 9. INVESTMENT

	December 31, 2011	March 31, 2011
Available for sale	**$ 5,934**	$ 5,934

The Company invested $5.0 million in a limited partnership as part of its initiative to operate an Alternative Alpha Trading System. The investment is carried at fair value, determined using a market approach.

NOTE 10. BUSINESS COMBINATIONS

[i] BGF Capital Group Pty Ltd

On July 31, 2011, the Company announced that it had signed a definitive agreement to acquire a 50% interest in BGF Capital Group Pty Ltd, a boutique investment bank based in Australia, with offices in Melbourne, Sydney and Hong Kong. The transaction was completed on November 1, 2011 for consideration consisting of 623,796 Canaccord common shares valued at $5.7 million [AUD$5.5 million] and cash of $36.5 million

[AUD$34.7 million]. The shares issued were valued at $9.20 per common share based on the closing share price as of November 1, 2011, the closing date of the transaction, in accordance with IFRS 3, "*Business Combinations*" (IFRS 3). All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and will be released ratably over five years. Subsequent to the closing of the transaction, BGF was rebranded as Canaccord BGF.

The purchase agreement grants the Company a call option to purchase the remaining 50% interest in BGF. The option will be exercisable by the Company for a three-month period commencing on November 1, 2016 at a price to be determined at that time by reference to Canaccord BGF profits as set out in the purchase agreement. As the option price is expected to approximate fair market value at the time of exercise, the value of this call option is nominal.

This transaction has been accounted for in accordance with IFRS 3, using the acquisition method. Total costs expensed related to this transaction were $1.4 million for the nine months ended December 31, 2011. These costs consist primarily of professional and consulting fees.

The purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

Consideration paid

Cash	$	36,497
Common shares issued (623,796 shares @ $9.20 per share)		5,739
	$	**42,236**

Net assets acquired

Net tangible assets	$	26,798
Non-controlling interests		(19,019)
Identifiable intangible assets		16,205
Deferred tax liability		(4,861)
Goodwill		23,113
	$	**42,236**

The fair value of BGF's net tangible assets was $26.8 million, which included accounts receivable of $0.6 million. Non-controlling interests of $19.0 million have also been recognized, representing the 50% interest of BGF net identifiable assets not controlled by the Company at the acquisition date. Identifiable intangible assets of $16.2 million were recognized and include brand names, customer relationships, sales backlog, non-competition agreements, and trading licences [Note 11]. The goodwill of $23.1 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

Contributions to revenue and net income by Canaccord BGF were not significant since the acquisition date of November 1, 2011.

The above amounts are estimates, which were made by management at the time of the preparation of these unaudited interim condensed consolidated financial statements based on available information. Amendments may be made to these amounts while values subject to estimates are finalized.

In accordance with IAS 27, "*Consolidated and Separate Financial Statements*", the Company consolidated the financial position, operating results, and cash flows of Canaccord BGF for the period commencing November 1, 2011 and recognized a 50% non-controlling interest, which represents the portion of Canaccord BGF net identifiable assets not controlled by the Company.

[ii] Collins Stewart Hawkpoint plc

On December 15, 2011, the Company announced that it had made an offer to acquire 100% of Collins Stewart Hawkpoint plc (Collins Stewart Hawkpoint), an independent investment bank based in the UK, with operations in Europe, the US and Singapore. The Company offered £0.96 per Collins Stewart Hawkpoint share, or approximately £253.3 million, to acquire the entire issued share capital of Collins Stewart Hawkpoint. The final total cost of the proposed acquisition is, in part, based on the Canaccord Financial Inc. share price at the acquisition date. The offer is expected to be paid as a combination of 60% cash and 40% Canaccord common shares. The cash consideration payable under the terms of the offer is expected to be funded through a combination of borrowing under a short term credit facility, pursuant to a $150 million senior secured credit agreement, and the Company's existing cash resources. The credit facility is conditional on the closing of this transaction.

The aggregate acquisition-related costs expected to be incurred by the Company in connection with the proposed acquisition of Collins Stewart Hawkpoint are estimated to be approximately $10.0 million plus applicable taxes. These costs are mainly comprised of professional and consulting fees, as well as charges related to the short term credit facility. Total costs expensed for the nine months ended December 31, 2011 were $2.7 million, which consisted mostly of professional and consulting fees. In addition to the acquisition-related costs incurred as of December 31, 2011, the Company expects to record additional significant expense items in connection with the closing of the acquisition and other expenditures related to the integration of the operations of the common business units of the Company and Collins Stewart Hawkpoint.

It is intended that the acquisition will be implemented by way of a court-sanctioned scheme of arrangement under the *UK Companies Act*. Subject to Collins Stewart Hawkpoint shareholder approval and obtaining formal clearances from the UK Financial Services Authority, the Monetary Authority of Singapore and certain other regulatory authorities, the Company believes court hearings to sanction the scheme and associated matters will occur on March 16, 2012 and March 21, 2012, and the acquisition will close ("the scheme will become effective") at 8:00 am London time on March 22, 2012. Further announcements will be made if there are changes to these dates.

The Company intends to put in place a £15 million retention package in Canaccord equity for key Collins Stewart Hawkpoint staff following completion of the offer. No discussions have taken place at this stage regarding the terms of this package or the basis on which it will be allocated.

NOTE 11. GOODWILL AND OTHER INTANGIBLE ASSETS

		Identifiable intangible assets					
	Goodwill	Brand names	Customer relationships	Sales backlog	Non-competition	Trading licences	Total
Gross amount							
Balance, April 1, 2010	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Additions – Genuity	242,074	44,930	25,450	1,633	7,037	—	79,050
Additions – TBG	3,183	—	—	—	—	—	—
Impairment	—	—	—	—	—	—	—
Balance, March 31, 2011	245,257	44,930	25,450	1,633	7,037	—	79,050
Addition – BGF	23,113	494	7,009	994	7,508	200	16,205
Impairment	—	—	—	—	—	—	—
Foreign exchange	(173)	(2)	(52)	(7)	(56)	(2)	(119)
Balance, December 31, 2011	**268,197**	**45,422**	**32,407**	**2,620**	**14,489**	**198**	**95,136**
Accumulated amortization							
Balance, April 1, 2010	—	—	—	—	—	—	—
For the year ended March 31, 2011							
Amortization	—	—	(2,172)	(1,633)	(1,322)	—	(5,127)
Impairment	—	—	—	—	—	—	—
Balance, March 31, 2011	—	—	(2,172)	(1,633)	(1,322)	—	(5,127)
For the nine-month period ended December 31, 2011							
Amortization	—	(81)	(2,244)	(116)	(1,188)	—	(3,629)
Impairment	—	—	—	—	—	—	—
Balance, December 31, 2011	**—**	**(81)**	**(4,416)**	**(1,749)**	**(2,510)**	**—**	**(8,756)**
Net book value							
March 31, 2011	245,257	44,930	23,278	—	5,715	—	73,923
December 31, 2011	**268,197**	**45,341**	**27,991**	**871**	**11,979**	**198**	**86,380**

Identifiable intangible assets purchased through the acquisition of a 50% interest in BGF reflect assigned values related to acquired brand names, customer relationships, sales backlogs, and non-competition agreements, which have a finite life and are amortized on a straight-line basis over their estimated useful lives. The estimated amortization periods of these amortizable intangible assets are as follows:

- Brand names — 1 year
- Customer relationships — 5 years
- Sales backlogs — 1 year
- Non-competition — 10 years

Trading licences acquired through the acquisition of the 50% interest in BGF are considered to have an indefinite life as they are expected to provide benefit to the Company over a continuous period.

The amortization of intangible assets is recognized in the statement of operations as part of amortization expense.

Impairment testing of goodwill and identifiable intangible assets with indefinite lives

Goodwill and brand names acquired through the acquisition of Genuity have been allocated to the Canadian segment of the Canaccord Genuity cash-generating unit for impairment testing. Goodwill acquired through the acquisition of TBG and the 50% interest in BGF has been allocated to the Other Foreign Locations segment of the Canaccord Genuity cash-generating unit for impairment testing.

An impairment exists when the carrying value of an asset exceeds its recoverable amount. The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

There have been no changes to circumstances or events that would indicate the carrying value of goodwill and intangibles has been impaired at December 31, 2011. As a result, no interim impairment testing has been performed. The annual impairment testing for goodwill and intangible assets with indefinite lives will be performed at March 31, 2012 assuming no circumstances or events arise that require earlier impairment testing.

NOTE 12. 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 nine months ended	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Income taxes at the statutory rate (F2012: 25.7%; F2011: 27.8%)	**$ 1,303**	$ 17,254	**$ 3,575**	$ 23,396
Difference in tax rates in foreign jurisdictions	**(519)**	463	**(468)**	414
Non-deductible items affecting the determination of taxable income	**851**	913	**2,184**	1,825
Change in accounting and tax base estimate	**(42)**	2,520	**(1,565)**	3,569
Change in deferred tax asset – reversal period of temporary difference	**7**	36	**(648)**	293
Tax losses and other temporary differences not recognized (prior year's losses recognized on utilization)	**936**	(2,267)	**394**	(3,761)
Income tax expense – current and deferred	**$ 2,536**	$ 18,919	**$ 3,472**	$ 25,736

NOTE 13. PREFERRED SHARES

On April 15, 2011, the Company's shareholders approved amendments to its articles to alter the authorized capital of the Company by creating an additional class of preferred shares. The Company has an unlimited number of authorized preferred shares without nominal or par value.

On June 23, 2011, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100 million. On July 7, 2011, the Company announced that it had closed the over-allotment option and issued an additional 540,000 Series A Preferred Shares at $25.00 per share for gross proceeds of $13.5 million.

The aggregate net proceeds after deducting issue costs, net of deferred taxes of $1.0 million, were $110.8 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company's option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

NOTE 14. COMMON SHARES

	December 31, 2011		March 31, 2011	
	Amount	**Number of shares**	Amount	Number of shares
Issued and fully paid	**$ 541,076**	**83,412,456**	$ 533,876	82,809,623
Unvested share purchase loans	**(33,562)**	**(4,931,379)**	(36,018)	(4,501,992)
Held for LTIP	**(41,219)**	**(3,482,087)**	(30,808)	(2,903,991)
	$ 466,295	**74,998,990**	$ 467,050	75,403,640

[i] Authorized

Unlimited common shares without par value

[ii] Issued and fully paid

	Number of shares	Amount
Balance, April 1, 2010	55,571,133	$ 254,553
Shares issued in relation to the acquisition of Genuity	26,500,000	271,900
Shares issued in connection with share-based payment plans [note 16]	823,144	7,969
Shares cancelled	(84,654)	(546)
Balance, March 31, 2011	82,809,623	533,876
Shares issued in connection with share-based payment plans [note 16]	688,085	6,282
Shares issued in relation to the acquisition of BGF [note 10]	623,796	5,739
Shares cancelled related to forfeited escrowed shares	(59,048)	(606)
Shares cancelled under the NCIB	(650,000)	(4,215)
Balance, December 31, 2011	**83,412,456**	**$ 541,076**

During the nine months ended December 31, 2011, the Company cancelled 59,048 escrow shares issued in connection with the acquisition of Genuity.

The Company has filed a notice for a normal course issuer bid (NCIB) to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.4% of the Company's outstanding common shares. The Company repurchased 650,000 shares through the NCIB between June 13, 2011 and December 31, 2011, which were subsequently cancelled.

[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 the vesting period. The difference between the unvested and unamortized values is included in contributed surplus.

[iv] Earnings per common share

	For the three months ended		For the nine months ended	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Basic earnings per common share				
Net income attributable to CFI shareholders	**$ 3,026**	$ 42,997	**$ 10,943**	$ 58,420
Preferred share dividends, including related tax impact	**(1,818)**	—	**(3,708)**	—
Net income attributable to common shareholders	**1,208**	42,997	**7,235**	58,420
Weighted average number of common shares (number)	**75,220,878**	74,946,677	**74,523,387**	72,356,918
Basic earnings per share	**$ 0.02**	$ 0.57	**$ 0.10**	$ 0.81
Diluted earnings per common share				
Net income attributable to common shareholders	**$ 1,208**	$ 42,997	**$ 7,235**	$ 58,420
Weighted average number of common shares (number)	**75,220,878**	74,946,677	**74,523,387**	72,356,918
Dilutive effect of unvested shares (number)	**4,931,379**	4,532,119	**4,931,379**	4,532,119
Dilutive effect of share options (number)	**27,906**	513,037	**382,412**	281,616
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 16]	**3,489,591**	3,119,878	**3,825,271**	3,390,224
Dilutive effect of share issuance commitment in connection with LTIP (number) [note 16]	**151,946**	531,264	**668,245**	380,729
Adjusted weighted average number of common shares (number)	**83,821,700**	83,642,975	**84,330,694**	80,941,606
Diluted earnings per common share	**$ 0.01**	$ 0.51	**$ 0.09**	$ 0.72

NOTE 15. DIVIDENDS

Common shares dividends

The Company declared the following common shares dividends during the nine months ended December 31, 2011:

Record date	Payment date	Cash dividend per common share	Total dividend amount
June 3, 2011	June 15, 2011	$ 0.10	$ 8,416
August 26, 2011	September 15, 2011	$ 0.10	$ 8,332
December 2, 2011	December 15, 2011	$ 0.10	$ 8,406

On February 8, 2012, the Board of Directors approved a cash dividend of $0.10 per common share payable on March 15, 2012 to common shareholders of record as at March 2, 2012 [Note 21].

Preferred shares dividends

Record date	Payment date	Cash dividend per preferred share	Total dividend amount
September 16, 2011	September 30, 2011	$ 0.37295	$ 1,693
December 16, 2011	January 3, 2012	$ 0.34375	$ 1,561

On February 8, 2012, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on April 2, 2012 and with a record date of March 16, 2012 [Note 21].

NOTE 16. SHARE-BASED PAYMENT PLANS

[i] Share options

The Company grants share options to purchase common shares of the Company to independent directors and senior managers. Share options to independent directors vest over a four-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director. Share options to senior managers vest over a five-year period and expire on the earliest of: (a) seven years from the grant date; (b) three years after death or any other event of termination of employment; (c) after any unvested optioned shares held by the optionee are cancelled for any reason (other than early retirement but including resignation without entering into a formal exit agreement and termination for cause); and (d) 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 exercise price is based on the fair market value of the common shares at grant date. The weighted average exercise price of the share options was $9.83 at December 31, 2011.

The following is a summary of the Company's share options as at December 31, 2011 and changes during the periods then ended:

	Number of options	Weighted average exercise price
Balance, April 1, 2010	2,449,993	$ 9.91
Granted	150,000	8.39
Exercised	(58,659)	9.47
Balance, March 31, 2011	2,541,334	9.82
Granted	—	—
Exercised	(58,659)	(9.47)
Balance, December 31, 2011	**2,482,675**	**$ 9.83**

The following table summarizes the share options outstanding as at December 31, 2011:

	Options outstanding			Options exercisable	
Range of exercise price	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$ 23.13	100,000	2.37 years	$ 23.13	100,000	$ 23.13
7.21–9.48	2,382,675	4.64 years	9.27	135,091	8.38
$7.21–23.13	**2,482,675**	**4.54 years**	**$ 9.83**	**235,091**	**$ 13.40**

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is based on the historical trend of the share prices of the Company. 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 share options.

[ii] Long-term incentive plan

Under the LTIP, eligible participants are awarded restricted share units (RSUs), which generally 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 the trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until the RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of the RSUs. For employees in the US and the UK, the Company will allot common shares at the time of each RSU award, and these shares will be issued from treasury at the time they vest for each participant.

There were 3,613,405 RSUs [year ended March 31, 2011 – 2,713,726 RSUs] granted in lieu of cash compensation to employees during the nine months ended December 31, 2011. The Trust purchased 1,928,065 [year ended March 31, 2011 – 1,695,553] number of common shares for the period ended December 31, 2011.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the nine months ended December 31, 2011 was $11.51 [year ended March 31, 2011 – $9.77].

	Number
Awards outstanding, April 1, 2010	5,317,945
Grants	2,713,726
Vested	(2,680,631)
Forfeited	(95,212)
Awards outstanding, March 31, 2011	5,255,828
Grants	3,613,405
Vested	(1,979,395)
Forfeited	(61,785)
Awards outstanding, December 31, 2011	**6,828,053**

	Number
Common shares held by the Trust, April 1, 2010	3,201,274
Acquired	1,695,553
Released on vesting	(1,992,836)
Common shares held by the Trust, March 31, 2011	2,903,991
Acquired	1,928,065
Released on vesting	(1,349,969)
Common shares held by the Trust, December 31, 2011	**3,482,087**

[iii] Deferred share units

Beginning April 1, 2011, the Company adopted a deferred share unit (DSU) plan for its independent directors. Independent directors must elect annually as to how they wish their directors' fees to be paid and can specify the allocation of their directors' fees between DSUs and cash. When a director leaves the Board of Directors, outstanding DSUs are paid out in cash, with the amount equal to the number of DSUs granted multiplied by the closing share price as of the end of the fiscal quarter immediately following such terminations. Under the plan, the Directors are not entitled to receive any common shares in the Company, and under no circumstances will DSUs confer on any participant any of the rights or privileges of a holder of common shares.

During the nine months ended December 31, 2011, the Company granted 23,726 DSUs. The carrying amount of the liability relating to DSUs at December 31, 2011 was $185.

[iv] Retention plan

In connection with the acquisition of TBG, the Company established a retention plan that provides for the issuance of up to approximately 1,187,800 common shares of the Company to key employees of Canaccord Genuity Asia over a five-year graded vesting period. As of December 31, 2011, the award of 87,989 shares was forfeited upon the departure of a key employee. The estimated retention payments are amortized as development costs on a graded basis based on the expected revenue to be earned related to Canaccord Genuity Asia over the five-year vesting period. In addition, the applicable number of retention shares is included in diluted common shares outstanding. The maximum retention payments are estimated to be $12.7 million if all vesting conditions are met.

[v] Share-based compensation expense

	For the three months ended		For the nine months ended	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Share options	**$ 399**	$ 817	**$ 1,161**	$ 1,708
Long-term incentive plan	**6,782**	5,105	**21,552**	15,881
Forgivable common share purchase loans [note 14iii]	**3,099**	4,676	**10,005**	12,062
Deferred share units	**68**	—	**185**	—
Retention shares	**1,507**	—	**1,839**	—
Total share-based compensation expense	**$ 11,855**	$ 10,598	**$ 34,742**	$ 29,651

NOTE 17. RELATED PARTY TRANSACTIONS

Security trades executed by the Company for 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 overall operations of the Company.

Accounts receivable and accounts payable and accrued liabilities include the following balances with key management personnel:

	December 31, 2011	March 31, 2011
Accounts receivable	**$ —**	$ 29
Accounts payable and accrued liabilities	**13,515**	24,754

NOTE 18. SEGMENTED INFORMATION

The Company operates in two industry segments as follows:

Canaccord Genuity – 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, Other Foreign Locations and the US. Other Foreign Locations include operations for Canaccord International Ltd., Canaccord Genuity Asia and the 50% interest in Canaccord BGF.

Canaccord Wealth Management – provides brokerage services and investment advice to retail or private clients in Canada and the US.

Corporate and Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Genuity or 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, without regard to non-controlling interests.

The Company does not allocate total assets, liabilities or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on the square footage occupied. Amortization of identifiable intangible assets is allocated to the Canaccord Genuity segment, as it relates to the acquisition of Genuity and the 50% interest in BGF. The accounting policies of the segments are the same as those described in Note 5 to the unaudited interim condensed consolidated financial statements as at and for the three months ended June 30, 2011. There are no significant intersegment revenues. Income taxes are managed on a Company basis and are not allocated to operating segments. All revenue and operating profit is derived from external customers.

	For the three months ended							
	December 31, 2011				December 31, 2010			
	Canaccord Genuity	**Canaccord Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 91,448**	**$ 41,145**	**$ 7,149**	**$ 139,742**	$ 174,860	$ 65,634	$ 6,587	$ 247,081
Interest revenue	**2,133**	**3,426**	**2,588**	**8,147**	2,898	2,965	1,890	7,753
Expenses, excluding undernoted	**71,112**	**34,686**	**16,010**	**121,808**	109,238	49,044	21,271	179,553
Amortization	**2,933**	**513**	**460**	**3,906**	1,829	596	361	2,786
Development costs	**3,205**	**1,989**	**561**	**5,755**	2,930	2,275	587	5,792
Interest expense	**1,918**	**56**	**387**	**2,361**	2,549	97	391	3,037
Acquisition-related costs	**2,700**	**—**	**—**	**2,700**	1,750	—	—	1,750
Restructuring costs	**1,292**	**—**	**5,000**	**6,292**	—	—	—	—
Income (loss) before income taxes	**$ 10,421**	**$ 7,327**	**$ (12,681)**	**$ 5,067**	$ 59,462	$ 16,587	$ (14,133)	$ 61,916

	For the nine months ended							
	December 31, 2011				December 31, 2010			
	Canaccord Genuity	**Canaccord Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 254,646**	**$ 136,577**	**$ 12,355**	**$ 403,578**	$ 370,683	$ 152,522	$ 16,498	$ 539,703
Interest revenue	**5,764**	**10,189**	**7,641**	**23,594**	4,190	7,823	4,320	16,333
Expenses, excluding undernoted	**209,685**	**110,196**	**48,603**	**368,484**	250,565	120,972	55,630	427,167
Amortization	**6,792**	**1,708**	**1,258**	**9,758**	6,965	1,790	1,021	9,776
Development costs	**8,891**	**5,946**	**1,489**	**16,326**	8,205	7,133	1,533	16,871
Interest expense	**5,340**	**238**	**1,158**	**6,736**	4,000	218	1,108	5,326
Acquisition-related costs	**4,143**	**—**	**1,513**	**5,656**	12,740	—	—	12,740
Restructuring costs	**1,292**	**—**	**5,000**	**6,292**	—	—	—	—
Income (loss) before income taxes	**$ 24,267**	**$ 28,678**	**$ (39,025)**	**$ 13,920**	$ 92,398	$ 30,232	$ (38,474)	$ 84,156

For geographic reporting purposes, the Company's business operations are grouped into Canada, the United Kingdom, the United States, and Other Foreign Locations. The following table presents the revenue of the Company by geographic location:

	For the three months ended		For the nine months ended	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Canada	**$ 110,444**	$ 196,906	**$ 325,277**	$ 415,317
United Kingdom	**12,748**	23,339	**31,332**	58,122
United States	**18,003**	34,173	**63,784**	81,972
Other Foreign Locations	**6,694**	416	**6,779**	625
	$ 147,889	$ 254,834	**$ 427,172**	$ 556,036

The following table presents selected figures pertaining to the financial position of each geographic location:

	Canada	United Kingdom	United States	Other Foreign Locations	Total
As at December 31, 2011					
Equipment and leasehold improvements	$ 29,865	$ 3,810	$ 8,606	$ 2,269	$ 44,550
Goodwill	242,074	—	—	26,123	268,197
Non-current assets	350,364	4,568	8,230	44,318	407,480
As at March 31, 2011					
Equipment and leasehold improvements	30,596	4,079	5,896	247	40,818
Goodwill	242,074	—	—	3,183	245,257
Non-current assets	353,755	5,052	5,166	3,462	367,435

NOTE 19. CAPITAL MANAGEMENT

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by the shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss), and is further complemented by subordinated debt. The following table summarizes our capital as at December 31, 2011 and March 31, 2011:

Type of capital	**December 31, 2011**	March 31, 2011
Preferred shares	**$ 110,818**	$ —
Common shares	**466,295**	467,050
Contributed surplus	**51,557**	52,167
Retained earnings	**221,409**	238,647
Accumulated other comprehensive income (loss)	**2,216**	(972)
Shareholders' equity	**852,295**	756,892
Subordinated debt	**15,000**	15,000
	$ 867,295	$ 771,892

NOTE 20. PROVISIONS AND CONTINGENCIES

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Restructuring provisions incurred in the nine months ended December 31, 2011 relate to termination benefits incurred as part of the Company's reorganization. At the date of each statement of financial position, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the nine months ended December 31, 2011:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2011	$ 6,151	$ —	$ 6,151
Additions	1,892	6,292	8,184
Utilized	(1,617)	(1,492)	(3,109)
Recoveries	(863)	—	(863)
Balance, December 31, 2011	**$ 5,563**	**$ 4,800**	**$ 10,363**

Commitments, litigation proceedings and contingent liabilities

During the period ended December 31, 2011, there were no material changes to the Company's commitments or contingencies from those described in Note 17 of the 2011 Audited Annual Consolidated Financial Statements except:

i) Canaccord Genuity Corp., among others, is a defendant named in a class action proceeding initiated in the Ontario Superior Court of Justice in 2010. The plaintiff in the action claims, among other things, damages under the *Securities Act* (Ontario) of $50 million and punitive damages of $5 million alleging certain misrepresentations in a prospectus filed by Allen-Vanguard Inc. for which Canaccord, among others, acted as underwriter. The plaintiff has agreed to the dismissal of this action during the second quarter of fiscal 2012, and there have been no further updates as of December 31, 2011.

ii) The Company and Collins Stewart Hawkpoint and its US subsidiary, Collins Stewart LLC, among others, are defendants in an action commenced by Morgan Joseph TriArtisan Group Inc. and Morgan Joseph TriArtisan LLC in State Court in New York City alleging that a proposed joint venture in New York between Collins Stewart LLC and Morgan Joseph TriArtisan LLC is fundamentally inconsistent with the acquisition of Collins Stewart Hawkpoint by the Company. The claims against the Company are for tortious interference with contract, tortious interference with prospective business advantage, and aiding and abetting breach of fiduciary duty. Remedies requested by the plaintiff against the Company are for compensatory damages in an amount not less than $35 million and punitive damages in an amount of three times the compensatory damages or approximately $100 million. The defences to these claims and the quantification of damages are yet to be determined. The Company considers that the allegations are spurious and entirely unfounded and will strenuously defend itself against these claims.

NOTE 21. SUBSEQUENT EVENTS

[i] Dividends

On February 8, 2012, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on March 15, 2012 with a record date of March 2, 2012. The Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on April 2, 2012 and with a record date of March 16, 2012.

Shareholder Information

CORPORATE HEADQUARTERS

Street address
Canaccord Financial Inc.
2200 – 609 Granville Street
Vancouver, BC, Canada

Mailing address
P.O. Box 10337
Pacific Centre
2200 – 609 Granville Street
Vancouver, BC, V7Y 1H2, Canada

STOCK EXCHANGE LISTING

Common shares:
TSX: CF
AIM: CF.

Preferred shares:
TSX: CF.PR.A.

CORPORATE WEBSITE

www.canaccordfinancial.com

GENERAL SHAREHOLDER INQUIRIES AND INFORMATION

Investor Relations
Suite 3000 – 161 Bay Street
Toronto, ON, Canada
Telephone: (416) 869-7293
Fax: (416) 947-8343
Email: investor.relations@canaccord.com

MEDIA RELATIONS AND INQUIRIES FROM INSTITUTIONAL INVESTORS AND ANALYSTS

Scott Davidson
Executive Vice President,
Global Head of Corporate Development and Strategy
Telephone: (416) 869-3875
Email: scott.davidson@canaccord.com

The Canaccord Financial 2011 Annual Report is available on our website at www.canaccordfinancial.com.
For a printed copy please contact the Investor Relations department.

FISCAL 2012 EXPECTED DIVIDEND EARNINGS RELEASE DATES[1]

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q1/12	August 4, 2011	September 16, 2011	September 30, 2011	August 26, 2011	September 15, 2011
Q2/12	November 10, 2011	December 16, 2011	January 3, 2012	December 2, 2011	December 15, 2011
Q3/12	February 8, 2012	March 16, 2012	April 2, 2012	March 2, 2012	March 15, 2012
Q4/12	May 23, 2012	June 15, 2012	July 3, 2012	June 1, 2012	June 15, 2012

[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.
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Telephone Toll Free (North America): 1-800-564-6253
International: (514) 982-7555
Fax: 1-866-249-7775
Toll Free Fax (North America): or
International Fax: (416) 263-9524
Email: service@computershare.com
Website: www.computershare.com
Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

FINANCIAL INFORMATION

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

AUDITOR

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

EDITORIAL SERVICES

The Works Design Communications Ltd.

CANACCORD Financial