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Application has been made for all of the common shares of no par value (the “Common Shares”) in the capital of Canaccord Capital Inc. (the “Company”) to be admitted to trading on AIM, a market operated by London Stock Exchange plc (“AIM”). It is expected that admission of the Common Shares in issue to trading on AIM (“Admission”) will become effective, and that dealings in the Common Shares will commence, on June 22, 2005. The Common Shares are already listed on the Toronto Stock Exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

This document is an admission document prepared in accordance with the AIM Rules for Companies published by London Stock Exchange plc (“AIM Rules”). This document does not constitute a prospectus pursuant to the Public Offers of Securities Regulations 1995, as amended (the “POS Regulations”) and a copy has not been delivered for registration to the Registrar of Companies of England and Wales under Regulation 4(2) of the POS Regulations. The directors of the Company (“Directors”), whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and this document makes no omission likely to affect the import of such information. The Directors accept individual and collective responsibility for compliance with the AIM Rules.

CANACCORD CAPITAL INC.

(Incorporated under the laws of British Columbia, Canada with incorporation number BC0536661)

ADMISSION TO TRADING ON AIM

Nominated Adviser

Grant Thornton Corporate Finance

Broker

Canaccord Capital (Europe) Limited

COMMON SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Authorised Number

Unlimited

Issued and fully paid

Common Shares of no par value 46,129,268

Grant Thornton Corporate Finance, which is regulated by the Financial Services Authority, is the Company’s Nominated Adviser for the purposes of the AIM Rules. Its responsibilities as the Company’s Nominated Adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. Grant Thornton Corporate Finance is not acting for and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Grant Thornton Corporate Finance or for advising any other person on the arrangements described in this document.

Canaccord Capital (Europe) Limited, which is regulated by the Financial Services Authority and is a member of London Stock Exchange plc, is acting exclusively for the Company as broker. Canaccord Capital (Europe) Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Canaccord Capital (Europe) Limited or for advising any other person on the arrangements described in this document.

Neither Grant Thornton Corporate Finance nor Canaccord Capital (Europe) Limited have authorised or approved the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations or otherwise and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Grant Thornton Corporate Finance or Canaccord Capital (Europe) Limited for the accuracy of any information or opinion contained in this document or for the omission of any material information, for which the Company and its Directors are solely responsible.

Prospective investors should read the whole of the text of this document. The AIM Rules are less demanding than those of the Official List of the United Kingdom Listing Authority and an investment in the Common Shares is speculative and is subject to a number of risks that should be carefully reviewed and considered by a prospective purchaser. Your attention is drawn to the section headed “Risk Factors” set out on page 22 of this document.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States, Australia, the Republic of Ireland, South Africa or Japan. The Common Shares have not been and will not be registered under the applicable securities laws of the United States, Australia, the Republic of Ireland, South Africa or Japan and, subject to certain exceptions, may not be offered or sold within the United States, Australia, the Republic of Ireland, South Africa or Japan or to any national, resident or citizen of the United States, Australia, the Republic of Ireland, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or other laws of any such jurisdictions.

This document contains certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations regarding 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" 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, prospective purchasers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties detailed from time to time in the Company's interim and annual financial statements and this document. These forward-looking statements are made as of the date of this document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

All references to dollars in this document are to Canadian dollars unless otherwise stated.

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Expected Timetable of Events

Publication of this document

June 16, 2005

Admission and commencement of dealings in the Common Shares on AIM

June 22, 2005

Directors, Secretary and Advisers

Directors	Peter M. Brown <i>Chairman and Chief Executive Officer</i> Michael G. Greenwood <i>President and Chief Operating Officer</i> William J. Eeuwes* Michael D. Harris* Brian D. Harwood* Terrence A. Lyons* James A. Pattison* John B. Zaozirny* <i>all of 2200 – 609 Granville Street, Vancouver, B.C., Canada V7Y 1H2</i> * <i>Non-Executive</i>	
Registered Office	Suite 1000 840 Howe Street Vancouver, B.C., Canada V6Z 2M1	
Secretary	Dennis N. Burdett 2200 – 609 Granville Street Vancouver, B.C., Canada V7Y 1H2	
Nominated Adviser	Grant Thornton Corporate Finance Grant Thornton House Melton Street London, U.K. NW1 2EP	
Broker	Canaccord Capital (Europe) Limited 1 st Floor Brook House 27 Upper Brook Street London, U.K. W1K 7QF	
Auditors	Ernst & Young LLP Pacific Centre 700 West Georgia Street Vancouver, B.C., Canada V7Y 1C7	
English and Canadian Solicitors to the Company	McCarthy Tétrault Registered Foreign Lawyers and Solicitors 2 nd Floor 5 Old Bailey London, U.K. EC4M 7BA	McCarthy Tétrault LLP Suite 1300 777 Dunsmuir Street Vancouver, B.C., Canada V7Y 1K2
English Solicitors to the Nominated Adviser	Hunton & Williams Fleetway House 25 Farringdon Street London, U.K. EC4A 4AB	
Public Relations	Buchanan Communications Limited 107 Cheapside London, U.K. EC2V 6DN	

Registrar

Computershare Trust Company of Canada
100 University Avenue
9th Floor
Toronto, Ontario
M5J 2Y1

Definitions

In this document, unless the context requires otherwise the words and expressions set out below shall bear the following meanings.

“\$”	Canadian dollars
“Act”	the Companies Act 1985, as amended
“Admission”	admission of the Common Shares in issue to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to and the operation of AIM
“Canaccord” or “Canaccord group”	the Company and its direct and indirect subsidiaries
“Canaccord Capital”	Canaccord Capital Corporation, a subsidiary of the Company
“Canaccord Europe”	Canaccord Capital (Europe) Limited, a subsidiary of the Company
“Common Shares”	Common shares of no par value in the capital of the Company
“Company”	Canaccord Capital Inc.
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
“Directors”	the directors of the Company
“fiscal 2005” and “fiscal 2006”	years ending March 31, 2005 and 2006 as applicable
“Grant Thornton Corporate Finance”	Grant Thornton Corporate Finance, the corporate finance division of Grant Thornton UK LLP, which is authorised and regulated by the Financial Services Authority to carry on investment business in the U.K.
“Grant Thornton UK LLP”	a limited liability partnership with its registered office at Grant Thornton House, Melton Street, London, U.K., NW1 2EP
“IDA”	Investment Dealers Association of Canada
“London Stock Exchange” or “LSE”	London Stock Exchange plc
“Manulife”	Manulife Financial Corporation and its affiliates
“Nominated Adviser” or “Nomad”	Grant Thornton Corporate Finance, nominated adviser to the Company
“Official List”	the Official List of the United Kingdom Listing Authority
“POS Regulations”	The Public Offers of Securities Regulations 1995 (as amended)
“Shareholders”	holders of Common Shares
“TSX”	Toronto Stock Exchange

Key Information

The following information is derived from and should be read in conjunction with the full text of this document, particularly the section headed “Risk Factors” on page 22.

History and Background

Canaccord is a leading Canadian independent full service investment dealer. As a full service dealer, Canaccord offers its institutional, corporate and private clients a wide range of investment products, brokerage services, research and investment banking services. In addition to its activities in Canada, Canaccord has an established presence in the European capital markets sector with an office in London providing research, institutional trading and investment banking services to European and international clients.

Canaccord, through a predecessor corporation, commenced business in 1950 and since then Canaccord’s business has grown substantially with operations now diversified along multiple business lines, products, services, industry sectors, deal sizes and geographically.

Since 1992 Canaccord has been majority-owned by its employees. In 2002 Canaccord established a business relationship with Manulife. At that time, Manulife acquired an indirect 20 per cent interest in Canaccord and provided Canaccord with certain Manulife private client product offerings. Manulife is a major Canadian-based financial services company, operating worldwide, offering a diverse range of financial protection products and wealth management services. In 2004 Canaccord became a public company and was listed on the TSX in conjunction with the completion of an initial public offering in Canada in which it raised \$70 million.

Business of Canaccord

Canaccord has operations in each of the two principal segments of the securities industry in Canada: private client services and capital markets. Complementing its activities in Canada, Canaccord has operations in the European capital markets sector with an office in London. Supporting these two principal operating units are operations, technology, compliance and finance teams that comprise Canaccord’s supporting infrastructure.

Private Client Services

Canaccord’s private clients are primarily individuals and high net worth accounts located in Canada, the United States, Europe and internationally.

Canaccord’s private client services group provides a variety of comprehensive brokerage services and wealth management products and services to clients to assist them in building their financial assets through maximising their returns within the context of their investment objectives and risk tolerance.

Canaccord offers its clients various account structures including commission-based accounts, fee-based accounts, managed accounts and margin accounts. Canaccord’s private client services include investment advice, brokerage services, research, portfolio managed accounts, fee-based accounts, retirement savings plans, financial planning services, insurance products, on-line account access and Manulife products.

Global Capital Markets

Canaccord’s global capital markets group operates as an integrated unit to provide comprehensive high quality service to its corporate and institutional clients through the provision of selected products and services. The principal operational activities within the global capital markets group are:

Investment Banking: Canaccord arranges, manages and participates in a broad range of public offerings and private placements principally in equity securities or convertible instruments of public companies or companies going public through an initial public offering. Canaccord also provides other financial advisory services to its corporate and institutional clients.

Venture Capital: Canaccord’s venture capital group serves smaller corporate clients seeking to obtain funds for growth and project development. By serving and meeting the needs of corporate clients during the early formative stage of their development when financing requirements are usually small, Canaccord is able to establish relationships and continue to serve these clients as they mature and their financing requirements grow.

Research: Canaccord’s research department provides in-depth analyses of the economic environment, markets and individual securities to give clients a steady stream of new investment ideas and insights.

Institutional Sales and Trading: Canaccord's institutional sales and trading operation provides services to many of the major financial institutions in Canada and several money managers in the U.S. and Europe.

International and Principal Trading: Canaccord has an extensive international trading operation that deals principally with U.S. brokerage firms executing orders on their behalf in Canadian listed equities and trading in U.S. equities on behalf of Canadian clients.

Fixed Income Trading: Canaccord's fixed income department trades on a principal basis in various fixed income instruments comprised mainly of Canadian and U.S. government bonds and treasury bills, provincial bonds, securities of federal and provincial government agencies and crown corporations and corporate debt.

Canaccord's global capital markets group has professionals located in its principal offices in Vancouver, Toronto, Calgary, Montreal and London.

Operations and Support Services

Canaccord's operations and support services are responsible for front and back office information technology systems, compliance, legal and risk management, operations, finance and all administrative functions.

Canaccord's front office information technology systems include applications for providing and enhancing client service and increasing the effectiveness and information access capabilities of Canaccord's investment advisers and capital markets professionals. Canaccord's back office information technology systems include applications in respect of information and transaction processing, control systems and management information reporting. Canaccord has adopted a disciplined approach to risk management and has developed specific administrative and business policies, procedures and reports to assist in the management and control of risk.

Canaccord also provides recordkeeping, trading and other administrative support services to other brokerage firms through its correspondent brokerage services business unit.

Reasons for Admission

The Directors believe that the Company has reached a stage in its development where it is appropriate to seek admission of its share capital to AIM, a market where the shares of a number of its clients are quoted. Admission to AIM will also provide the Company with an increased profile with European institutional investors.

Financial Information

Certain financial information in respect of Canaccord's operating results for the last three completed fiscal years is set out in the table below.

	Years Ended March 31,		
	2005	2004	2003
	(in thousands of Canadian dollars)		
Revenue			
Private client services	178,176	175,983	97,784
Global capital markets	239,654	211,758	91,629
Other	<u>14,948</u>	<u>14,416</u>	<u>9,793</u>
	432,778	402,157	199,206
Expenses	<u>360,022</u>	<u>339,600</u>	<u>204,744</u>
Income (loss) before income taxes	72,756	62,557	(5,538)
Income taxes	<u>24,177</u>	<u>22,128</u>	<u>(485)</u>
Net income (loss)	<u><u>48,579</u></u>	<u><u>40,429</u></u>	<u><u>(5,053)</u></u>

Part I — Information on Canaccord

HISTORY AND BACKGROUND

Canaccord is a leading Canadian independent full service investment dealer. Canaccord has substantial operations in each of the two principal segments of the securities industry in Canada: private client services and capital markets. As a full service dealer, Canaccord offers its institutional, corporate and private clients a wide range of investment products, brokerage services, research and investment banking services. Complementing its activities in Canada, Canaccord has an established presence in the European capital markets sector with an office in London providing research, institutional trading and investment banking services to European and international clients.

Canaccord's business originated in 1950 as a small regional broker dealer located in Vancouver, B.C., Canada. The business continued under various names until 1992 when it became known as Canaccord Capital Corporation. During this time the business also grew in prominence and scope. In 1997, in connection with a corporate reorganisation, Canaccord Holdings Ltd. was formed as a holding corporation and Canaccord Capital Corporation continued to operate as its wholly-owned subsidiary. Canaccord Holdings Ltd. changed its name to Canaccord Capital Inc. in 2004.

Since its original formation and, specifically since 1992, Canaccord's business has grown substantially through both internal growth and by acquisition. Operations are now diversified along multiple business lines, products, services, industry sectors and deal size. Operations are also diversified geographically with offices across Canada and internationally in London and Barbados. The Company expects that future growth will also be achieved through both internal growth and by strategic acquisitions.

Since 1992 Canaccord has been majority-owned by its employees. In 2002 Canaccord established a business relationship with Manulife that enabled Canaccord to expand its private client product offerings and was marked by an investment by a subsidiary of Manulife which resulted in the ownership of a 20 per cent equity interest in the Company (fully diluted). Manulife is a major Canadian-based financial services company, operating worldwide, offering a diverse range of financial protection products and wealth management services. On June 30, 2004 the Company completed an initial public offering in Canada and was listed for trading on the TSX. In connection with this offering Canaccord raised approximately \$70 million. As of March 31, 2005 Canaccord's employees owned approximately 60 per cent of the Company.

Part I — Information on Canaccord

BUSINESS OF CANACCORD

1. Summary

Canaccord is a leading Canadian independent full service investment dealer. Canaccord has operations in each of the two principal segments of the securities industry in Canada, private client services and capital markets. Complementing its activities in Canada, Canaccord has an established presence in the European capital markets sector with an office in London. Supporting these activities are operations, technology, compliance and finance teams that comprise Canaccord's supporting infrastructure.

Canaccord 1,260 employees	
Private Client Services 660 employees <i>Investment Advice</i> <i>Brokerage Services</i> <i>Portfolio Managed Accounts</i> <i>Fee-Based Accounts</i> <i>Financial Planning Services</i> <i>Manulife Products</i> <ul style="list-style-type: none">• 25 retail offices in Canada• Revenue for fiscal 2005 of \$178 million• Assets under administration of \$10 billion	Global Capital Markets 280 employees <i>Investment Banking</i> <i>Institutional Sales and Trading</i> <i>International and Principal Trading</i> <i>Venture Capital</i> <i>Research</i> <i>Fixed Income Trading</i> <ul style="list-style-type: none">• Vancouver, Toronto, Calgary, Montreal, London and Barbados• Revenue for fiscal 2005 of \$240 million• Participated in over 400 equity offerings (over \$1.5 million) in fiscal 2005 with an aggregate deal value in excess of \$25 billion and over 180 venture capital transactions with an aggregate deal value in excess of \$369 million
Operations and Support Services 320 employees <i>Front and Back Office Information Technology and Systems</i> <i>Compliance, Legal and Risk Management</i> <i>Operations</i> <i>Finance</i> <i>Correspondent Brokerage Services</i>	

As a full service investment dealer, Canaccord offers its institutional, corporate and private clients a wide range of investment products, brokerage services, research and investment banking services. With majority employee ownership Canaccord is not owned by or affiliated with a bank or foreign dealer and therefore should have fewer of the institutional constraints and conflicts that can exist at larger non-independent financial institutions.

Canaccord has made a substantial investment in its operational infrastructure over the last decade which has enabled it to create and support:

- a widespread network of offices and investment advisers providing services and products to private or retail clients;
- an international capital markets group that meets the financing needs of a broad range of corporate clients; and
- an institutional sales and trading services together with international trading services and comprehensive research.

Part I — Information on Canaccord

Canaccord has also devoted substantial resources to building its international presence through its office in London. The London office is focused on providing service to Canaccord's European institutional and corporate clients within the European capital markets community. Canaccord's European capital markets capability combined with its capital markets strength in Canada gives Canaccord the ability to provide its clients with a distinctive array of international financing services and alternatives. This European presence is one of the key factors which differentiates Canaccord from its competitors in Canada and gives Canaccord a competitive advantage when developing corporate and investment banking relationships.

To support its investment advisers and professional staff, Canaccord has deployed real-time information technology systems throughout the organisation. Investment advisers have access to information, research and client service tools necessary to help them meet their clients' needs and to provide them with a high level of service including real-time information processing.

This technology platform has also enabled Canaccord to develop information processing systems for operational support, compliance and risk management.

Canaccord has leveraged its technological and operations support capabilities to develop a correspondent brokerage services business. In providing correspondent brokerage services to other brokerage firms Canaccord provides full back office functionality including account recordkeeping, transaction reporting, trade execution and information management.

Canaccord has 28 offices, including 26 throughout Canada of which 25 are retail offices. Canaccord's head office is located in Vancouver, B.C. Canaccord's other principal offices in Canada are located in Toronto, Montreal and Calgary. Canaccord's European and international operations are conducted through its office in London and its other international office located in Barbados.

2. Private Client Services

Canaccord's private clients are primarily individuals and high net worth accounts located in Canada, the U.S., Europe and internationally. Canaccord provides a broad range of financial services and investment products to its private clients, including both third party and proprietary products.

Private client services revenue is generated through traditional commission-based brokerage services, the sale of fee-based products and services and through fees earned by private client investment advisers in respect of corporate finance and venture capital transactions as follows:

- revenue generated through commissions from the sale of investment products and from providing brokerage and other financial services is based on an established commission schedule. Discounts from this schedule may be given, and adjustments may be made, based on a client's level of business, trade size, complexity and other relevant factors;
- Canaccord also offers various wealth management services using a fee-based structure instead of a traditional commission structure. As the number of people retiring or nearing retirement increases, the demand for various wealth management products and financial planning services increases. With these changing demographics more clients are choosing fee-based alternatives instead of traditional commission-based products and services; and
- many investment advisers work with small companies and entrepreneurs to provide venture capital through the public markets or on a private placement basis for various early stage business ventures including resource ventures at the exploration and development stage. Canaccord's capital markets private venture capital group works closely with these investment advisers to perform due diligence, structure transactions, arrange private placements and complete initial public offerings. Revenue attributable to private client services is generated through fees and commissions and through the exercise of share purchase warrants associated with these transactions.

Canaccord's private client services group has 25 offices in Canada located in British Columbia, Alberta, the Yukon Territory, Ontario, Quebec and Nova Scotia.

Part I — Information on Canaccord

Services and Products

The private client services group at Canaccord provides a variety of comprehensive brokerage services and wealth management products and services to clients to assist them in building their financial assets through maximising their returns within the context of their investment objectives and risk tolerance. Canaccord offers its clients various account structures including commission-based accounts, fee-based accounts, managed accounts and margin accounts.

Canaccord's private client services include, investment advice, brokerage services, research, portfolio managed accounts, fee-based accounts, retirement savings plans, financial planning services, insurance products, on-line account access and Manulife products.

Included in the wealth management services and products which Canaccord makes available to its private clients is a program known as the *Alliance* program. This program offers a series of accounts separately managed by portfolio managers chosen by the client from a select list. These accounts provide clients with individual ownership of securities rather than ownership of a pooled fund. Clients can choose from a selection of 32 different investment mandates offered by four independent investment managers and by internal Canaccord investment managers with a selection of accounts known as the *Independence Accounts*. Mandates available include cash management, balanced portfolios, Canadian equities, U.S. equities and global equities.

Assets Under Administration and Assets Under Management

Assets under administration¹ as of March 31, 2005 were approximately \$10 billion. Included in this amount are assets under management² which were approximately \$380 million as of March 31, 2005.

Investment Adviser Support Services

Canaccord has developed a communications and information system for its investment advisers. These sales, service and communications tools provide investment advisers with timely research information and reports, daily commentaries, market outlook commentary, investment ideas, news, recommendations, company updates, sector updates, portfolio strategy comments and technical analysis. An in-house TV station (known as GO TV) provides investment advisers with video webcasts of company presentations, interviews with analysts and market commentary. A daily morning market and company news call takes place prior to the opening of the markets in North America which is available for replay during the course of the day. In addition, daily market notes called the "*Morning Coffee*" are published prior to the opening.

These investment adviser support services are an important element of Canaccord's approach to providing its investment advisers with useful and time-sensitive tools enabling them to service their clients and meet their clients' needs. Supplementing this material are daily research publications including the *Daily Letter*, *Momentum Trends*, *Morning Metals Monitor* and various other research notes.

3. Global Capital Markets

Canaccord's global capital markets group operates as an integrated unit to provide comprehensive high quality service to its corporate and institutional clients through the provision of products and services in the following areas:

- Investment Banking
- Institutional Sales and Trading
- Venture Capital
- International and Principal Trading
- Research
- Fixed Income Trading

Canaccord's global capital markets group has professionals located in its principal offices in Vancouver, Toronto, Calgary, Montreal and London.

¹ Assets under administration is the market value of client assets administered by Canaccord in respect of 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. Assets under administration is not a recognised measure under Canadian generally accepted accounting principles. Canaccord's method of calculating assets under administration may differ from the methods used by other companies and accordingly the assets under administration used herein may not be comparable to measures used by other companies.

² Assets under management is the market value of client assets managed by Canaccord on a discretionary basis in respect of which Canaccord earns a management fee. Assets under management is not a recognised measure under Canadian generally accepted accounting principles. Canaccord's method of calculating assets under management may differ from the methods used by other companies and accordingly the assets under management used herein may not be comparable to measures used by other companies.

Part I — Information on Canaccord

Canada

As of March 31, 2005 Canaccord had over 200 employees working in capital markets in Canada. Revenue earned by the Canadian capital markets group totalled \$124 million for the fiscal year ended March 31, 2005.

Canaccord's Canadian syndication group coordinates the marketing, distribution, pricing and stabilisation of Canaccord's managed and co-managed equity financing transactions. The syndication group also coordinates Canaccord's syndicate participation and selling group activities in transactions managed by other investment banking firms.

Industry statistics for the year 2004 indicate that among the dealers operating in Canada, including bank and foreign owned dealers, Canaccord participated in more corporate equity investment banking transactions than any other dealer (minimum size \$1.5 million). These statistics indicated that Canaccord participated in 398 equity financing syndicates and that Canaccord was also the leading independent Canadian dealer with a total transaction value over \$3 billion under a bonus credit³ formula.

Europe

A key strength in Canaccord's global capital markets capability is its strong presence in Europe through its London office. In 1993 Canaccord acquired a 30 per cent interest in T. Hoare & Co. Limited ("T. Hoare"), a U.K. investment dealer based in London with an institutional client base and a focus primarily on companies in the international resource sector. T. Hoare's primary business was providing stockbroking, trading and research services to institutional clients. Canaccord's interest in T. Hoare was subsequently increased to 100 per cent in 1999 and T. Hoare was renamed Canaccord Capital (Europe) Limited.

Canaccord has deployed substantial management and financial resources to the development of its European operations and the enhancement of its capital markets capabilities in Europe. As part of this strategy Canaccord Europe obtained the necessary approvals in the U.K. to provide a full range of investment banking services including stockbroking, trading and research to corporate clients, act as a nominated adviser and broker for AIM companies and act as a sponsor and broker for companies on the Official List. AIM is a global market for smaller, growing companies which is owned, operated and regulated by the LSE. All companies listed on AIM must appoint a broker that must be a member of the LSE. An AIM company's nominated adviser, among other things, is responsible for confirming to the LSE that a company is appropriate for AIM. Nominated advisers continue as a company adviser after admission to AIM, assisting the company in disclosure and other matters. The appointed broker for companies on AIM or listed on the Official List acts as an interface between the company and investors in respect of market related matters.

Indicative of Canaccord's relative position and its opportunity in the U.K. is its status as the only Canadian dealer approved as a nominated adviser by the LSE and its position as one of the leading nominated advisers of new listings on AIM in 2003 and 2004. In addition, Canaccord is the only Canadian investment dealer that is approved to act as a sponsor for Official List companies.

As of March 31, 2005 Canaccord Europe had over 70 employees working in capital markets in Europe based in London. Revenue earned by the European capital markets group totaled \$116 million for the fiscal year ended March 31, 2005.

During the fiscal year ended March 31, 2005 Canaccord's European capital markets group led 46 equity financing transactions with an aggregate deal value of \$1.2 billion. Canaccord Europe is the appointed broker to 51 companies listed on AIM and six companies listed on the Official List. Canaccord Europe is also the nominated adviser to 47 companies listed on AIM and financial adviser to four companies listed on the Official List.

Investment Banking

Canaccord arranges, manages and participates in a broad range of public offerings and private placements principally in equity securities or convertible instruments of public companies or companies going public through an initial public offering. Canaccord participates in these transactions both as an underwriter where securities are purchased from the corporate issuer and re-sold to investors and as an agent where Canaccord acts as an agent on behalf of the corporate issuer to sell the securities to investors. Canaccord also provides advisory services in the areas of mergers, acquisitions, valuations and fairness opinions.

³ Under a bonus credit formula the aggregate deal value in respect of a transaction is allocated among syndicate participants by allocating an equal portion to each syndicate participant except the bookrunner (the lead dealer keeping the books on a transaction) which is allocated a portion double that of the other syndicate participants.

Part I — Information on Canaccord

Canaccord earns revenue from investment banking activity principally through underwriting fees, management fees and commissions. Fees and commissions can be received in the form of cash, stock or warrants or a combination thereof. Canaccord also earns revenue from providing services and advice in connection with mergers and acquisitions.

Venture Capital

Canaccord's venture capital group is an integral component of Canaccord's ability to serve its smaller corporate clients. By serving and meeting the needs of its corporate clients during the early formative stage of their development when financing requirements are usually small, Canaccord is able to establish relationships and continue to serve these clients as they mature and their financing requirements become much larger.

Canaccord's venture capital group works very closely with the investment advisers in the private client services area. One of Canaccord's key strengths is its large network of investment advisers and the relationships they have with entrepreneurs and principals of small businesses and emerging growth companies. These contacts and the business opportunities they present are then referred to the venture capital group for analysis and development. This interaction and communication between investment advisers and the venture capital group often leads to corporate finance activity by way of initial public offerings, private placements, or mergers and acquisitions.

Research

Canaccord's research department provides in-depth analyses of the economic environment, markets and individual securities to give clients a steady stream of new investment ideas and insights. Canaccord's research department has professionals based in Toronto, Vancouver, Calgary, Montreal and London providing objective and timely research coverage on companies in the areas of Metals and Mining, Energy, Health Sciences, Technology and Media and Diversified Industries.

Canaccord's research platform includes a full spectrum of analysis. A top down approach is applied to the analysis by first looking at the financial marketplace from a macro viewpoint, moving to industry sectors and then providing in-depth reviews of individual equity opportunities with recommendations.

Utilising this research platform, Canaccord seeks to:

- provide objective independent analyses of companies and their place within their industry sectors and in the global capital markets;
- identify under-valued investment opportunities; and
- communicate this information and these ideas to potential investors.

Canaccord has three research ratings: buy, sell and hold as well as a "speculative" risk qualifier for situations where the company bears significantly higher risk that typically cannot be valued by normal fundamental criteria and where an investment in the stock may result in a material loss.

Canaccord produces full length research reports, notes, earnings estimates and comments on the companies that it covers. In addition to detailed company reports and industry sector analyses, written research products include: *Daily Letter*, *Momentum Trends*, *Morning Metals Monitor*, *Precious Metals Weekly*, *Base Metals Outlook*, *Weekly Mining Charts*, *Weekly Energy Outlook*, *Junior Mining Weekly*, *Junior Diversified Weekly*, *Income Trust Review*, *Market Overview*, and *Portfolio Strategy*.

Institutional Sales and Trading

Canaccord's institutional sales and trading operation has offices in Vancouver, Toronto, Calgary, Montreal and London, providing services to most of the major financial institutions in Canada and several money managers in the United States and Europe. This institutional team provides consistent and timely market information, advice and trade execution to these institutional accounts. The institutional sales professionals work closely with Canaccord's research analysts and trading desk as part of their service platform in order to maintain regular contact with the portfolio managers, industry specialists and analysts of each institutional client.

Revenue is generated through commissions from acting as agent for the purchase and sale of securities on behalf of institutional clients. This trading is usually performed on an agency basis but Canaccord may also, to a limited extent, use its own capital to buy and sell security positions for its own account as a means to

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facilitate the execution of trades on behalf of institutional clients if an offsetting purchaser or seller is not immediately available. Any losses realised as a result of this principal trading are considered a cost associated with earning and generating commission revenue.

Canaccord is increasing its focus on developing relationships with U.S. institutional accounts and serving their research and trading needs in respect of Canadian and European securities.

International and Principal Trading

Canaccord has an extensive international trading operation that deals principally with U.S. brokerage firms executing orders on their behalf in Canadian listed equities and trading in U.S. equities on behalf of Canadian clients.

Canaccord also has registered traders that trade on behalf of Canaccord in its principal and inventory accounts by taking positions, trading and making markets in equity securities including securities of companies with small to medium sized market capitalisations. Revenue is generated through inventory trading gains offset by any trading losses incurred.

Fixed Income Trading

Canaccord's fixed income department has operations in Montreal, Toronto and Vancouver. Canaccord trades on a principal basis in various fixed income instruments comprised mainly of Canadian and U.S. government bonds and treasury bills, provincial bonds, securities of federal and provincial government agencies and crown corporations and corporate debt. Inventories of fixed income securities are generally carried to facilitate sales to clients. Canaccord also participates in the auction of, and participates as an underwriter or as a selling group member in the distribution of, various government and corporate fixed income securities.

4. Operations and Support Services

Canaccord's operations and support services are responsible for front and back office information technology systems, compliance, legal and risk management, operations, finance and all administrative functions. The operations function includes all activity in connection with processing securities transactions including trade execution, settlement of securities transactions and custody of client securities. The finance function includes all activity related to internal financial accounting and controls, client credit and accounting, compliance with certain legal and financial regulatory requirements and external financial and regulatory reporting.

Canaccord also provides recordkeeping, trading and other administrative support services to other brokerage firms through its correspondent brokerage services business unit.

Information Technology

Canaccord's front office information technology systems include applications for providing and enhancing client service and increasing the effectiveness and information access capabilities of Canaccord's investment advisers and capital market professionals. Canaccord's back office information technology systems include applications in respect of information and transaction processing, control systems and management information reporting. All information technology systems are supported by an overall network architecture comprised of hardware, software and key relationships with strategic service providers.

Canaccord is committed to providing its investment advisers, professionals and management with the information processing capability and real-time solutions required for maintaining Canaccord's superior level of client service. Canaccord is also committed to ensuring that its technology platform continues to provide the resources necessary for meeting the increasing service level and information access and processing requirements critical for Canaccord's future growth and business development. To accomplish these objectives Canaccord's strategy is to invest in the best cost effective technology available as developed by industry leading service providers and utilise strategic relationships to bring the latest in hardware, software and business process solutions to Canaccord.

Risk Management

Canaccord has adopted a disciplined approach to risk management and has developed specific administrative and business policies, procedures and reports to assist in the management and control of risk. An essential component of Canaccord's ability to manage its risk is the significant industry experience and breadth of knowledge of Canaccord's senior managers in all aspects of its business including compliance, operations and finance.

Canaccord's risk management and compliance activities include procedures to identify, control, measure and monitor Canaccord's risk exposure at all times. These principal risk areas relate to market risk, credit risk, operational risk and regulatory and legal risk.

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Market risk is the risk that a change in market prices, foreign exchange rates, interest rate levels, indices, liquidity and other market factors will result in losses. Each business area is responsible for ensuring that market risk exposures are prudent. In addition, Canaccord has established procedures to help ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

The primary source of credit risk to Canaccord is in connection with trading activity by clients in the private client services area and private client margin accounts. To minimise financial exposure in this area Canaccord applies certain credit standards and conducts financial reviews with respect to clients and new accounts.

Operational risk refers to the risk of financial loss resulting from Canaccord's own operations including, but not limited to, improper or unauthorised execution and processing of transactions, deficiencies in Canaccord's operating systems and inadequacies or breaches in Canaccord's control procedures. To mitigate this risk Canaccord has developed a system of internal controls and checks and balances at appropriate levels which include overnight trade reconciliation, control procedures related to clearing and settlement, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures and authorisation and processing controls in respect of transactions and accounts. Canaccord also has disaster recovery procedures in place, business continuity plans and duplicate systems in the event of a systems or technological failure. Canaccord also utilises third party service agreements and security audits where appropriate.

Regulatory and legal risk includes the risk of non-compliance with applicable legal and regulatory requirements. Canaccord is subject to extensive regulation and oversight in the jurisdictions in which it operates. These regulations are established through government regulation by a variety of government agencies and through industry regulation by a variety of self-regulatory bodies. Canaccord has established procedures to help ensure compliance with all applicable statutory and regulatory requirements in each jurisdiction. These procedures address issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of client funds, credit granting, collection activity, money-laundering and recordkeeping.

Correspondent Brokerage Services

Canaccord operates a correspondent brokerage services business under the name of *Pinnacle Correspondent Services* ("Pinnacle"). Pinnacle provides secure and confidential fully integrated administrative, trading and research services to other brokerage firms. The Pinnacle business unit was developed as an extension and application of Canaccord's substantial investment in its information technology and operating infrastructure. Pinnacle provides its customers with the following services and products:

- *real-time transaction and information processing* — an account management system providing account data, maintenance, history, reconciliation and portfolio reporting;
- *trading services* — quotation services, trade reconciliation and an on-line real-time order management system for trade execution, order book management and trade reporting;
- *research* — access to Canaccord's research market reports;
- *fixed income* — trade execution for new issues, government and corporate bonds, treasury bills, commercial paper, strip bonds, high yield debt and convertible debentures; and
- *account products* — access to Canaccord's account products including managed accounts, fee-based accounts and retirement savings accounts.

5. Competition

There are a number of competitors in Canada competing for private clients. These competitors are providers of financial services such as investment dealers, on-line brokerage firms, banks, insurance companies and other financial institutions and organisations. Many of these firms are larger, better capitalised and offer a greater range of products and services than Canaccord. Canaccord competes on the basis of quality of service, price, product selection, expertise, innovation and reputation.

In the global capital markets area Canaccord competes with other securities firms, both domestic and foreign, many of which have substantially more capital and resources than Canaccord and offer a wider range of financial services and capabilities. Canaccord competes on the basis of the calibre and abilities of its professional personnel, the relative prices of the services and products it offers, regulatory capital available to support financing and trading transactions, institutional relationships, ability to assist with financing arrangements and quality of service.

There is also competition for investment advisers and other securities industry professionals. Canaccord competes with other financial institutions for advisers, investment bankers, trading professionals and other specialised personnel on the basis of the services and products it provides, its management, its motivational style, its entrepreneurial culture and its ownership and compensation structure.

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DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The Directors are as follows (see also paragraph 4 in Part IV):

Peter Brown, O.B.C., LL.D., 63, is the Chairman of the Board, Chief Executive Officer and an executive director of the Company. Mr. Brown entered the securities industry in 1962 with Greenshields Incorporated. In 1968 he joined Hemsworth, Turton & Co. Ltd., which subsequently became known as Canaccord. Since 1968, Mr. Brown has been an active participant in the public venture capital markets and in the trading and financing of small and medium sized companies in the mining, oil and gas and industrial sectors. Mr. Brown is a past Chairman of the University of British Columbia, the Vancouver Stock Exchange, B.C. Place Corporation and B.C. Enterprise Corporation. He was also the Vice-Chairman of Expo '86 Corporation. He is currently on the Board of Trustees of the Fraser Institute, a Canadian economic, social research and education organisation. In 2005, Mr. Brown received an honorary Doctor of Laws from the University of British Columbia.

Michael Greenwood, 48, is the President, Chief Operating Officer and an executive director of the Company. Mr. Greenwood joined Canaccord in 1994. Mr. Greenwood has held senior investment banking positions with a number of national investment dealers. Mr. Greenwood is a member of the Board of the Canadian Investor Protection Fund and was a member of the Board of the Investment Dealers Association.

William Eeuwes, 51, is a non-executive director of the Company. Mr. Eeuwes is Vice-President of Manulife Capital, the merchant banking arm of The Manufacturers Life Insurance Company. Mr. Eeuwes has more than 25 years of experience in underwriting and the management of a broad range of asset classes, including private equity, mezzanine loans, structured and project finance and corporate loans. Mr. Eeuwes is a director of several Canadian companies. He is a Fellow of the Institute of Canadian Bankers.

Michael Harris, 60, is a non-executive director of the Company. Mr. Harris is a senior business adviser with Goodmans LLP in Toronto. He was Premier of the Province of Ontario from 1995 to 2002. In addition to sitting on the boards of several Canadian corporations, he also serves as a director of the Tim Horton Children's Foundation and sits on the board of Vince Carter's Embassy of Hope Foundation for Children. Mr. Harris is also a Senior Fellow of the Fraser Institute.

Brian Harwood, 73, is a non-executive director of the Company. Mr. Harwood joined Hemsworth, Turton & Co. Ltd., which subsequently became known as Canaccord, in 1970 and remained with Canaccord until his retirement in 1994. Prior to joining Hemsworth, Turton & Co Ltd., Mr. Harwood held various positions with Bank of Montreal from 1953 to 1970. During his career at Canaccord he was principally involved with operations, finance and administration and from 1987 to 1994 he was President and Chief Operating Officer of Canaccord. He is a director and former Vice-Chairman of Canaccord Capital Corporation.

Terrence Lyons, 55, is a non-executive director of the Company. Mr. Lyons is the Chairman of Northgate Minerals Corporation and he is a director of B.C. Pacific Capital Corporation and Diamonds North Resources Ltd. In 1986, he became Senior Vice-President of Versatile Corporation and presided over the restructuring of the corporation which is now known as B.C. Pacific Capital Corporation, a senior merchant and investment banking company which is part of Brascan Financial Corporation.

James Pattison, O.C., O.B.C., 76, is a non-executive director of the Company. Mr. Pattison is the Chairman, Chief Executive Officer and sole owner of The Jim Pattison Group. The Jim Pattison Group has more than 27,000 employees, annual sales of \$5.7 billion and total assets over \$3.3 billion. With investments in Canada, the U.S., Mexico, Europe, Asia and Australia, The Jim Pattison Group is involved in a wide variety of industries including food services, packaging, distribution, manufacturing, communications, entertainment, transportation and export services. Mr. Pattison has served as a director on a number of boards, and serves as a trustee on the board of the Ronald Reagan Presidential Foundation. Mr. Pattison was also the President and Chairman of Expo '86 Corporation.

John Zaozirny, Q.C., 57, is a non-executive director of the Company. Mr. Zaozirny joined Canaccord in 1996 as Vice-Chairman and a director of Canaccord Capital Corporation, the Company's principal operating subsidiary in Canada, and is currently a member of Canaccord's global capital markets group. Currently he also serves as counsel to McCarthy Tétrault LLP. Mr. Zaozirny served in the Alberta Legislature as minister of energy from 1982 to 1986. In 1984, he was named Queen's Counsel for the Province of Alberta.

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In addition to Peter Brown and Michael Greenwood, the only other executive officer of the Company is Dennis Burdett who is the Executive Vice-President, Chief Financial Officer and Corporate Secretary of the Company and Canaccord Capital Corporation.

Dennis Burdett, 60, is responsible for overseeing Canaccord's financial activities, administration and operations. Mr. Burdett is a past chairman of the Canadian Venture Exchange and he was a member of its Board of Directors and Executive Committee as well as various advisory committees. Mr. Burdett is a past member of the Vancouver Stock Exchange Board of Governors and its executive committee, executive disciplinary committee and strategic planning committee.

Together with the Directors named above, the following individuals have also been nominated for election to the Company's Board of Directors at the Company's annual general meeting to be held on August 5, 2005:

Timothy Hoare, 55, is the Chairman and Chief Executive Officer of Canaccord Europe. Mr. Hoare began his career in the securities industry in 1975, when he joined Laing & Cruikshank, a London based investment dealer. In 1988 that firm was acquired by Crédit Lyonnais and Mr. Hoare became a director of Crédit Lyonnais Laing International in 1990. In 1993 Mr. Hoare established T. Hoare & Co. Limited, an investment dealer based in London which focused on research and institutional accounts and specialised in financing companies in the international resource sector. Canaccord acquired a minority interest in T. Hoare & Co. Limited in 1993 and through a series of corporate reorganisations it became a wholly-owned subsidiary of Canaccord in 1999 and now operates as Canaccord Europe.

Paul Reynolds, 42, is the President and Chief Operating Officer of Canaccord Europe. Mr. Reynolds began his career in the securities industry as a trader on the floor of the Vancouver Stock Exchange. Mr. Reynolds joined Canaccord in 1985 as an investment adviser and specialised in financing emerging companies in the resource and technology sectors, focussing on institutional clients, principally in Europe. In 1999, he moved to London to become the President of Canaccord Europe.

Arpad Busson, 42, is the chairman of the board of directors of the EIM Group, one of the largest fund of funds companies in the world with over 150 employees and over \$10 billion of assets under management. In 1981, Mr. Busson helped form the Moore Group and the Tudor Group (two of the largest fund management groups in the world) and, in 1991, he founded the EIM Group. Mr. Busson is also a founding member of the Alternative Investment Management Association (AIMA). Mr. Busson has served on different panels as a financial industry expert to French, Swiss, German and U.S. regulatory bodies in connection with the impact of the hedge fund industry on financial markets. Mr. Busson is also the founding trustee of ARK (Absolute Return for Kids) and continues as the chairman of its board of directors.

TAXATION

Please refer to paragraph 9 of Part IV of this document.

CORPORATE GOVERNANCE

The Directors of the Company are elected by the shareholders at each annual general meeting and serve until the next annual general meeting or until they resign or their successors are duly elected or appointed. The officers of the Company and its subsidiaries are appointed by their respective boards of directors.

The Combined Code of Corporate Governance (the "Combined Code") applies only to companies on the Official List and not to companies admitted to AIM. The Company, however, complies with Canadian corporate governance requirements and best practices and, accordingly, has appointed an Audit Committee and a Corporate Governance and Compensation Committee.

Audit Committee

The Audit Committee assists the board of directors in fulfilling its oversight responsibilities by monitoring Canaccord's financial reporting practices and financial disclosures. Specific responsibilities and duties of the Audit Committee include: reviewing Canaccord's annual and interim consolidated financial statements, annual and interim management's discussion and analyses and press releases relating thereto prior to dissemination to the public; assessing Canaccord's accounting policies including discussing the appropriateness of such policies with management and Canaccord's external auditors; assisting management to identify Canaccord's principal business risks; reviewing the external auditor's plans for evaluating and testing Canaccord's internal financial controls; and overseeing Canaccord's external auditors including approving

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the external auditor's terms of engagement. Members of the Audit Committee are appointed annually by the board of directors. The members of the Audit Committee are Terrence Lyons (Chairman), William Eeuwes and Brian Harwood.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee's mandate includes the development and recommendation to the board of directors of appropriate corporate governance guidelines; the identification of future board and committee members and the annual review of the board's performance; evaluating the Chief Executive Officer's performance and determining his compensation; reviewing and making recommendations to the board of directors with respect to the compensation of all executive officers; fixing and determining (or delegating the authority to fix and determine) awards to employees of stock or stock options under Canaccord's incentive plans; and reviewing key human resources policies and programmes. This committee must be comprised of at least three members, each of whom is appointed annually by the board of directors. The members of the Corporate Governance and Compensation Committee are Michael Harris (Chairman), William Eeuwes and Terrence Lyons.

CITY CODE ON TAKEOVERS AND MERGERS

The Company is incorporated in British Columbia and is managed and controlled outside the U.K. For those reasons the City Code on Takeovers and Mergers (the "City Code") does not apply to the Company. It is emphasised that, although the Common Shares will be traded on AIM, the Company will not be subject to takeover regulation in the U.K. It follows that Shareholders are not entitled to the protection afforded by the City Code.

However, securities legislation in Canada generally provides that if any party, alone or together with others, offers to acquire Common Shares which, when added to Common Shares already owned by the offeror(s), constitutes in the aggregate 20 per cent or more of the outstanding Common Shares, that party will be deemed to have made a "takeover bid" and will be required to comply with the provisions of applicable Canadian securities laws. Nonetheless, it should be noted that there are a number of exemptions to the application of the provisions of the applicable Canadian securities laws concerning takeover bids, and the requirement to make a takeover bid to all other holders of the Commons Shares will only apply if no such exemption is available.

REASONS FOR ADMISSION

The Directors believe that the Company has reached a stage in its development where it is appropriate to seek admission of its share capital to AIM, a market where the shares of a number of its clients are quoted. Admission to AIM will also provide the Company with an increased profile with European institutional investors.

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FINANCIAL INFORMATION

Certain financial information in respect of Canaccord's operating results for the last three completed fiscal years is set out in the table below. This information is extracted from the audited accounts for the Company set out in Part III of this document.

	Years Ended March 31,		
	2005	2004	2003
	(in thousands of Canadian dollars)		
Revenue			
Private client services	178,176	175,983	97,784
Global capital markets	239,654	211,758	91,629
Other	<u>14,948</u>	<u>14,416</u>	<u>9,793</u>
	432,778	402,157	199,206
Expense	<u>360,022</u>	<u>339,600</u>	<u>204,744</u>
Income (loss) before income taxes	72,756	62,557	(5,538)
Income taxes	<u>24,177</u>	<u>22,128</u>	<u>(485)</u>
Net income (loss)	<u><u>48,579</u></u>	<u><u>40,429</u></u>	<u><u>(5,053)</u></u>

The table presented below sets out the operating results for each fiscal quarter in the last two completed fiscal years.

for the three month period ended:	Quarterly results for the fiscal year ended March 31, 2005				Quarterly results for the fiscal year ended March 31, 2004			
	Q4 March 31, 2005	Q3 December 31, 2004	Q2 September 30, 2004	Q1 June 30, 2004	Q4 March 31, 2004	Q3 December 31, 2003	Q2 September 30, 2003	Q1 June 30, 2003
	(in thousands of Canadian dollars)				(in thousands of Canadian dollars)			
Revenue								
Private client services	56,391	46,964	36,499	38,322	60,667	48,540	39,144	27,632
Global capital markets	81,444	72,368	46,671	39,171	85,425	66,515	39,001	20,817
Other	<u>5,094</u>	<u>4,351</u>	<u>2,431</u>	<u>3,072</u>	<u>4,595</u>	<u>3,584</u>	<u>3,258</u>	<u>2,979</u>
	142,929	123,683	85,601	80,565	150,687	118,639	81,403	51,428
Expenses	<u>117,502</u>	<u>99,094</u>	<u>75,332</u>	<u>68,094</u>	<u>119,477</u>	<u>100,609</u>	<u>67,652</u>	<u>51,862</u>
Income (loss) before income taxes	25,427	24,589	10,269	12,471	31,210	18,030	13,751	(434)
Income taxes	<u>8,120</u>	<u>7,846</u>	<u>4,146</u>	<u>4,065</u>	<u>10,218</u>	<u>6,763</u>	<u>5,150</u>	<u>(3)</u>
Net income (loss)	<u><u>17,307</u></u>	<u><u>16,743</u></u>	<u><u>6,123</u></u>	<u><u>8,406</u></u>	<u><u>20,992</u></u>	<u><u>11,267</u></u>	<u><u>8,601</u></u>	<u><u>(431)</u></u>

CURRENT TRADING AND PROSPECTS

Canaccord's business is cyclical and thus experiences considerable variations in revenue and income from quarter to quarter and year to year due to economic conditions, competition and various market factors as listed below. These conditions and factors are beyond Canaccord's control and, accordingly, revenue and net income will fluctuate. Canaccord also experiences some seasonality in its operating results. Historically, revenue in Canaccord's third and fourth fiscal quarters typically exceeds revenue in the first and second fiscal quarters.

Even though recent economic conditions have been generally favourable, there continues to be latent uncertainty with respect to the outlook for stock market performance arising from geopolitical concerns, commodity prices, liquidity, regulation, economic uncertainty and upward pressure on interest rates.

Canaccord believes that investors will continue to seek professional advice and services in this environment and that as a full service investment dealer with a diversified service platform and product mix it is well positioned to service the needs of its clients, attract new clients and continue its strategy of growth. Canaccord's global capital markets activity is spread among a number of different industries and sectors, deal sizes and geographic areas with coverage between North America and Europe.

Although Canaccord believes that demand for its products and services will continue, and in particular that its target market sectors in Europe are growing and currently under-served and, as such, represent significant

Part I — Information on Canaccord

potential for future growth, there can be no assurance that the level of revenue, including U.K. and European investment banking revenue, realised in fiscal 2005 will be achieved in fiscal 2006 or subsequent years. See “Risk Factors”.

DIVIDEND POLICY

In respect of fiscal 2006 the Company intends to pay dividends on the outstanding Common Shares equal to \$0.06 per share per quarter. 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. Such determination will depend on general business conditions and the Company's financial condition, results of operations and capital requirements and such other factors as the board determines to be relevant.

SHARE DEALING

The Company has a share dealing code for the Directors and employees of Canaccord which complies with the AIM Rules. The Company will take all reasonable steps to ensure compliance by its Directors and relevant employees.

CREST

Arrangements have been made for the Common Shares to be settled in the U.K. through CREST in CDI form (Crest Depository Interest). CREST is a voluntary system and holders of Common Shares who wish to receive and retain share certificates will be able to do so.

ESCROWED SECURITIES

In connection with the Company's initial public offering in June 2004 certain escrow restrictions were placed on all Common Shares issued before the closing of that offering and not sold pursuant to the secondary offering. Attention is drawn to paragraph 5 in Part IV for additional information in respect of this initial public offering and secondary offering. In respect of any Common Shares held by any shareholder (other than Manulife) who held 50,000 or more Common Shares before the closing of the initial public offering, the Common Shares not sold in the secondary offering were placed in escrow to be released (subject to earlier release in limited circumstances with the consent of the Directors) as to 25 per cent on June 30 of each year with the first such release to occur on June 30, 2005. Common Shares held by any shareholder who held less than 50,000 Common Shares before the closing of the initial public offering and the Common Shares held by Manulife were placed into escrow at the time of the initial public offering and were released from escrow on December 27, 2004.

Accordingly, as of the date of this document there are 25,654,788 Common Shares held in escrow with the Company's registrar.

Part II — Risk Factors

An investment in the Common Shares involves a number of risks, some of which, including market, liquidity, credit, operational, legal and regulatory risks, could be substantial and are inherent in the Company's business and which include, but are not necessarily limited to, those set out below. Prospective investors should carefully consider the following information about these risks, together with the other information in this document, before buying Common Shares. It should be noted that this list is not exhaustive, but contains those risks that the Directors consider to be of particular relevance. Other risk factors may apply.

Risks Associated with the Financial Services Business Generally

The financial services business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets and in markets influenced by sustained periods of low or negative economic growth, including the risk of losses resulting from the underwriting or ownership of securities, trading, counterparty failure to meet commitments, customer fraud, employee errors, misconduct and fraud (including unauthorised transactions by traders), failures in connection with the processing of securities transactions, the risk of litigation, the risk of reduced revenue in periods of reduced demand for public offerings or reduced activity in the secondary markets and the risk of reduced spreads on the trading of securities.

Financial scandals in recent years, including insider trading, accounting practices and misrepresentations to shareholders and the public by corporate issuers and improper practices by financial institutions have affected the ability and willingness of participants to engage in capital markets transactions and to trade in securities. These scandals and any scandals in the future may have an adverse effect on Canaccord's business and operating results despite its non-involvement in any such scandals.

Risks of Reduced Revenues Due to Economic, Political and Market Conditions

Reductions in the number and size of public offerings and mergers and acquisitions and reduced securities trading activities, due to changes in economic, political or market conditions could cause Canaccord's revenues from private client services and capital markets activities to decline materially. The amount and profitability of these activities are affected by many national and international factors, including economic, political and market conditions; level and volatility of interest rates; legislative and regulatory changes; exposure to fluctuations in currency values; inflation; inflows and outflows of funds into and out of mutual and pension funds; and availability of short-term and long-term funding and capital.

The financial scandals referred to above, particularly in the United States, have led to insecurity and uncertainty in the financial markets and contributed to declines in capital markets during 2002. In response to these scandals, securities regulators have made rules or rule proposals contemplating significant changes to corporate governance and public disclosure. To the extent that private companies, in order to avoid becoming subject to these new requirements, decide to forego initial public offerings, Canaccord's equity underwriting business may be adversely affected. In addition, new corporate governance rules and proposals, coupled with economic uncertainty, have diverted many companies' attention away from capital market transactions, including corporate finance activities. It is unclear how long this uncertainty and diversion will last, but so long as it does, it may have a negative impact on Canaccord's business.

Risk of Changes in Foreign Currency Exchange Rates

The Company's results are reported in Canadian dollars. A portion of the Company's business is conducted and denominated in pounds sterling and in U.S. dollars. Any fluctuations in the value of the pound sterling and in the U.S. dollar relative to the Canadian dollar may result in variations in the revenue and net income of the Company expressed in Canadian dollars. Although Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies such procedures may not be adequate and any changes in currency values may have a material affect on the Company's business, results of operations and financial condition.

Risks of Reduced Revenues Due to Declining Market Volume, Prices or Liquidity

Canaccord's revenue may decrease in the event of a decline in market volume, prices or liquidity. Declines in the volume of securities transactions and in market liquidity generally result in lower revenue from trading activities and commissions. Lower price levels of securities may also result in a reduced volume of underwriting transactions and could cause a reduction in revenue from corporate finance activities as well

Part II — Risk Factors

as losses from declines in the market value of securities held in trading, investment and underwriting positions, reduced private client fees and withdrawals of funds under management. Sudden sharp declines in market values of securities can result in illiquid markets and the failure of issuers and counterparties to perform their obligations as well as increases in claims and litigation. In such markets, Canaccord may incur reduced revenue or losses in its principal trading and market-making activities.

Risks of Reduced Revenues During Periods of Declining Prices or Reduced Activity in Targeted Industries or Geographic Markets

Canaccord's revenues are likely to be lower during periods of declining prices or inactivity in the market for securities of companies in the sectors on which Canaccord is focused. Canaccord's business is particularly dependent on the market for equity offerings by companies in the mining and metals, energy, technology, media, health sciences and diversified industries sectors. These markets have historically experienced significant volatility not only in the number and size of equity offerings, but also in the after-market trading volume and prices of newly issued securities.

The growth in Canaccord's revenues is attributable in large part to the significantly increased number and size of underwritten transactions by companies in Canaccord's targeted industries and by the related increase in aftermarket trading for such companies. Underwriting activities in Canaccord's targeted industries can decline for a number of reasons including during periods of market uncertainty occasioned by concerns over inflation, rising interest rates and related issues. Underwriting and brokerage activity can also be materially adversely affected for a company or industry segment by disappointments in quarterly performance relative to an analyst's expectations or by changes in long-term prospects.

Canaccord's revenue increased by more than 100 per cent from the fiscal 2003 year to the fiscal 2004 year including more than a three-fold increase in investment banking revenue from Canaccord's U.K. and European operations. There can be no assurance that this revenue level can be sustained.

Risks of Underwriting Activities

Participation in underwritings involves both financial and regulatory risks. Canaccord may incur losses if it is unable to resell the securities it is committed to purchase or if it is forced to liquidate its commitment at less than the agreed purchase price. In addition, Canaccord may retain significant position concentrations in individual securities. Increased competition has eroded and is expected to continue to erode underwriting spreads. Canaccord may also be subject to substantial liability for material misstatements or omissions in prospectuses and other communications with respect to underwritten offerings, and may be exposed to claims and litigation arising from such offerings.

Dependence on Ability to Retain and Recruit Personnel

Canaccord's business is dependent on the highly skilled, and often highly specialised, individuals that Canaccord employs. The establishment and maintenance of relationships with clients and potential clients depends in part upon individual employees. Retention of investment advisers, investment banking, research, sales and trading professionals and management and administrative personnel is particularly important to Canaccord.

From time to time, other companies in the securities industry have experienced losses of investment advisers, investment banking, research and sales and trading professionals. The level of competition for key personnel has increased recently, particularly due to the market entry efforts of new retail brokerage operations, certain non-brokerage financial services companies and other investment banks targeting or increasing their efforts in some of the same businesses that Canaccord operates. While Canaccord has historically experienced little turnover in professional employees, there can be no assurance that losses of key personnel due to such competition or otherwise will not occur in the future. The loss of an investment adviser, investment banking, research or sales and trading professional, particularly any member of the senior management or other senior professional with a broad range of contacts in an industry, could materially and adversely affect Canaccord's operating results.

Canaccord expects further growth in the number of its personnel. Competition for employees with the desired qualifications is intense, especially with respect to investment banking and research professionals with expertise in industries in which corporate finance or advisory activity is robust. Competition for the recruiting and retention of employees has recently increased compensation costs, and Canaccord expects

Part II — Risk Factors

that continuing competition will cause compensation costs to continue to increase. There can be no assurance that Canaccord will be able to recruit a sufficient number of new employees with the desired qualifications, in a timely manner and on financial terms that are acceptable to Canaccord. The failure to recruit new employees could materially and adversely affect future operating results.

Canaccord generally, except with its investment advisers, does not have employment agreements with employees. Canaccord attempts to retain employees with performance-based incentives and a positive business environment. These incentives, however, may be insufficient in light of the increasing competition for experienced professionals in the securities industry, particularly if the value of the Company's Common Shares declines or fails to appreciate sufficiently to be a competitive source of a portion of professional compensation.

Litigation and Potential Securities Laws Liability

Many aspects of Canaccord's business involve substantial risks of liability. An underwriter is exposed to substantial liability under securities laws, other laws and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by its securities analysts or other personnel. In recent years, there has been an increasing incidence of litigation involving the securities industry, including class actions that seek substantial damages. Canaccord is also subject to the risk of litigation, including litigation that may be without merit. As Canaccord intends to actively defend such litigation, significant legal expenses could be incurred. Adverse resolution of any future lawsuits against Canaccord could materially affect its operating results and financial condition.

Courts and regulatory authorities are imposing higher standards of care on the provision of services to clients by investment dealers, their employees and their agents. As Canaccord's business involves offering more products in the areas of wealth management and portfolio management, more clients are delegating discretion and authority over their financial assets and affairs to Canaccord and its employees and agents. Not only are more clients utilising such discretionary accounts but the dollar level of funds invested in such accounts is also increasing. Canaccord's business may be materially adversely affected if Canaccord and/or its employees or agents are found to have not met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

The legal risks facing Canaccord also include potential liability under securities laws or through civil litigation in the event that Canaccord's investment advisers or employees violate investor suitability requirements, make materially false or misleading statements in relation to securities transactions, commit fraud, misuse client funds or breach any other statute or regulatory rule or requirement.

By the very nature of Canaccord's business, it is expected that from time to time Canaccord will be subject to complaints or claims by clients in the normal course of business. There is no certainty that such claims or complaints will not be material and that any settlements, awards or legal expenses associated with defending or appealing against any decisions in respect of any such complaints or claims will not have a material adverse effect on Canaccord's operating results or financial condition.

Dependence Upon Availability of Capital

Canaccord's business is dependent upon the availability of adequate funding and regulatory capital under applicable regulatory requirements. Underwriting commitments require a charge against capital and, accordingly, Canaccord's ability to make underwriting commitments may be limited by the requirement that it must at all times be in compliance with applicable net capital regulations. Other capital markets activity and private client services activity also require charges against capital for regulatory purposes. Although Canaccord expects to have sufficient capital to satisfy all of its capital requirements, there can be no assurance that any, or sufficient, funding or regulatory capital will continue to be available to Canaccord in the future on terms that are acceptable to Canaccord.

Credit Risk and Exposure to Losses

Canaccord is exposed to the risk that third parties that owe Canaccord money, securities or other assets will not perform their obligations. These parties include trading counterparties, clients, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities are held by Canaccord. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

Part II — Risk Factors

Canaccord provides financing to private clients by way of margin lending. In a margin-based transaction, Canaccord extends credit for a portion of the market value of a securities transaction in a client's account up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity, Canaccord faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if Canaccord is unable to sell the securities held as collateral at a price which will cover the amount of the outstanding loan.

Although Canaccord regularly reviews credit exposure to specific clients, counterparties, industries, countries and regions that it believes may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. Canaccord may also fail to receive full information with respect to the trading risks of a counterparty.

Significant Fluctuations in Quarterly Results

Canaccord has experienced losses in two of the last five fiscal years. Canaccord's revenue and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including the number of underwriting transactions completed, the level of institutional and retail brokerage transactions, variations in expenditures for personnel, litigation expenses and expenses of establishing new business units. Canaccord's revenue from an underwriting transaction is recorded only when the underwritten security commences trading. Accordingly, the timing of recognition of revenue from a significant transaction can materially affect quarterly operating results. Canaccord's cost structure currently is oriented to meet the current level of demand for investment banking transactions. As a result, despite the variability of incentive compensation, Canaccord could experience losses if demand for these transactions declines more quickly than its ability to change the cost structure. Due to the foregoing and other factors, there can be no assurance that Canaccord will be able to sustain profitability on a quarterly or annual basis.

Significant Competition

Canaccord is engaged in the highly competitive securities brokerage and financial services business. Canaccord competes directly with large Canadian, U.S. and U.K. securities firms, securities subsidiaries of major chartered banks, major regional firms and smaller niche players. Many other companies have more personnel and greater financial resources than Canaccord does. These competitors compete directly with Canaccord for private clients, investment banking clients, investment advisers, professional staff and other industry personnel. Larger competitors are able to advertise their products and services on a regional or national basis and may have a greater number and variety of distribution outlets for their products, including retail distribution. Discount brokerage firms market their services through aggressive pricing and promotional efforts. In addition, some competitors have a much longer history of investment banking activities than Canaccord and, therefore, may possess a relative advantage with regard to access to deal flow and capital. This competition could have a material adverse effect on Canaccord's operating results as well as Canaccord's ability to attract and retain highly skilled individuals. There can be no assurance that Canaccord will be able to compete effectively. Canaccord believes that some of the most significant opportunities for growth will arise outside Canada. In order to take advantage of these opportunities, Canaccord will have to compete successfully with financial institutions based in international markets, particularly in the United Kingdom. Certain of these institutions are larger, better capitalised and have a stronger local presence and a longer operating history in these markets.

Regulation

The financial services business is subject to extensive regulation in Canada, the U.S., the U.K. 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. In the event of non-compliance with an applicable regulation, securities regulators, the IDA and other authorities may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension, loss of status as a nominated adviser, suspension or disqualification of the investment dealer's officers or employees or other adverse consequences. The imposition of any such penalties or orders on Canaccord could have a material adverse effect on its operating results and financial condition.

The regulatory environment in which Canaccord operates is subject to change. Currently, investment dealers are the subject of increased regulatory scrutiny that has led, for example, to increased sensitivity to the

Part II — Risk Factors

interaction between research analysts and investment banking departments of investment dealers. As a consequence, regulators have changed or proposed to change requirements with respect to research matters. Canaccord may be adversely affected as a result of new or revised legislation, regulations or policies imposed by the securities legislation of Canada, the U.K. and the U.S..

The current environment of increased scrutiny may reasonably be expected to lead to increasingly stringent interpretation and enforcement of existing laws and rules. Canaccord may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by securities regulatory authorities in Canada, the U.K. and the U.S..

Additional regulation, changes in existing laws and rules or changes in interpretations or enforcement of existing laws and rules often affect directly the method of operation and profitability of securities firms. Canaccord cannot predict what effect any such changes might have. Furthermore, businesses may be materially affected not only by regulations applicable to Canaccord as a financial market intermediary, but also by regulations of general application. For example, the volume of Canaccord's investment banking and principal investment businesses in a given time period could be affected by, among other things, existing and proposed tax legislation, competition policy and other governmental regulations and policies, including the interest rate policies of the Bank of Canada or the board of governors of the Federal Reserve System and changes in interpretation or enforcement of existing laws and rules that affect the business and financial communities. The level of business and financing activity in each of the industries on which Canaccord focuses can be affected not only by such legislation or regulations of general applicability, but also by industry-specific legislation or regulations.

Canaccord's ability to comply with all applicable laws and regulations is dependent on the creation, implementation and maintenance of effective compliance systems, policies and procedures and on its ability to hire and retain qualified compliance personnel.

Management of Growth

Over the past several years, Canaccord has experienced significant growth in its business activities including the number of its employees. This growth has required and will continue to require increased investment in management personnel, financial and management systems and controls and facilities, which, in the absence of continued revenue growth, would cause Canaccord's operating margins to decline from current levels. In addition, as is common in the securities industry, Canaccord is and will continue to be highly dependent on the effective and reliable operation of its communications and information systems. Canaccord believes that its current and anticipated future growth will require implementation of new and enhanced communications and information systems and training of its personnel to operate such systems. Any difficulty or significant delay in the implementation or operation of existing or new systems or the training of personnel could adversely affect its ability to manage growth.

As part of Canaccord's business strategy, it may acquire additional assets or businesses primarily relating to, or complementary to, its current operations. Any such acquisitions will be accompanied by certain risks including exposure to unknown liabilities of acquired companies, higher than anticipated acquisition costs and expenses, the difficulty and expense of integrating operations and personnel of acquired companies, disruption of its ongoing business, diversion of management's time and attention and possible dilution to shareholders. Canaccord may not be able to successfully overcome these risks and other problems associated with acquisitions and this may adversely affect its business.

Dependence on Systems

Canaccord's business is highly dependent on communications and information systems. Any failure or interruption of its systems, or of the systems of third parties including service providers, clearing corporations and exchanges, could cause delays or other problems in Canaccord's sales, trading, clearing, settlement and other client services, which could have a material adverse effect on its operating results. There can be no assurance that Canaccord will be able to prevent any such systems failure or interruption, including those caused by an earthquake, fire, other natural disaster, power or telecommunications failure, act of God, act of war or terror or otherwise, or that its back-up procedures and capabilities in the event of any such failure or interruption will be adequate. Even though Canaccord has back-up procedures and duplicate systems in place, excess capacity and business continuity plans, there is no assurance that such procedures and plans will be sufficient or adequate in the event of a failure or catastrophe and, consequently, such an event could have a material adverse effect on Canaccord's operating results and financial condition.

Part II — Risk Factors

Risk Management Policies and Procedures

Uncertainty and risk are inherent with any financial markets activity. As an active participant in the Canadian and international capital markets, Canaccord is exposed to risks which could result in financial losses. Canaccord's principal risks relate to market risk, credit risk, operational risk and regulatory and legal risk. Accordingly, risk management and control of the balance between risk and return are critical elements in maintaining Canaccord's financial stability and profitability.

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. Canaccord is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Canaccord is also exposed to specific interest rate risk as a result of its principal trading in fixed income securities.

Operational risk refers to the risk of financial loss resulting from Canaccord's own operations including, but not limited to, improper or unauthorised execution and processing of transactions, deficiencies in Canaccord's operating systems and inadequacies or breaches in Canaccord's control procedures and systems or technological failure.

There is no certainty that Canaccord's policies and procedures to mitigate its exposure to market and operational risk will be completely effective. Unforeseen events and changes in the economy may lead to market disruptions and unexpected large or rapid changes in market prices and market conditions which may have a significant adverse effect on Canaccord's business and financial prospects and stability.

Canaccord's risk management policies and procedures are based on historical market behaviour and depend on evaluation of certain information regarding markets, clients and other matters. However, there may be situations where these procedures and methods do not adequately predict future risk exposure or where the risk exposure may be substantially higher than historical measures indicate. Accordingly, there is no certainty that Canaccord's risk management policies, systems and procedures will be adequate to prevent a substantial financial loss.

Employee Misconduct

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years, and Canaccord runs the risk that employee misconduct could occur. Misconduct by employees could include binding Canaccord to transactions that exceed authorised limits or present unacceptable risks, or hiding from Canaccord unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. It is not always possible to deter employee misconduct and the precautions Canaccord takes to prevent and detect this activity may not be effective in all cases.

Restrictions on Ownership and Transfer of Common Shares

Restrictions on ownership and transfer of Common Shares in the articles of the Company to prevent unauthorised change in control without regulatory approval, in certain cases, could affect the marketability and liquidity of the Common Shares. Further details are set out in paragraph 3.12 of Part IV of this document.

Control Risks

As of March 31, 2005 existing employee and director shareholders collectively own approximately 60 per cent of the Common Shares. If sufficient of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its other shareholders. Also, third parties could be discouraged from making a tender offer or take-over bid to acquire any or all of the outstanding Common Shares of the Company. In addition, the single largest shareholder is The Manufacturers Life Insurance Company with 13.07 per cent of the Common Shares. Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others, of the Common Shares in the public market or by way of private transactions could result in a change of control that may result in changes in business focus or practices that may affect the profitability of Canaccord's business.

Part II — Risk Factors

Potential Conflicts of Interest

Executive officers, directors and employees of Canaccord from time to time may invest in securities of private or public companies or investment funds in which Canaccord, or an affiliate of Canaccord, is an investor or for which Canaccord carries out investment banking assignments, publishes research or acts as a market maker. There are certain risks that, as a result of such investment, a director, officer or employee may take actions which would conflict with the best interests of Canaccord. In addition, certain of the directors of Canaccord also serve as directors of other companies involved in a wide range of industry sectors; consequently, there exists the possibility for such directors to be in a conflict of interest.

Fluctuations in Market Price

Certain factors, such as sales of Common Shares into the market by existing shareholders, fluctuations in Canaccord's operating results or those of its competitors, market conditions for similar securities and market conditions generally for other companies in the investment banking industry or in the industries that Canaccord focuses on could cause the market price of the Common Shares to fluctuate substantially. In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Common Shares may decline even if Canaccord's operating results or prospects have not changed.

Legal Proceedings

Canaccord, in the normal course of business as an investment dealer, is involved with litigation and is a defendant in various legal actions. Canaccord has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of the Company. The actions described in paragraph 7 of Part IV have been commenced against Canaccord and, although Canaccord has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty.

AIM, Liquidity and Share Price Volatility

The nature of AIM is such that there may be reduced liquidity for companies listed on AIM compared to those listed on the Official List. Liquidity on the AIM market cannot be guaranteed and, accordingly, it may be more difficult for investors to sell their Common Shares. The share price of publicly traded companies can be highly volatile. The price at which shares may be quoted and the price which investors may be able to realise for their shares will be affected by a number of factors, some of which are specific to the Company, and others which relate to investment dealers as well as general market conditions as more particularly described herein.

Sales of a substantial number of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and could impair the Company's ability to raise capital through an offering of its equity securities.

Part III — Audited Accounts for the Company

Set out on the following pages are the audited financial statements of the Company for the years ended March 31, 2005 and 2004 together with the opinion thereon of Ernst & Young LLP and the audited financial statements of the Company for the year ended March 31, 2003 together with the opinion thereon of Ellis Foster (collectively referred to as the “Accounts”).

The Directors are responsible for the preparation of the Accounts which they confirm have been properly prepared in accordance with applicable law. The Directors consent to the inclusion of the Accounts in this document and accept responsibility for them.

Auditors’ Report

To the Shareholders of
CANACCORD CAPITAL INC.
(formerly Canaccord Holdings Ltd.)

We have audited the consolidated balance sheets of **Canaccord Capital Inc. (formerly Canaccord Holdings Ltd.)** as at March 31, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at March 31, 2003 and for the year ended March 31, 2003 were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 25, 2003.

Vancouver, Canada
April 22, 2005,
except for Note 18 [ii]
which is as of May 3, 2005.

Ernst & Young LLP
Chartered Accountants

Auditors' Report

To the Shareholders of

CANACCORD CAPITAL INC.
(formerly Canaccord Holdings Ltd.)

We have audited the consolidated balance sheet of **Canaccord Capital Inc. (formerly Canaccord Holdings Ltd.)** as at March 31, 2003 and the consolidated statements of operations and retained earnings and cash flows for the year ended March 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2003 and the results of its operations and its cash flows for the year ended March 31, 2003 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
April 25, 2003

Ellis Foster
Chartered Accountants

Part III — Audited Accounts for the Company

CONSOLIDATED BALANCE SHEETS

AS AT MARCH 31 (IN THOUSANDS OF DOLLARS)

	2005 \$	2004 \$ <i>[restated – note 1]</i>	2003 \$ <i>[restated – note 1]</i>
ASSETS			
Current			
Cash and cash equivalents	349,700	91,966	100,024
Securities owned, at market <i>[note 2]</i>	160,348	376,447	136,073
Accounts receivable <i>[notes 3, 4 and 15]</i>	1,068,537	997,621	559,627
Income taxes recoverable	—	—	558
Future income taxes <i>[note 5]</i>	3,992	—	3,735
Total current assets	<u>1,582,577</u>	<u>1,466,034</u>	<u>800,017</u>
Equipment and leasehold improvements <i>[note 6]</i>	13,750	12,373	12,027
Notes receivable <i>[note 7]</i>	41,618	28,765	17,393
Deferred charges <i>[note 8]</i>	220	1,194	1,300
	<u>1,638,165</u>	<u>1,508,366</u>	<u>830,737</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Call loans <i>[note 9]</i>	—	2,541	—
Securities sold short, at market <i>[note 2]</i>	105,527	281,723	85,373
Accounts payable and accrued liabilities <i>[notes 3, 4 and 15]</i>	1,262,072	1,048,395	644,043
Income taxes payable	6,737	16,905	—
Future income taxes <i>[note 5]</i>	—	973	—
Total current liabilities	<u>1,374,336</u>	<u>1,350,537</u>	<u>729,416</u>
Notes payable <i>[note 7]</i>	41,618	28,765	17,393
Convertible debentures <i>[note 10]</i>	—	20,377	21,225
Subordinated debt <i>[note 11]</i>	—	10,000	10,000
Total liabilities	<u>1,415,954</u>	<u>1,409,679</u>	<u>778,034</u>
Commitments and contingencies <i>[notes 3 and 17]</i>			
Shareholders' equity			
Share capital <i>[note 12]</i>	151,030	60,409	50,680
Cumulative foreign currency translation adjustment	(1,383)	265	(329)
Retained earnings	72,564	38,013	2,352
Total shareholders' equity	<u>222,211</u>	<u>98,687</u>	<u>52,703</u>
	<u>1,638,165</u>	<u>1,508,366</u>	<u>830,737</u>

See accompanying notes

On behalf of the Board:

PETER M. BROWN
Chairman & Chief Executive Officer

TERRENCE A. LYONS
Director

Part III — Audited Accounts for the Company

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

YEARS ENDED MARCH 31 (IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	2005 \$	2004 \$	2003 \$
Revenue			
Private client services	178,176	175,983	97,784
Global capital markets	239,654	211,758	91,629
Other	<u>14,948</u>	<u>14,416</u>	<u>9,793</u>
	<u>432,778</u>	<u>402,157</u>	<u>199,206</u>
Expenses			
Incentive compensation	220,834	218,802	92,594
Salaries and benefits	45,715	37,193	35,661
Trading costs	16,863	17,310	15,343
Premises and equipment	11,849	13,017	12,089
Communication and technology	14,037	12,290	12,984
Interest	7,824	3,994	3,239
General and administrative	31,791	24,874	20,555
Amortization	3,185	3,565	3,898
Development costs	7,924	8,240	4,137
Restructuring and other costs <i>[note 13]</i>	—	315	8,505
Gain on disposal of investment <i>[note 14]</i>	<u>—</u>	<u>—</u>	<u>(4,261)</u>
	<u>360,022</u>	<u>339,600</u>	<u>204,744</u>
Income (loss) before income taxes	72,756	62,557	(5,538)
Income taxes (recovery) <i>[note 5]</i>			
Current	29,142	17,420	923
Future	<u>(4,965)</u>	<u>4,708</u>	<u>(1,408)</u>
Net income (loss) for the year	48,579	40,429	(5,053)
Retained earnings, beginning of year	38,013	2,352	9,066
Dividends			
Stock dividend	—	(1,357)	—
Cash dividends	(13,835)	—	—
Excess on redemption of common shares <i>[note 12 [iii]]</i>	<u>(193)</u>	<u>(3,411)</u>	<u>(1,661)</u>
Retained earnings, end of year	<u>72,564</u>	<u>38,013</u>	<u>2,352</u>
Basic earnings (loss) per share <i>[note 12 [v]]</i>	1.17	1.43	(0.18)
Diluted earnings (loss) per share <i>[note 12 [v]]</i>	<u>1.11</u>	<u>1.12</u>	<u>(0.18)</u>

See accompanying notes

Part III — Audited Accounts for the Company

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31 (IN THOUSANDS OF DOLLARS)

	2005 \$	2004 \$	2003 \$
OPERATING ACTIVITIES			
Net income (loss) for the year	48,579	40,429	(5,053)
Items not involving cash			
Amortization	3,863	3,565	3,898
Future income taxes (recovery)	(4,965)	4,708	(1,408)
Gains on disposal of investments and claims	—	—	(4,261)
Changes in non-cash working capital			
Decrease (increase) in securities owned	216,099	(240,374)	(46,465)
Decrease (increase) in accounts receivable	(70,916)	(437,994)	78,990
Decrease in income taxes recoverable	—	558	8,023
Increase (decrease) in securities sold short	(176,196)	196,350	53,728
Increase (decrease) in accounts payable and accrued liabilities	213,677	404,352	(20,469)
Increase (decrease) in income taxes payable	(10,168)	16,905	—
Cash provided by (used in) operating activities	<u>219,973</u>	<u>(11,501)</u>	<u>66,983</u>
FINANCING ACTIVITIES			
Decrease in subordinated debt	(10,000)	—	(7,000)
Increase in notes payable	12,853	11,372	11,779
Decrease in long-term debt	—	—	(1,044)
Issuance (redemption) of convertible debentures	(20)	(302)	10,000
Issuance of share capital	71,865	15,624	14,158
Increase in unvested common share purchase loans	(1,415)	—	—
Redemption of share capital	(379)	(10,762)	(6,442)
Dividends paid	(13,835)	—	—
Cash provided by financing activities	<u>59,069</u>	<u>15,932</u>	<u>21,451</u>
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements	(4,562)	(3,911)	(1,774)
Increase in notes receivable	(12,853)	(11,372)	(11,779)
Proceeds on disposal of investments	—	—	4,261
Decrease (increase) in deferred charges	296	(341)	(1,300)
Cash used in investing activities	<u>(17,119)</u>	<u>(15,624)</u>	<u>(10,592)</u>
Unrealized foreign exchange loss (gain)	<u>(1,648)</u>	<u>594</u>	<u>409</u>
Increase (decrease) in cash position	260,275	(10,599)	78,251
Cash position, beginning of year	<u>89,425</u>	<u>100,024</u>	<u>21,773</u>
Cash position, end of year	<u>349,700</u>	<u>89,425</u>	<u>100,024</u>
Cash position is comprised of:			
Cash and cash equivalents	349,700	91,966	100,024
Call loans	—	(2,541)	—
	<u>349,700</u>	<u>89,425</u>	<u>100,024</u>
Supplemental cash flow information			
Interest paid	<u>1,495</u>	<u>2,576</u>	<u>2,402</u>
Income taxes paid	<u>37,756</u>	<u>816</u>	<u>(6,745)</u>

See accompanying notes

Part III — Audited Accounts for the Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2005, 2004 AND 2003 AND FOR EACH OF THE THREE YEARS ENDED MARCH 31, 2005 (IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Canaccord Capital Inc. (the “Company”) is an independent full service investment dealer. The Company has operations in each of the two principal segments of the securities industry: Private Client Services and Global Capital Markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company’s retail, institutional and corporate clients.

Historically, the Company’s operating results are characterized by a seasonal pattern and it earns the majority of its revenue in the last two quarters of its fiscal year.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The consolidated financial statements include the accounts of the Company and its subsidiaries.

At March 31, 2005, the Company’s operating subsidiaries, all of which are 100% owned, include:

- Canaccord Capital Corporation
- Canaccord Capital (Europe) Limited
- Canaccord International Ltd.
- Canaccord Capital Corporation (USA), Inc.
- Canaccord Financial Services Ltd.
- Stockwave Equities Ltd.
- CLD Financial Opportunities Limited
- Canaccord Financial Holdings Inc.
- Canaccord Capital Credit Corporation

All intercompany transactions have been eliminated.

Canadian generally accepted accounting principles

On April 1, 2004, the Company adopted the requirements of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1100, “*Generally Accepted Accounting Principles*”. This section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The implementation of CICA Section 1100 impacted the classification of Convertible Debentures [Note 10] and Subordinated Debt [Note 11]. These consolidated financial statements have been adjusted to reflect the reclassification of these items as liabilities from the capital section of the balance sheet. In addition, this implementation has affected the presentation of client interest revenue and expense which are presented on a gross basis for the year ended March 31, 2005, but were netted for the previous fiscal years.

Hedging relationships

On April 1, 2004, the Company prospectively adopted the requirements of CICA Accounting Guideline 13, “*Hedging Relationships*” (“AcG 13”) which provides detailed guidance on the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The implementation of AcG 13 did not have a material impact on the consolidated financial statements.

Securities transactions

Securities transactions and related revenue and expenses and balance sheet accounts are recorded on a trade date basis.

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Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, commercial paper and bankers' acceptances with a term to maturity of less than three months from the date of purchase.

Securities owned and securities sold short

Securities owned and sold short are recorded at market value. Unrealized gains and losses are reflected in income. Certain securities owned have been pledged as collateral for securities borrowing transactions.

Collateralized securities transactions

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. For securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of the securities loaned. The Company monitors the fair value of the securities borrowed and loaned against the cash collateral on a daily basis, and when appropriate, the Company may require counterparties to deposit additional collateral or it may return collateral pledged to ensure such transactions are adequately secured.

Private client services revenue

Private client services revenue consists of revenue generated through traditional commission-based brokerage services, recognized on a trade date basis, the sale of fee-based products and services, recognized on an accrual basis, and through fees and commissions earned on venture capital and other corporate finance transactions, recognized through an allocation of global capital markets revenue.

Interest earned by clients and paid to clients is recognized on an accrual basis. The gross amount of client interest earned is included in private client revenue.

Global capital markets revenue

Global capital markets revenue consists of trading and underwriting fees, management and advisory fees, and fees and commissions earned on corporate finance activities. Global capital markets revenue is also generated through commissions from acting as agent for trading securities on behalf of institutional clients and from income earned in connection with principal trading operations.

Revenue and fees from underwritings, mergers and acquisitions, and other corporate finance activities are recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. Trading revenue is recognized on a trade date basis. Management and advisory fees are recognized on an accrual basis.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is being recorded as follows:

Computer equipment	30% declining balance basis
Furniture and equipment	20% declining balance basis
Leasehold improvements	Straight-line over the term of the respective leases

Deferred charges

Deferred charges consist of set-up costs relating to the pre-operating period of a new correspondent brokerage services division, legal and other costs relating to raising capital in the business, costs relating to an Initial Public Offering of common shares and costs relating to a new human resources and payroll system.

Deferred charges are being amortized as follows:

Correspondent services division set-up costs	3 years straight-line basis
Convertible debenture costs	5 years straight-line basis
Systems development costs	5 years straight-line basis

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Convertible debenture costs were written off in the current year upon their conversion.

Deferred common share issuance costs were recorded as a reduction of share capital at the time the initial public offering closed on June 30, 2004.

Development costs

Development costs consist of internal information systems development, expensed as incurred, and hiring incentives for new employees. Hiring incentives relate to forgivable loans to acquire shares of the Company, which are amortized on a straight-line basis over three years.

Translation of foreign currency transactions and foreign subsidiaries

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical rates. Revenue and expenses are translated at the average exchange rate for the year. Foreign currency translation gains and losses are recorded in income in the year in which they occur.

The functional currency of the Company is the Canadian dollar. Financial statements of foreign subsidiaries, all of which are self-sustaining, whose functional currency is other than the Canadian dollar are translated into Canadian dollars using the current rate method. Under the current rate method, assets and liabilities are translated at the year end exchange rate. Revenue and expenses are translated at the average exchange rate for the year. Unrealized foreign currency translation gains or losses are accumulated as a separate component of shareholders' equity.

Income taxes

Income taxes are accounted for using the asset and liability method. Under this method future tax assets and liabilities are recognized for the tax consequences of temporary differences by applying substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of substantive enactment. In addition, future tax assets are recognized to the extent their realization is more likely than not.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) for the year by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is calculated to reflect the dilutive effect of convertible debentures by application of the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds from the conversion of convertible debentures are applied to repurchase common shares at the average market price for the period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

Pension plan

The Company provides a defined contribution pension plan on behalf of its current employees. The defined contribution pension plan is available to certain administrative employees with more than two years of consecutive service. The Company is required to match the employees' contributions to a maximum of 2% of the employees' base salary. Costs of the defined contribution plan, representing the Company's required contribution, are charged to income in the year. The amount of the charge for the year, including a voluntary contribution by the Company, was \$288 [2004 – \$268; 2003 – \$129].

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The Company formerly provided a final pay defined benefit pension plan for certain administrative employees. The plan is closed and has 18 current and retired members. The plan's assets, accrued benefit obligations and related pension expense of the Company are not material.

2. SECURITIES OWNED AND SECURITIES SOLD SHORT

	March 31, 2005		March 31, 2004		March 31, 2003	
	Securities owned	Securities sold short	Securities owned	Securities sold short	Securities owned	Securities sold short
	\$	\$	\$	\$	\$	\$
Corporate and government debt	124,395	82,001	327,224	275,285	116,878	83,316
Equities and convertible debentures	<u>35,953</u>	<u>23,526</u>	<u>49,223</u>	<u>6,438</u>	<u>19,195</u>	<u>2,057</u>
	<u>160,348</u>	<u>105,527</u>	<u>376,447</u>	<u>281,723</u>	<u>136,073</u>	<u>85,373</u>

As at March 31, 2005, corporate and government debt maturities range from 2005 to 2051 [March 31, 2004 – 2005 to 2054; March 31, 2003 – 2004 to 2050] and bear interest ranging from 2.05% to 14% [March 31, 2004 – 2.35% to 14%; March 31, 2003 – 1% to 14%].

3. FINANCIAL INSTRUMENTS

In the normal course of business, the Company utilizes certain financial instruments to manage its exposure to credit risk, market risk, interest rate risk and foreign exchange risk.

Credit risk

The primary source of credit risk to the Company is in connection with trading activity by private clients and private client margin accounts. To minimize its exposure, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. Margin transactions are collateralized by securities in the client's accounts in accordance with limits established by the Company and applicable regulatory requirements.

The Company is also exposed to the risk that counterparties to transactions do not fulfill their obligations. Counterparties primarily include investment dealers, clearing agencies, banks and other financial institutions. The Company manages this risk by imposing and monitoring individual and aggregate position limits for each counterparty, conducting regular credit reviews to assess creditworthiness, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions, and conducting business through clearing organizations with performance guarantees.

As at March 31, 2005, 2004 and 2003, the Company's most significant counterparty concentrations are with financial institutions and institutional clients. Management believes that they are in the normal course of business and does not anticipate loss for non-performance.

Market risk

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses.

The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (loss) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels and capital usage within its inventory trading accounts.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company minimizes and monitors its exposure to interest rate risk through quantitative analysis of its net holdings positions of fixed income securities. The Company does not hedge its exposure to interest rate risk as it is minimal.

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. Foreign exchange contracts are traded periodically to manage and hedge foreign exchange risk on

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pending settlements in foreign currencies. Realized and unrealized gains and losses related to those contracts are recognized in income during the year.

Forward contracts outstanding at March 31, 2005:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	\$22.75	\$1.21	April 5, 2005	\$0.1
To buy US dollars	<u>\$10.25</u>	<u>\$1.21</u>	<u>April 5, 2005</u>	<u>(\$0.1)</u>

Forward contracts outstanding at March 31, 2004:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	\$22.75	\$1.32	April 5, 2004	\$0.1
To buy US dollars	<u>\$20.75</u>	<u>\$1.32</u>	<u>April 5, 2004</u>	<u>(\$0.1)</u>

Forward contracts outstanding at March 31, 2003:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	\$6.0	\$1.47	April 3, 2003	—
To buy US dollars	<u>\$3.5</u>	<u>\$1.47</u>	<u>April 3, 2003</u>	<u>—</u>

Fair value of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, securities owned, accounts receivable, income taxes recoverable, notes receivable, call loans, securities sold short, accounts payable and accrued liabilities, income taxes payable, notes payable, convertible debentures and subordinated debt. The fair value of these financial instruments approximate their carrying values. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Securities lending and borrowing

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short-term in nature, with interest being received on the cash delivered. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds and are reflected within accounts receivable and accounts payable. The Company manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions. Interest earned on cash collateral is based on a floating rate [March 31, 2005 – 2.0% for equities and 2.3% for bonds; March 31, 2004 – 1.5% for equities and 1.8% for bonds; March 31, 2003 – 2.5% for equities and 2.8% for bonds].

	Cash		Securities	
	Loaned or delivered as collateral \$	Borrowed or received as collateral \$	Borrowed or received as collateral \$	Loaned or delivered as collateral \$
March 31, 2005	130,359	68,329	131,905	70,708
March 31, 2004	337,016	43,231	342,197	53,169
March 31, 2003	<u>142,407</u>	<u>43,245</u>	<u>146,023</u>	<u>48,106</u>

Lines of credit

At March 31, 2005, the Company has credit facilities with Canadian and United Kingdom banks in an aggregate amount of \$311 million [March 31, 2004 – \$308 million; March 31, 2003 – \$308 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by either unpaid securities and/or securities owned by the Company.

Canaccord Capital Corporation has provided a bank letter of credit in the amount of \$1.4 million [March 31, 2004 and 2003 – \$1.5 million] as a guarantee for lease obligations of Canaccord Capital (Europe) Limited.

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4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	2005 \$	2004 \$	2003 \$
Brokers and investment dealers	353,734	471,073	195,184
Clients	406,769	268,062	195,324
RRSP cash balances held in trust	293,595	237,806	159,852
Other	14,439	20,680	9,267
	<u>1,068,537</u>	<u>997,621</u>	<u>559,627</u>

Accounts payable and accrued liabilities

	2005 \$	2004 \$	2003 \$
Brokers and investment dealers	358,711	247,944	152,942
Clients	719,195	698,999	446,108
Other	184,166	101,452	44,993
	<u>1,262,072</u>	<u>1,048,395</u>	<u>644,043</u>

Accounts payable to clients include \$293,595 [2004 – \$237,806; 2003 – \$159,852] payable to clients for RRSP cash balances held in trust.

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 margin regulations of the Investment Dealers Association of Canada and other regulatory authorities and are subject to the Company's credit review and daily monitoring procedures.

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client accounts. Interest on margin loans and amounts due to clients are based on a floating rate [March 31, 2005 – 6.25% and 1.25% respectively; March 31, 2004 – 6.00% and 1.00%, respectively; March 31, 2003 – 7.75% and 1.75%, respectively].

5. INCOME TAXES

Future income tax assets (liabilities) are comprised of the following:

	2005 \$	2004 \$	2003 \$
Assets			
Legal settlements	1,656	929	1,188
Unpaid remuneration	849	669	1,209
Unamortized forgivable loans	614	236	—
Unamortized capital cost of equipment and leasehold improvements over their net book value	65	139	—
Loss carryforwards	—	38	953
Share issuance (initial public offering) costs	2,092	—	—
Other	—	—	651
	<u>5,276</u>	<u>2,011</u>	<u>4,001</u>
Liabilities			
Unrealized gain on marketable securities	1,213	2,343	—
Deferred charges	71	157	—
Unrealized foreign exchange gains on equity investments	—	131	168
Net book value of equipment and leasehold improvements over their unamortized capital cost	—	—	98
Other	—	353	—
	<u>1,284</u>	<u>2,984</u>	<u>266</u>
Future income tax assets (liabilities)	<u>3,992</u>	<u>(973)</u>	<u>3,735</u>

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Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that these future income tax assets will be realized.

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:

	2005 \$	2004 \$	2003 \$
Income taxes (recovery) at the statutory rate	25,024	23,213	(1,280)
Less: International Finance Business recovery of provincial taxes	(1,312)	(1,323)	146
Non-deductible items affecting the determination of taxable income	<u>465</u>	<u>238</u>	<u>649</u>
Income tax expense (recovery) – current and future	<u>24,177</u>	<u>22,128</u>	<u>(485)</u>

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost \$	Accumulated amortization \$	Net book value \$
2005			
Computer equipment	3,084	2,228	856
Furniture and equipment	9,573	4,488	5,085
Leasehold improvements	<u>20,100</u>	<u>12,291</u>	<u>7,809</u>
	<u>32,757</u>	<u>19,007</u>	<u>13,750</u>
2004			
Computer equipment	3,280	2,518	762
Furniture and equipment	7,836	3,682	4,154
Leasehold improvements	<u>18,187</u>	<u>10,730</u>	<u>7,457</u>
	<u>29,303</u>	<u>16,930</u>	<u>12,373</u>
2003			
Computer equipment	3,462	2,325	1,137
Furniture and equipment	6,652	2,916	3,736
Leasehold improvements	<u>15,829</u>	<u>8,675</u>	<u>7,154</u>
	<u>25,943</u>	<u>13,916</u>	<u>12,027</u>

7. IMMIGRANT INVESTOR PROGRAM OF QUÉBEC

The Company sponsors an immigrant investor program that provides assistance to Canadian immigrant applicants under the investor category and to their professional consultants and advisors. Included in these services is a program that enables immigrant investors to borrow, through a credit facility arranged by the Company, the requisite funds for making a qualifying investment for immigration purposes. The Company borrows as notes payable the investment funds through a non-recourse bank facility, loans the borrowed funds to the immigrant investor by way of a notes receivable and then pledges the notes receivable to the lending bank as collateral for the notes payable.

[i] Notes receivable

Under the provisions of the Immigrant Investor Program of Québec, funds have been advanced to various Immigrant Investors by Canaccord Capital Credit Corporation (“CCCC”) and Canaccord Financial Holdings Inc. (“CFHI”). The Immigrant Investors sign a note receivable for the principal amounts advanced plus accrued interest, which are both due on the fifth anniversary from the date the funds were advanced to the investors.

The terms of the notes receivable, including interest rate and maturity date, are identical to the notes payable and are ultimately pledged to guarantee the obligations of CCCC and CFHI.

The recourse of notes payable is limited, ultimately, to these notes receivable and are not against CCCC, CFHI, any related company or any of their respective assets.

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Interest revenue of \$2,095 [2004 – \$1,241; 2003 – \$873] on these loans is included in Other revenue.

[ii] Notes payable

Notes payable are collateralized by the notes receivable with interest capitalized annually and repayable at maturity. The notes payable bear interest ranging from 4.57% to 7.27% (weighted average at March 31, 2005 – 5.81%) and mature between 2007 and 2010 [March 31, 2004 interest rates vary from 4.57% to 7.27% with a weighted average of 5.98%, maturing between 2007 and 2009; March 31, 2003 interest rates vary from 5.48% to 7.27% with a weighted average of 6.45%, maturing between 2007 and 2008].

The notes payable, including accrued interest, are due as follows:

	2005 \$	2004 \$	2003 \$
2007	6,808	6,385	5,986
2008	12,710	12,004	11,407
2009	10,919	10,376	—
2010	11,181	—	—
	<u>41,618</u>	<u>28,765</u>	<u>17,393</u>

Interest expense of \$2,095 [2004 – \$1,241; 2003 – \$873] on these loans is included in Interest expense.

8. DEFERRED CHARGES

	Cost \$	Accumulated amortization \$	Net book value \$
2005			
Correspondent services division set-up costs	1,183	1,011	172
Financing costs	491	491	—
Systems development	48	—	48
	<u>1,722</u>	<u>1,502</u>	<u>220</u>
2004			
Correspondent services division set-up costs	1,183	632	551
Financing costs	491	176	315
Common share issuance costs	328	—	328
	<u>2,002</u>	<u>808</u>	<u>1,194</u>
2003			
Correspondent services division set-up costs	1,138	253	885
Financing costs	491	764	15
	<u>1,629</u>	<u>329</u>	<u>1,300</u>

9. CALL LOANS

The Company borrows money primarily to facilitate the securities settlement process for both client and Company securities transactions. The call loans are collateralized by either unpaid client securities and/or securities owned by the Company. Interest on the call loans is at a floating rate.

10. CONVERTIBLE DEBENTURES

	2005 \$	2004 \$	2003 \$
2006 debentures [i]	—	10,377	11,225
2007 debenture [ii]	—	10,000	10,000
	<u>—</u>	<u>20,377</u>	<u>21,225</u>

On June 22, 2004, the 2006 and 2007 debentures were either redeemed or converted into share capital as part of a reorganization of capital [see note 12 [ii]]

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[i] 2006 debentures

Each 2006 debenture issued by the Company was either redeemed (in whole or in part, including a 5% premium) or exchanged for Class B common shares of the Company at a rate of one such share for each \$2.57275 of principal amount.

[ii] 2007 debenture

The 2007 debenture issued by the Company was either redeemed (in whole or in part) or exchanged for Class C common shares of the Company at a rate of one such share for each \$2.98230 of principal amount.

Interest expense of \$438 [2004 – \$1,469; 2003 – \$1,292] on these debentures is included in Interest expense.

The convertible debentures were collateralized by a floating charge over all of the assets of the Company.

Convertible debentures have been reclassified as a liability due to the requirements of CICA Handbook Section 1100.

11. SUBORDINATED DEBT

	2005 \$	2004 \$	2003 \$
Loan payable, interest payable monthly at prime + 1% per annum (March 31, 2004 – 5.0%), due on demand	<u>—</u>	<u>10,000</u>	<u>10,000</u>

The loan payable was subject to a subordination agreement and was repaid on July 30, 2004 with the prior approval of the Investment Dealers Association of Canada.

Interest expense of \$157 [2004 – \$561; 2003 – \$539] on this loan is included in Interest expense.

Subordinated debt has been reclassified as a liability due to the requirements of CICA Handbook Section 1100.

12. SHARE CAPITAL

On June 21, 2004, the Company's shareholders approved a two for one subdivision of the Company's outstanding Class A, Class B and Class C common shares. All common share and per share data included herein have been adjusted to reflect the two for one subdivision as if it had occurred at the beginning of the periods reflected.

	2005 \$	2004 \$	2003 \$
Issued and fully paid			
Share capital			
Common shares	153,061	61,292	51,306
Unvested share purchase loans	(2,929)	(1,514)	(1,620)
Preferred shares	—	190	—
Contributed surplus	<u>898</u>	<u>441</u>	<u>994</u>
	<u>151,030</u>	<u>60,409</u>	<u>50,680</u>

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

[i] Authorized

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

[ii] Issued and fully paid

Common shares

	Common		Class B		Class C		Total	
	# of shares	Amount \$	# of shares	Amount \$	# of shares	Amount \$	# of shares	Amount \$
Balance, March 31, 2002	4,209,718	6,559	25,904,194	41,929	—	—	30,113,912	48,488
Shares issued for cash	—	—	266,668	659	3,809,524	10,000	4,076,192	10,659
Shares cancelled	—	—	(400,002)	(651)	—	—	(400,002)	(651)
Shares held by subsidiary companies	(4,209,718)	(6,559)	(991,188)	(631)	—	—	(5,200,906)	(7,190)
Balance, March 31, 2003	—	—	24,779,672	41,306	3,809,524	10,000	28,589,196	51,306
Shares issued for cash	—	—	5,435,838	15,624	—	—	5,435,838	15,624
Shares cancelled	—	—	(4,031,206)	(7,006)	—	—	(4,031,206)	(7,006)
Shares issued on conversion of Class 4 preferred shares Series A	—	—	357,838	822	—	—	357,838	822
Shares issued on conversion of serial debentures	—	—	209,340	546	—	—	209,340	546
Balance, March 31, 2004	—	—	26,751,482	51,292	3,809,524	10,000	30,561,006	61,292
Shares issued for cash	—	—	897,454	3,568	442,100	1,536	1,339,554	5,104
Shares cancelled	—	—	(95,826)	(186)	—	—	(95,826)	(186)
Shares issued on conversion of Class 4 preferred shares Series A	—	—	82,816	190	—	—	82,816	190
Shares issued on conversion of convertible debentures	—	—	7,378,660	20,357	—	—	7,378,660	20,357
Exchange into common shares ⁽¹⁾	39,266,210	86,757	(35,014,586)	(75,221)	(4,251,624)	(11,536)	—	—
Shares issued in connection with initial public offering ⁽²⁾	6,829,268	66,170	—	—	—	—	6,829,268	6,170
Shares issued for cash ⁽³⁾	33,790	134	—	—	—	—	33,790	134
Balance, March 31, 2005	<u>46,129,268</u>	<u>153,061</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,129,268</u>	<u>153,061</u>

⁽¹⁾ Pursuant to an order obtained on June 22, 2004 from the Supreme Court of British Columbia, a capital reorganization which included the creation of a class of common shares and the exchange of all Class B and C common shares for common shares was approved.

⁽²⁾ Net of share issue costs of \$3,830.

⁽³⁾ Sale of shares held by a subsidiary in the group.

Pursuant to the Company's normal course issuer bid, as approved by the Toronto Stock Exchange, the Company is entitled to acquire up to 5.0% of its shares from December 29, 2004 to December 28, 2005. This buyback was initiated to facilitate the orderly resale of shares released from escrow on December 27, 2004. Of the 9,877,506 total shares released from escrow, 327,470 shares were submitted for sale with 280,687 shares placed with employees and clients, leaving a net amount of 46,783 shares. Under the normal course issuer bid, the Company then acquired and subsequently sold these 46,783 shares at an average price of \$9.09 per share during the period ended December 31, 2004. During the quarter ended March 31, 2005, the Company acquired, in an exempt issuer bid, an additional 175,765 shares subject to escrow at \$8.80 per share which were later placed with employees at \$10.40 per share. The additional cash from these transactions has been recorded in contributed surplus.

Part III — Audited Accounts for the Company

Preferred shares

	Class 4 Series A # of Shares	Amount \$
Balance, March 31, 2002 and 2003	—	—
Shares issued as a stock dividend	1,356,781	1,357
Shares redeemed for cash	(344,017)	(345)
Shares converted into Class B common shares	(822,287)	(822)
Balance, March 31, 2004	190,477	190
Exchange into common shares ⁽¹⁾	(190,477)	(190)
Balance, March 31, 2005	—	—

⁽¹⁾ Pursuant to an order obtained on June 22, 2004 from the Supreme Court of British Columbia, a capital reorganization which included the creation of a class of common shares and the exchange of all preferred shares for common shares was approved.

[iii] Excess on redemption of common shares

The excess on redemption of common shares represents amounts paid to shareholders, by the Company and its subsidiaries, on redemption of their shares in excess of the book value of those shares at the time of redemption.

	2005 \$	2004 \$	2003 \$
Redemption price	379	10,417	6,442
Book value	186	7,006	4,781
Excess on redemption of common shares	193	3,411	1,661

[iv] Common share purchase loans

The Company provides forgivable common share purchase loans to employees in order to purchase common shares. The unvested balance of forgivable common share purchase loans is presented as a deduction from share capital. The forgivable common share purchase loans are amortized over a vesting period of three years. Contributed surplus represents the amortization of unvested forgivable common share purchase loans.

[v] Earnings per share

	2005	2004	2003
Basic earnings (loss) per share			
Net income (loss) for the year	48,579	40,429	(5,053)
Weighted average number of common shares (number)	41,634,920	28,298,424	27,804,860
Basic earnings (loss) per share (\$)	1.17	1.43	(0.18)
Diluted earnings (loss) per share			
Net income (loss) for the year	48,579	40,429	(5,053)
Income effect of convertible debentures	282	1,129	—
Adjusted net income (loss) for the year	48,861	41,558	(5,053)
Weighted average number of common shares (number)	41,634,920	28,298,424	27,804,860
Dilutive effect of convertible debentures (number)	1,817,000	7,885,926	—
Dilutive effect of preferred shares (number)	20,420	307,400	—
Dilutive effect of unvested shares (number)	715,957	604,124	—
Adjusted weighted average number of common shares (number)	44,188,297	37,095,874	27,804,860
Diluted earnings (loss) per share (\$)	1.11	1.12	(0.18)

The diluted loss per share was equivalent to basic loss per share in fiscal 2003 as the impact of convertible debentures, preferred shares and unvested shares for the period since their issuance would have been anti-dilutive.

Part III — Audited Accounts for the Company

13. RESTRUCTURING AND OTHER COSTS

	2005 \$	2004 \$	2003 \$
Reserve for unsecured balance resulting from unauthorized trading by former employee	—	—	3,560
Settlement of damage claims	—	315	4,699
Other	—	—	246
	<u>—</u>	<u>315</u>	<u>8,505</u>

14. GAIN ON DISPOSAL OF INVESTMENT

	2005 \$	2004 \$	2003 \$
Investment in Toronto Stock Exchange	<u>—</u>	<u>—</u>	<u>4,261</u>

15. RELATED PARTY TRANSACTIONS

Security trades executed by the Company for employees, officers and shareholders 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 related parties:

	2005 \$	2004 \$	2003 \$
Accounts receivable	31,698	26,394	19,243
Accounts payable and accrued liabilities	<u>54,691</u>	<u>47,311</u>	<u>37,113</u>

16. SEGMENTED INFORMATION

The Company operates in two industry segments as follows:

Private Client Services – provides brokerage services and investment advice to retail or private clients.

Global Capital Markets – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities.

Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Private Client Services and Global Capital Markets.

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 income (loss) before income taxes.

The Company does not allocate total assets or capital assets to the segments. Amortization is allocated to the segments based on square footage occupied. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant inter-segment revenues.

	2005				2004			
	Private Client Services \$	Global Capital Markets \$	Other \$	Total \$	Private Client Services \$	Global Capital Markets \$	Other \$	Total \$
Revenues	178,176	239,654	14,948	432,778	175,983	211,758	14,416	402,157
Expenses	123,619	171,849	53,445	348,913	113,767	152,363	61,350	327,480
Amortization	1,087	1,204	894	3,185	1,295	1,291	979	3,565
Development, restructuring and other costs	<u>2,798</u>	<u>682</u>	<u>4,444</u>	<u>7,924</u>	<u>3,576</u>	<u>836</u>	<u>4,143</u>	<u>8,555</u>
Income (loss) before income taxes	<u>50,672</u>	<u>65,919</u>	<u>(43,835)</u>	<u>72,756</u>	<u>57,345</u>	<u>57,268</u>	<u>(52,056)</u>	<u>62,557</u>

Part III — Audited Accounts for the Company

	2003			Total \$
	Private Client Services \$	Global Capital Markets \$	Other \$	
Revenues	97,784	91,629	9,793	199,206
Expenses	72,840	82,194	37,431	192,465
Amortization	1,399	1,488	1,011	3,898
Development, restructuring and other costs	<u>8,911</u>	<u>939</u>	<u>(1,469)</u>	<u>8,381</u>
Income (loss) before income taxes	<u>14,634</u>	<u>7,008</u>	<u>(27,180)</u>	<u>(5,538)</u>

The Company's business operations are grouped into two geographic segments as follows:

	2005 \$	2004 \$	2003 \$
Canada			
Revenue	316,688	317,668	170,742
Net income (loss)	28,211	29,373	(3,022)
Equipment and leasehold improvements	11,888	10,700	9,776
United Kingdom			
Revenue	116,090	84,489	28,464
Net income (loss)	20,368	11,056	(2,031)
Equipment and leasehold improvements	<u>1,862</u>	<u>1,673</u>	<u>2,251</u>

17. COMMITMENTS AND CONTINGENCIES

Commitments

Subsidiaries of the Company are committed to approximate minimum lease payments for premises and equipment over the next five years and thereafter as follows:

	\$
2006	9,491
2007	10,067
2008	9,775
2009	8,918
2010	8,493
Thereafter	<u>54,271</u>
	<u>101,015</u>

The Company, in the normal course of business as an investment dealer, is involved with litigation and as of March 31, 2005, it was a defendant in various legal actions. The Company has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of the Company. The actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in these consolidated financial statements.

[i] In 2002, two actions were commenced in the Superior Court of Québec against the Company and other defendants including another investment dealer. Both are class action proceedings in which the plaintiffs make allegations of certain wrongful trading and disclosure practices by another defendant and that the Company was negligent in respect of a private placement in 2000. The extent of the classes and the quantification of damages have not been determined.

Part III — Audited Accounts for the Company

[ii] In 2002, an action was commenced in the Ontario Superior Court of Justice against the Company and other defendants including another investment dealer. The claim makes allegations of illegal activity by two former investment advisors of the other investment dealer and subsequently the Company and that the Company and the other investment dealer failed to supervise. The damages claimed in this action are \$27 million. Management's analysis of the claim is that it is unsubstantiated and without merit.

[iii] Since 2002, six actions have been commenced in the Supreme Court of British Columbia against the Company by clients of a former investment advisor. The claims allege that unsuitable and unauthorized trades were made in the accounts of the plaintiffs by the former investment advisor and are for quantified damages in the aggregate amount of \$2.2 million and for other damages and amounts which have not been quantified. The Company has made a counterclaim against certain of the plaintiffs alleging that these plaintiffs were participants in certain illegal activity by the former investment advisor.

[iv] In 2001, a wrongful dismissal action was commenced in the Ontario Superior Court of Justice against the Company. The plaintiff is seeking damages for wrongful dismissal of \$4.5 million, an order requiring the Company to repurchase the shares he owned in the Company for approximately \$4.3 million and other damages and amounts in the aggregate amount of an additional \$2.75 million. Prior to the commencement of the action, the applicable shares were repurchased for approximately \$2.7 million. The Company has counterclaimed for losses now quantified at \$3.6 million plus interest in connection with a debenture [see note 13] in a private company which the Company alleges it purchased on the basis of false representations made by the plaintiff. In September 2004, the plaintiff sought to amend his claim to seek a declaration from the court that he continues to own the shares or, in the alternative, an order requiring the Company to repurchase the shares at a fair market value in an unspecified amount in excess of the amount already claimed. The plaintiff had previously made no claim to continued ownership of the shares or an interest in the Company or its subsidiaries. The motion was dismissed by a Master of the Ontario Superior Court and that decision is now on appeal.

18. SUBSEQUENT EVENTS

[i] Employee Stock Purchase Plan

On April 1, 2005, the Company implemented an employee stock purchase plan ("Plan") where the Company would contribute up to a maximum of \$1,500 per employee per calendar year. The shares under this Plan will be purchased in the open market.

[ii] Dividend

On May 3, 2005, the Board of Directors declared a common share dividend of \$0.11 per share payable on June 10, 2005 with a record date of May 23, 2005.

19. CANADIAN AND INTERNATIONAL FINANCIAL REPORTING STANDARDS DIFFERENCES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In certain respects, International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board differ from those applied in Canada.

If IFRS were employed, there would be no material adjustment to net income (loss) or earnings (loss) per share for the years ended and consolidated shareholders' equity of the Company as at March 31, 2005, 2004 and 2003.

The areas of material differences between Canadian GAAP and IFRS and their impact on the consolidated financial statements of the Company are described as follows:

Part III — Audited Accounts for the Company

[i] Consolidated Statement of Changes in Shareholders' Equity

IFRS requires the inclusion of a consolidated statement of changes in shareholders' equity for each statement of income year, as follows:

	2005 \$	2004 \$	2003 \$
ISSUED AND PAID SHARE CAPITAL			
Common Shares			
Balance at the beginning of the year	61,292	51,306	48,488
Shares issued for cash	5,104	15,624	10,659
Shares cancelled	(186)	(7,006)	(651)
Shares held by subsidiary company	—	—	(7,190)
Shares issued on conversion of Class 4 preferred shares Series A	190	822	—
Shares issued on conversion of serial debentures	20,357	546	—
Shares issued in connection with initial public offering	66,170	—	—
Shares issued for cash	<u>134</u>	<u>—</u>	<u>—</u>
Balance at the end of the year	<u>153,061</u>	<u>61,292</u>	<u>51,306</u>
Unvested share purchase loans			
Balance at the beginning of the year	(1,514)	(1,620)	(1,390)
Movements during the year	<u>(1,415)</u>	<u>106</u>	<u>(230)</u>
Balance at the end of the year	<u>(2,929)</u>	<u>(1,514)</u>	<u>(1,620)</u>
Preferred shares			
Balance at the beginning of the year	190	—	—
Shares issued as a stock dividend	—	1,357	—
Shares redeemed for cash	—	(345)	—
Shares converted into Class B common shares	—	(822)	—
Exchange into common shares	<u>(190)</u>	<u>—</u>	<u>—</u>
Balance at the end of the year	<u>—</u>	<u>190</u>	<u>—</u>
Contributed surplus			
Balance at the beginning of the year	441	994	(1,169)
Movements during the year	<u>457</u>	<u>(553)</u>	<u>175</u>
Balance at the end of the year	<u>898</u>	<u>441</u>	<u>994</u>
	<u>151,030</u>	<u>60,409</u>	<u>50,680</u>
CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT			
Balance at the beginning of the year	265	(329)	(738)
Movements during the year	<u>(1,648)</u>	<u>594</u>	<u>409</u>
Balance at the end of the year	<u>(1,383)</u>	<u>265</u>	<u>(329)</u>
RETAINED EARNINGS			
Balance at the beginning of the year	38,013	2,352	9,066
Net income (loss) for the year	48,579	40,429	(5,053)
Excess on redemption of common shares	(193)	(3,411)	(1,661)
Stock dividend	—	(1,357)	—
Cash dividend ¹	<u>(13,835)</u>	<u>—</u>	<u>—</u>
Balance at the end of the year	<u>72,564</u>	<u>38,013</u>	<u>2,352</u>

⁽¹⁾ Dividends of \$0.05 per share were paid on September 10, 2004, December 10, 2004 and March 10, 2005. In addition, a special dividend of \$0.15 per share was paid on March 10, 2005.

Part III — Audited Accounts for the Company

[ii] Presentation Differences Between IFRS and Canadian GAAP

The following is a summary of presentation differences between IFRS and Canadian GAAP. These differences do not impact the reported shareholders' equity and net income (loss).

- (a) Under IFRS, deferred tax assets and liabilities are not classified as current assets and current liabilities.
- (b) Accounts payable and accrued liabilities by reportable segment for the years ended March 31, 2005, 2004 and 2003 are as follows:

	2005				2004			
	Private Client Services \$	Global Capital Markets \$	Other \$	Total \$	Private Client Services \$	Global Capital Markets \$	Other \$	Total \$
Accounts payable and accrued liabilities	<u>607,809</u>	<u>406,448</u>	<u>247,815</u>	<u>1,262,072</u>	<u>605,660</u>	<u>226,125</u>	<u>216,610</u>	<u>1,048,395</u>

	2003			
	Private Client Services \$	Global Capital Markets \$	Other \$	Total \$
Accounts payable and accrued liabilities	<u>400,792</u>	<u>90,669</u>	<u>152,582</u>	<u>644,043</u>

[iii] Other Disclosures

IFRS requires certain additional disclosures in the consolidated financial statements, as follows:

- (a) On June 9, 2005, the Board of Directors reviewed the financial statements and authorized them for issue. These financial statements will be presented to the Annual General Meeting of Shareholders to be held on August 5, 2005.
- (b) Total remuneration to the executive members of the Board of Directors recognized in the income statement amounted to \$6,566 in 2005 and \$7,060 in 2004. Total fees paid to the external members of the Board of Directors for their services amounted to \$130 in 2005 and \$nil in 2004.
- (c) Canaccord Capital Corporation owns 376,200 common shares of Canaccord Capital (Europe) Limited.
- (d) Equipment and leasehold improvements:

	2005			
	Computer Equipment \$	Furniture & Equipment \$	Leasehold Improvements \$	Total \$
Cost				
Balance at the beginning of the year	3,280	7,836	18,187	29,303
Additions	692	1,954	2,036	4,682
Disposals / write-offs	(819)	(189)	—	(1,008)
Foreign currency translation	<u>(69)</u>	<u>(28)</u>	<u>(123)</u>	<u>(220)</u>
Balance at the end of the year	3,084	9,573	20,100	32,757
Accumulated Amortization				
Balance at the beginning of the year	2,518	3,682	10,730	16,930
Depreciation	586	1,009	1,625	3,220
Disposals / write-offs	(819)	(182)	—	(1,001)
Foreign currency translation	<u>(57)</u>	<u>(21)</u>	<u>(64)</u>	<u>(142)</u>
Balance at the end of the year	<u>2,228</u>	<u>4,488</u>	<u>12,291</u>	<u>19,007</u>
Net book value at the end of the year	<u>856</u>	<u>5,085</u>	<u>7,809</u>	<u>13,750</u>

Part IV — Additional Information

1. The Company

1.1 Canaccord Capital Inc. was incorporated as Canaccord Holdings Ltd. 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). Pursuant to resolutions of the shareholders passed at the annual general meeting of the Company on June 21, 2004 and the subsequent filing of a notice of alteration to its articles and pursuant to an arrangement approved by an order of the Supreme Court of British Columbia made June 22, 2004, the Company changed its name to Canaccord Capital Inc. and altered its capital by converting all previously outstanding classes of common shares, preferred shares and debentures into Common Shares. The arrangement was made effective on June 30, 2004. The liability of the shareholders of the Company is limited.

1.2 The principal legislation under which the Company operates is the Business Corporations Act (British Columbia).

1.3 The Company owns, either directly or indirectly, all of the outstanding shares of the following principal operating subsidiaries:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Principal Business</u>
Canaccord Capital Corporation	British Columbia	Investment dealer in Canada
Canaccord Capital (Europe) Limited	England and Wales	Investment dealer in the U.K.
Canaccord Capital Corporation (USA), Inc.	Minnesota, USA	Broker dealer in the U.S. engaged in institutional trading
Canaccord International Ltd.	Barbados	Bank and investment dealer outside Canada, the U.S. and the U.K.

1.4 The Company's business in the U.K. is conducted through Canaccord Europe, 1st Floor, Brook House, 27 Upper Brook Street, London, U.K., W1K 7QF.

2. Share Capital

2.1 The authorised share capital of the Company is unlimited and there is no limit in the Articles of the Company on the Directors' authority to allot and issue shares of the Company. Such directors' authority is subject to complying with all applicable regulatory and statutory requirements: the shares must be fully paid, any transaction involving the issuance or potential issuance of shares must be accepted by the TSX and any distribution of shares must be effected in accordance with the Securities Act (British Columbia) and any local securities laws which may apply.

2.2 The table below sets out the authorised, issued and fully paid share capital of the Company as at June 16, 2005, being the latest practical date before the publication of this document:

<u>Designation of Security</u>	<u>Amount Authorised</u>	<u>Amount Issued</u>
Common Shares without par value	Unlimited	\$153,061,000 (46,129,268 shares)
Preferred shares without par value	Unlimited	\$ — (nil shares)

2.3 Save as disclosed in this document:

- no share or loan capital of the Company has been issued or is proposed to be issued;
- no person has any preferential subscription rights in respect of any share capital of the Company;
- no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option;
- no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company; and,
- there are no outstanding options or other convertible securities.

Part IV — Additional Information

3. Constitutional Documents

Under the laws of British Columbia, Canada, the Company is regulated by its articles (the “Articles”), Notice of Articles and the Business Corporations Act (the “BCBCA”). Under the BCBCA, the Company has the capacity and the rights, powers and privileges of an individual of full capacity, subject only to any restrictions in the Articles. The Articles contain no restrictions on the business the Company may carry on or the powers it may exercise. The Articles, together with the Company’s Notice of Articles, filed under the BCBCA, are its “constitutional documents” and, together with the provisions of the BCBCA, govern the manner in which the Company regulates its operations and activities and carries on its business.

The Articles contain, *inter alia*, provisions to the following effect:

3.1 Voting rights and resolutions of the shareholders

- (a) Subject to any special rights or restrictions as regards voting for the time being attaching to any class or series of shares in the capital of the Company and the restrictions on joint holders of shares, on a show of hands, every holder of Common Shares present in person or by proxy, is entitled to one vote and on a poll every shareholder is entitled to one vote for each share held in person or by proxy. A proxy appointee need not be a shareholder and a proxy appointing such person is required to be in writing, executed by the shareholder or by the shareholder’s attorney authorised in writing and in conformity with the requirements of the BCBCA.

The voting of shares is subject to the provisions of the Articles dealing with “significant equity interests” described in paragraph 3.12 below.

The Company may require that proxies be deposited before the day set for the holding of any meeting at which the proxies are to be used.

- (b) Ordinary resolutions require a majority of those shareholders present in person or voting by proxy to be in favour of the resolution. Special resolutions, being resolutions authorising fundamental changes in the affairs of the Company require three quarters (75 per cent) of those present and voting, in person or by proxy, to be in favour of the resolution.

3.2 Dividends

- (a) The directors may declare and the Company may pay share dividends, or options or rights to acquire fully paid shares by way of dividend or may pay a dividend in cash except if there are reasonable grounds for believing that the Company is, or after the payment would be, unable to pay its debts as they become due in the ordinary course of its business.
- (b) Subject to any rights or privileges for the time being attached to any shares having preferential or special rights in regard to dividends, all dividends declared are payable pro rata to all shares in the class in respect of which such dividends are declared without preference.

3.3 Distribution of assets on winding up

Subject to any special rights for the time being attached to any series of preference shares, on a return of assets or liquidation or otherwise the surplus assets remaining after payment of the Company’s liabilities are to be distributed pro rata to the holders of the outstanding Common Shares of the Company then issued.

3.4 Transfer of shares

Shares can be transferred in the form of a transfer endorsement on the share certificate or by any form of transfer approved by transfer agents of the Company. Subject to the provisions of the BCBCA, no transfer of shares can be registered except on presentation of the certificate representing the shares with a transfer endorsed or delivered and duly executed by the holder or the holder’s attorney or successor together with such reasonable assurance or evidence of signature, identification and authority to transfer as the transfer agents of the Company may prescribe from time to time and subject to payment of applicable taxes and fees.

The transfer of shares is subject to the provisions of the Articles dealing with “significant equity interests” described in paragraph 3.12 below.

3.5 Changes in capital

- (a) The Company is entitled without further sanction of the shareholders and subject to compliance with applicable securities legislation to purchase its own issued shares or warrants but is prohibited from

Part IV — Additional Information

making any payment to complete such purchase if there are reasonable grounds for believing that it is, or after the payment, would be unable to pay its debts as they become due in the ordinary course of business.

- (b) Subject to the BCBCA, the Company may by ordinary resolution:
- (i) create one or more classes or series of shares;
 - (ii) subdivide or consolidate all or any of its fully paid issued shares;
 - (iii) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; and
 - (iv) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.
- (c) Subject to the BCBCA, the Company may by directors' resolution:
- (i) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorised to issue out of any class or series of shares for which no maximum is established;
 - (ii) if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
 - (iii) subdivide or consolidate all or any of its unissued shares;
 - (iv) if the Company is authorised to issue shares of a class of shares with par value:
 - (A) decrease the par value of those shares; or
 - (B) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
 - (v) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value; and
 - (vi) alter the identifying name of any of its shares.
- (d) The Company may by directors' resolution or by ordinary resolution authorise an alteration of its Notice of Articles in order to change its name or to adopt or change any translation of that name.

Any holders of a class of shares are entitled to vote, separately, as a class upon a proposal to amend the Articles to alter the characteristics attached to any of the class of shares held by them, and if holders of a series, are entitled to vote separately as a series if the series held by them is affected by an amendment in a manner different from other shares of the same class. Such right applies whether or not the shares of a class or series otherwise carry the right to vote.

3.6 Dissenting shareholders

Subject to the provisions of the BCBCA relating to reorganisation by court order, if the Company resolves to:

- (a) add, remove or change any restrictions upon the business or businesses it may carry on or the powers it may exercise;
- (b) amalgamate with another corporation;
- (c) be continued under the laws of another jurisdiction; or
- (d) sell, lease or otherwise dispose of all or substantially all of its undertaking;

a holder of shares of any class or series entitled to vote on the resolution may dissent. If such shareholder elects to dissent in accordance with the provisions of the BCBCA, such shareholder is entitled as of right to be paid the fair value of the shares held by him or her. Notwithstanding the authorisation of the shareholders by special resolution to take any such steps the directors may determine not to proceed, in which case such action will not be taken by the Company and the dissenting shareholder is not entitled to proceed further. The Company is prohibited from making any payment if there are reasonable grounds for believing that the Company is, or after the payment, would be unable to pay its debts as they become due in the ordinary course of business.

Part IV — Additional Information

3.7 No pre-emption rights or restrictions on the ability of directors to issue shares

Existing shareholders have no rights of pre-emption or first refusal under the Notice of Articles, the Articles, or the BCBCA in respect of future issues of shares by the Company. The directors have authority without the need for the approval of the shareholders to issue further shares. The directors have the power to issue shares of the Company to such persons and for such amount and for property, or past services or money as they deem appropriate, provided that, if the shares are issued for property or past service, they have a fair value not less than the amount of money which could have been obtained had the issuance of the shares been for cash. No shares can, however, be issued until fully paid.

3.8 Directors

- (a) The BCBCA provides that a director or officer who is a party to a material contract or transaction or proposed material contract or transaction with the Company or is a director or officer of, or has a material interest in, a party to a material contract or transaction or proposed material contract or transaction with the Company, is required to disclose in writing to the Company or request to have entered in the minutes of the meeting of directors the nature and extent of his or her interest. A director having a material interest in a material contract or transaction or proposed material contract or transaction with the Company has a disclosable interest in such contract or transaction and must disclose the interest and cannot vote on any resolution to approve the contract or transactions. A director or officer does not hold a disclosable interest in a contract or transaction involving:
- (i) an arrangement by way of security granted by the Company for money lent to or obligations undertaken by the director for the benefit of the Company of an affiliate;
 - (ii) a contract relating primarily to his or her remuneration by the Company or an affiliate;
 - (iii) a contract for indemnity or insurance;
 - (iv) a contract with an affiliate of the Company; or
 - (v) a loan contract of which the director or officer is to be a guarantor.

A director is liable to account to a company for profits that accrue to the director if the director fails to disclose a disclosable interest.

- (b) Directors serve for a period of one year until the next annual general meeting where they may be re-elected or until their successors are elected or appointed. The Articles may be amended to provide that they serve for a longer term. A quorum of the directors can fill a vacancy among the directors between annual general meetings or due to a failure to elect the number of directors required to be elected at any meetings of shareholders. The directors may, by resolution, increase the number of directors between annual general meetings by one-third.
- (c) Directors can be removed from office during their term on a meeting of shareholders or a meeting of a class of shareholders who elected them if such meeting is carried out in accordance with the provisions of the BCBCA.
- (d) The Company may purchase and maintain insurance for the benefit of any director or officer against any liability incurred in his or her capacity as a director or officer except where such liability relates to failure to act honestly and in good faith with a view to the best interests of the Company.
- (e) Subject to the BCBCA, directors and officers of the Company are entitled under the Articles to be indemnified by the Company from and against any liability sustained in respect of the execution of the duties of his or her office and all other costs, charges and expenses that he or she sustains or incurs in respect of the affairs of the Company, and the Company may also indemnify such person in such other circumstances as the BCBCA permits or requires. The BCBCA prohibits the Company from paying an indemnity if the director or officer did not act honestly and in good faith with a view to the best interests of the Company, in the case of proceedings other than civil proceedings, the director did not have reasonable grounds for believing his or her conduct was lawful or the proceeding is brought against the director by the Company or an associated corporation.
- (f) Subject to the Articles, the directors may fix the remuneration of the directors, officers and employees. Directors may be reimbursed for all expenses of such director incurred in the service of, and on behalf of the Company.

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3.9 No requirement to notify or disclose shareholder interests

There are no requirements under the BCBCA, the Notice of Articles or the Articles for the directors or shareholders who hold three per cent. or more of the Company's share capital to notify the Company of their interests in the Company's share capital or changes in such interests. Neither the BCBCA, the Notice of Articles nor the Articles contain any power authorising the Company to require shareholders to disclose their interests in the Company's share capital.

Under the AIM Rules, the Company must announce changes (insofar as it is aware of such changes) in the holdings of any significant shareholders being shareholdings exceeding three per cent, or if such shareholdings are already in excess of three per cent, any change in such shareholdings occurring through any one per cent.

3.10 Meetings of the shareholders

- (a) The Company is required to hold an annual general meeting of its shareholders at least once within each calendar year and not later than 15 months after the preceding annual meeting.
- (b) At the annual meeting, the directors of the Company must place the annual financial statements that the Company is required to file under applicable Canadian securities legislation in relation to the most recently completed financial year and any auditors report made on those financial statements before the meeting. In addition, business to be conducted at the annual meeting includes consideration of any reports the directors or auditors, setting the number of directors, the election of directors, the appointment of auditors and the setting of their remuneration. Any other business is considered special business.
- (c) The shareholders elect directors to their usual term of offices and, by following the provisions in the BCBCA, can remove them before the expiry of their term.
- (d) For all shareholders meetings of the Company, the directors are required to solicit proxies and to prepare and deliver an information circular setting out the business to be determined at the meeting in accordance with the requirements of the Securities Act (British Columbia) and applicable Canadian securities legislation describing any matter out of the ordinary course of business in sufficient detail to permit shareholders to form a reasoned judgment concerning the matter.
- (e) Notice of any meetings of shareholders must be given to the shareholders not less than 21 days and not more than two months before the date of the meeting and must be accompanied by any information circular containing, among other things, full details of all matters to be considered by the meeting.

3.11 Borrowing powers

The BCBCA provides that, subject to the Articles, the directors may, without further authorisation of the shareholders, on behalf of the Company:

- (a) borrow money in the manner and amount, on the security from the sources and on the terms that they consider appropriate;
- (b) issue, bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person;
- (c) subject to the solvency requirements of the BCBCA, guarantee the repayment of money by any other person or the performance of an obligation of any other person; and
- (d) mortgage, or charge, whether by specific or floating charge, or give other security on the whole or any part of the present and future undertaking of the Company.

3.12 Significant equity restrictions

Pursuant to rules established by certain securities regulatory authorities in Canada and the United States, the ownership of shares of an investment dealer or broker dealer is subject to certain restrictions. To enable the Company and its subsidiaries to comply with these requirements, the Articles contain the following provisions.

The Company may require a proposed subscriber or transferee of Common Shares to submit a declaration with respect to the holding of Common Shares of the Company as beneficial owner and any other matter that the Directors consider relevant to determine if the registration of the subscription or transfer would result

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in a violation of the Articles or applicable legislative or regulatory requirements. The Company may also require a declaration at any time if proxies are solicited from shareholders at any meeting of shareholders or before such a meeting or when, in the opinion of the Directors, the holding of Common Shares by any person could violate the Articles or applicable legislative or regulatory requirements.

The Company has the power to refuse to issue or record a transfer of any share of any class if:

- (a) following the issue or recording of the transfer, the shareholder (along with his or her associates and affiliates) would beneficially own or control, directly or indirectly, a “significant equity interest” in the Company, unless the required approvals from all relevant securities regulatory authorities have been obtained; or
- (b) the person requesting the issue or recording of the transfer refuses to sign and deliver a declaration with respect to his or her beneficial ownership of Common Shares of the Company.

The Company has the power to withdraw the voting rights of any share of any class if:

- (a) a person beneficially owns or controls, directly or indirectly, a “significant equity interest” in the Company and has not obtained the required approvals from all relevant securities regulatory authorities;
- (b) a person who wishes to exercise voting rights, in person or by proxy, refuses to sign and deliver, with respect to his or her beneficial ownership of shares of the Company, a declaration or other information reasonably necessary to assist the directors in making their determinations under the Articles; or
- (c) if the Directors have determined, on the basis of the declaration or information provide by a person who wishes to exercise voting rights, that such person may own or control, directly or indirectly, a “significant equity interest” in the Company and has not obtained the required approvals from all relevant securities regulatory authorities.

For these purposes, a “significant equity interest” in the context of the Company means:

- (a) in respect of the applicable rules of the Investment Dealers Association of Canada (the “IDA”) and the TSX Venture Exchange Inc., the holding of: (i) voting securities carrying 10 per cent or more of the votes carried by all voting securities of the Company, (ii) 10 per cent or more of the outstanding participating securities of the Company or (iii) an interest of 10 per cent or more of the total equity in Canaccord Capital Corporation;
- (b) in respect of the applicable rules of the Toronto Stock Exchange, the holding, directly or indirectly and alone or in combination with any other person, of securities: (i) carrying 20 per cent or more of the votes carried by all voting securities, (ii) carrying the right to receive 20 per cent or more of any distribution of earnings and (iii) accounting for 20 per cent or more of the total capital or equity of the Company;
- (c) in respect of the applicable rules of the Bourse de Montréal Inc. (the “Bourse”) (where a significant equity interest is referred to as a “major position”), having the power to direct or cause the direction of the management or policies of Canaccord Capital Corporation whether through ownership of securities, by contract or otherwise, and a person is considered to hold a major position in the capital of the Company pursuant to the rules of the Bourse if such person, directly or indirectly: (i) has the right to vote 10 per cent or more of the voting securities or (ii) is entitled to receive 10 per cent or more of the net profits of the Company;
- (d) in respect of the applicable rules of the Autorité des marchés financiers in Québec, the direct or indirect ownership or holding of more than 10 per cent of the voting rights attached to securities issued by the Company; and
- (e) in respect of the applicable rules of the National Association of Securities Dealers in the United States, a change in the equity ownership of the Company that results in one person or entity directly or indirectly owning or controlling 25 per cent or more of the equity.

The Company is entitled to sell, as agent, through a stock exchange designated by the Directors of the Company or, in the absence of such a designation, by private contract or in any other manner, any number of shares of any class held by any person in violation of the Articles, if the Directors determine that the sale is necessary or advisable to ensure compliance with the Articles and applicable legislative and regulatory requirements. The Company is also entitled to effect such a sale if a person fails to reply to a request for a declaration contemplated by the Articles. Any such sale will be subject to certain procedural requirements (which are set out in the Articles) including notice of the proposed sale.

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These restrictions relating to the transfer and the issue of shares of the Company do not generally apply in the case of an issue or a transfer in favour of an investment dealer or a holding company of an investment dealer so long as the transfer is effected in the ordinary course of the activities of its securities business.

The Directors have the power to establish the rules and procedures that they consider necessary and appropriate to implement these provisions.

4. Directors of the Company and Directors' and Other Interests

4.1 The directors of the Company, their principal occupations and their respective shareholdings are presented in the table below. The shareholdings are as of June 16, 2005, the latest practicable date prior to the publication of this document. Such shareholdings represent the interests of the Directors and their immediate families, all of which are beneficial, in the share capital of the Company as notified to the Company.

<u>Name, Municipality of Residence and Position Held</u>	<u>Principal Occupation</u>	<u>Number of Common Shares</u>	<u>Percentage of Common Shares</u>
PETER MACLACHLAN BROWN Vancouver, B.C. Chairman of the Board and Director	Chairman of the Board and Chief Executive Officer of the Company and Canaccord Capital	2,202,979	4.78%
MICHAEL GEORGE GREENWOOD Edmonton, Alberta President and Director	President and Chief Operating Officer of the Company and Canaccord Capital	1,710,042	3.71%
WILLIAM JOHN EEUWES Burlington, Ontario Director	Vice-President of Manulife Capital, the merchant banking arm of The Manufacturers Life Insurance Company	nil	nil
MICHAEL DEANE HARRIS Toronto, Ontario Director	Senior business adviser of Goodmans LLP since 2002; Premier of the Province of Ontario from 1995 to 2002	30,000	0.07%
BRIAN DENNIS HARWOOD West Vancouver, B.C. Director	Retired	30,000	0.07%
TERRENCE ALLAN LYONS Vancouver, B.C. Director	Chairman of the Board of Northgate Minerals Corporation	30,000	0.07%
JAMES ALLEN PATTISON Vancouver, B.C. Director	Chairman of the Board, President and Chief Executive Officer of The Jim Pattison Group	605,687	1.31%
JOHN BRIAN ZAOZIRNY Calgary, Alberta Director	Vice-Chairman of the Board of Canaccord Capital and counsel to McCarthy Tétrault LLP	301,345	0.65%

Save as disclosed above, none of the Directors nor any member of his immediate family holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.

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4.2 Other than directorships of the Company, the current directorships and partnerships and directorships and partnerships held during the five years preceding the date of this document by the Directors are as follows:

	<u>Current Directorships</u>	<u>Previous Directorships</u>
Peter M. Brown	Canaccord Capital Corporation Canaccord Capital (Europe) Limited Canaccord Financial Services Ltd. CLD Financial Opportunities Limited Clonmere Estates Ltd. Il Caminetto di Umberto Restaurant (1982) Ltd. Jamevest Enterprises Ltd. Jastock Holdings Ltd. L & R Land Corporation The MacLachlan Investment Corporation 504814 B.C. Ltd.	Canaccord Investment Ltd. Canarim Investment Corporation Mangiamo Restaurant Limited MOF Management Ltd. Special Opportunities Fund Ltd. Stockwave Equities Ltd. (formerly 530704 B.C. Ltd.) 1288 Ventures Ltd. 536644 B.C. Ltd.
Michael G. Greenwood	Canaccord Capital Corporation Canaccord Capital Credit Corporation Canaccord Capital (Europe) Limited Canaccord Financial Services Ltd. Canaccord Investment Ltd. Pinnacle Correspondent Services Corp. Pinnacle Correspondent Services (M.F.D.) Inc. Stockwave Equities Ltd. Triple C Holdings, Inc. 475645 B.C. Ltd. 728541 Alberta Ltd. 656540 B.C. Ltd.	Stockwave Equities Ltd. (formerly 530704 B.C. Ltd.) 536644 B.C. Ltd. 508763 B.C. Ltd.
William J. Eeuwes	Enterprise Capital Fund II Enterprise Capital Management Inc. Manulife Capital Inc. Regional Power Inc. VFC Inc.	Cavalier Cable Inc. Golf Town Limited Partnership Manulife International Capital Corporation MF Leasing (Canada) Inc. Micro-Optics Development Corp. Money's Mushrooms Limited Networc Health Inc. Neuroscience Partners L.P. Worldinsure.com 1332953 Ontario Inc.
Michael D. Harris	ACE Security Laminates Corporation Chartwell Seniors Housing REIT Duncannon Corporation Environmental Management Solutions Inc. Grant Forest Products Limited Grey Island Systems Inc. Magna International Inc. One Stop Toronto Inc. Steane Consulting Limited	
Brian D. Harwood	Petersham Holdings Ltd. Stuart Moore Ltd.	

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	<u>Current Directorships</u>	<u>Previous Directorships</u>
Terrence A. Lyons	B.C. Pacific Capital Corp. Diamonds North Resources Ltd. FT Capital Ltd. Kemess Mines Ltd. Morgan Bancorp (1983) Inc. Northgate Minerals Corp. Northgate Resources Ltd. Polaris Minerals Corp. Red Tusk Resources Inc. Reliable Energy Ltd. TTM Resources Inc.	Battle Mountain Gold Company ESI Environmental Sensors Inc. International Utility Structures Inc. Persona Inc. Petra Resource Corp.
James A. Pattison	BCE Inc. Canfor Corporation Great Pacific Capital Corp. Great Pacific Enterprises Inc. Great Pacific Industries Inc. Jim Pattison Enterprises Ltd. Jim Pattison Entertainment Ltd. Jim Pattison Group Inc. Jim Pattison Industries Ltd. Jim Pattison Investments Ltd. Jim Pattison Lease Limited Jim Pattison Ltd. Sun-Rype Products Ltd. Westar Group Ltd. 461847 British Columbia Ltd. 432056 British Columbia Ltd. 436647 B.C. Ltd.	Westshore Terminals Income Fund Westshore Terminals Ltd.
John B. Zaozirny	Acetex Corporation Alberta Newsprint Company Ltd. Bankers Petroleum Ltd. Canadian Oilsands Investments Candax Energy Inc. Computer Modelling Group Ltd. Fording Canadian Coal Trust Ipsco Inc. John B. Zaozirny Professional Corporation Matrikon Inc. Middlefield Resources Fund Pengrowth Corporation Provident Energy Ltd. TerraVest Income Fund Titanium Corporation Inc. Zao Enterprises Inc. Zao Ventures Ltd. Zeecorp Investments Ltd.	Chinook Testing Inc. Ravenswood Resources Inc. Reserve Royalty Corporation Silent Witness Enterprises Ltd. Tonko Development Corp. United America Enterprises Ltd. 2M Energy Corp.

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4.3 As of June 16, 2005, the latest practicable date prior to the publication of this document, the Directors are aware of the following persons who, directly or indirectly, jointly or severally, are interested in three per cent or more of the issued Common Shares:

<u>Name</u>	<u>Number of Common Shares</u>	<u>Percentage of Common Shares</u>
The Manufacturers Life Insurance Company	6,028,369	13.07%
Peter M. Brown	2,202,979	4.78%
Michael G. Greenwood	1,710,042	3.71%

Save as disclosed above, there are no persons, so far as the Company is aware, who are or will be immediately following Admission interested, directly or indirectly, in three per cent or more of the Company's issued share capital, nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

4.4 Messrs. Brown and Greenwood have agreed to provide executive director's services to the Company. Such services are to be provided directly to the Company and its subsidiaries.

4.5 There are no contracts, existing or proposed, between any Director and the Company or any subsidiary.

4.6 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

4.7 Non-executive Directors are paid an annual fee of \$25,000. In addition, non-executive Directors are paid a fee of \$1,000 for each Directors' meeting or committee meeting attended. Any lead non-executive Director will be paid an additional \$25,000 per annum. The Chairman of the Audit Committee is paid \$10,000 per annum and other committee chairmen are paid \$5,000 per annum.

It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the non-executive Directors and the Directors' associated consultancy companies as the case may be, for the 12 months ending March 31, 2006, will be approximately \$280,000. The aggregate remuneration and benefits in kind paid to the non-executive Directors and the Directors' associated consultancy companies as the case may be, for the 12 months ended March 31, 2005, was \$133,000.

It is estimated that under the arrangements currently in force, the remuneration and benefits in kind to be paid to the two executive Directors, Messrs. Brown and Greenwood, in respect of their salaries for the 12 months ending March 31, 2006 will be approximately \$210,000 each. The remuneration and benefits in kind paid to these two executive Directors for the 12 months ended March 31, 2005 was \$210,000 each in respect of their salaries. In addition, these two executive directors are paid variable and incentive-based compensation which was \$3,133,854 for Mr. Brown and \$3,012,097 for Mr. Greenwood for the 12 months ended March 31, 2005. It is not possible to determine or estimate the amount of such variable and incentive-based compensation these two executive directors will be paid for the 12 months ending March 31, 2006.

4.8 Save as disclosed below none of the Directors has:

- any unspent convictions in relation to indictable offences;
- had any bankruptcy order made against him or entered into any individual voluntary arrangements;
- been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

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- been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or
- been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of a company.

Mr. Eeuwes was a director of a private company, Micro-Optics Development Corp., until April 2003. Within a year after his resignation as a director, that company was subject to a court appointed trustee and filed for court protection under insolvency statutes.

Mr. Lyons is the president and a director of FT Capital Ltd. which is presently subject to a cease trade order for failure to file financial statements. At the request of Brascan Financial Corporation, Mr. Lyons joined the board of FT Capital Ltd. and was appointed its President in 1990 in order to assist in its reorganisation which is ongoing. Mr. Lyons became a director of International Utilities Structures Inc. (“IUSI”) in 1991. On October 17, 2003 IUSI was granted protection from its creditors under the Companies’ Creditors Arrangement Act (“CCAA”) by the Court of Queen’s Bench in Alberta. On March 31, 2005, an order was granted approving a final plan and distribution to creditors for IUSI under the CCAA. That plan was accepted by all parties and Mr. Lyons resigned as a director concurrent with the final order under the CCAA.

Mr. Pattison was a director of Livent Inc. until September 1999. Livent Inc. was subject to a cease trade order from August 28 to November 20, 1998, pending the filing of financial and other information satisfactory to the Ontario Securities Commission. Livent Inc. filed for court protection under insolvency statutes on November 18, 1998.

4.9 None of the Directors has been granted any options or warrants to acquire shares of the Company.

4.10 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Canaccord group during the currently or immediately preceding financial year or which were effected during the earlier financial year and remain in any respect outstanding or underperformed.

4.11 There are no outstanding loans or guarantees provided by the Company or the Canaccord group to or for the benefit of the any of the Directors.

5. Material Contracts

Save for the contract set out below, no contracts which are or may be considered material, have been entered into by members of the Canaccord group otherwise than in the ordinary course of business during the two years immediately preceding the date of this document:

Underwriting Agreement dated June 23, 2004

The Company, certain selling shareholders and the following underwriters, CIBC World Markets Inc., Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Scotia Capital Inc., RBC Dominion Securities Inc., GMP Securities Inc., National Bank Financial Inc. and TD Securities Inc. (the “Underwriters”) entered into an underwriting agreement dated June 23, 2004 in respect of an initial public offering and a secondary offering of Common Shares (the “Underwriting Agreement”). The selling shareholders were comprised of The Manufacturers Life Insurance Company, Peter Brown, Michael Greenwood, Dennis Burdett, James Pattison and 91 employees, none of whom were directors or officers of the Company at that time, (the “Selling Shareholders”). Pursuant to the Underwriting Agreement, the Company, in respect of 6,829,268 Common Shares, and the Selling Shareholders, in respect of a total of 2,926,830 Common Shares, agreed to sell and the Underwriters agreed to purchase, such Common Shares at a price of \$10.25 per Common Share for a total consideration to the Company of \$70 million and an aggregate consideration of \$30 million to the Selling Shareholders. The Underwriters were paid a fee of \$0.59 per Common Share for their services in connection with the underwriting. The distribution of the Common Shares purchased by the Underwriters was qualified by a prospectus dated June 23, 2004 and filed in all provinces and territories of Canada. The initial public offering and the secondary offering closed on June 30, 2004.

6. Nominated Adviser Agreement

On June 16, 2005, the Company entered into a nominated adviser agreement (the “Nominated Adviser Agreement”) with Grant Thornton Corporate Finance, pursuant to which, effective from Admission the Company has appointed Grant Thornton Corporate Finance to act as nominated adviser to the Company for the purpose of the AIM Rules. The Company has agreed to pay Grant Thornton Corporate Finance a fee

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of £20,000 per annum for its services. Save in certain circumstances, the agreement is subject to three months' written notice by either party such notice to expire on or after the first anniversary of Admission.

The Nominated Adviser Agreement contains warranties given by the Company as to the accuracy of the information contained in this document and other matters relating to the Canaccord group and its business. In addition, the Company has given an indemnity to Grant Thornton Corporate Finance in respect of certain matters.

7. Litigation

There are no legal or arbitration proceedings active, pending or threatened against, or being brought by, the Company or any member of the Canaccord group which are having, or may have, a significant effect on the Company's financial position.

Nonetheless, Canaccord, in the normal course of business as an investment dealer, is involved with litigation and is a defendant in various legal actions. In connection therewith, Canaccord has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these legal actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of the Company. Certain actions commenced against Canaccord have amounts claimed, or amounts which could potentially be claimed, which are material and, accordingly, these actions are described below. Although Canaccord has denied the allegations and intends to vigorously defend itself in each of these actions, the outcome of each action cannot be predicted with certainty.

Jitec Class Actions

In 2002, two actions were commenced in the Superior Court of Québec relating to Jitec Inc. (now Avantage Link Inc.) ("Jitec"). Both are class action proceedings in which the plaintiffs, who were shareholders of Jitec, claim that the principal defendant, Benoit Laliberté, the president and chief executive officer of Jitec, maintained the volume and share price of Jitec at an artificially high level by issuing false press releases, not filing trading reports and using a nominee who traded Jitec shares through Canaccord, CIBC World Markets Inc. and Leduc and Associates Securities (Canada) Ltd. Each of these investment dealers has been named as a defendant in the actions. In addition, the actions allege that Canaccord was negligent in the performance of certain due diligence conducted in connection with the reverse take-over by Jitec of Altavista Mines Inc. and the related \$9 million private placement for which Canaccord acted as underwriter. This private placement was completed on July 13, 2000. Both of the Jitec actions have been certified as class action. The extent of the classes and the quantification of damages are yet to be determined. Canaccord has denied the allegations and intends to continue to vigorously defend itself against these claims.

Coastline Corporation Action

In 2002, an action was commenced in the Ontario Superior Court of Justice by Coastline Corporation, Forum Management Inc., George Georgiou, 742315 Ontario Limited c.o.b. as System 42, Andrew Zabransky, Walsten Aircraft Parts & Leasing Inc., 531197 Ontario Ltd., and Neil Walsten against Canaccord, Sprott Securities Limited and numerous individual defendants. The action stems from the allegedly inappropriate trading activities in the period of April 2000 to November 2001 by two former investment advisers of Sprott and subsequently Canaccord. The claim is for breach of fiduciary duty, breach of contract, negligence, deceit and misrepresentation on the part of the two investment advisers as part of a larger scheme to support certain issuers. The claims against Canaccord and Sprott include a claim of failure to supervise. The damages claimed in the Coastline action are approximately \$27 million. Management's analysis of the claim is that it is unsubstantiated and without merit. Canaccord intends to continue to vigorously defend itself against this claim.

Pryde Actions

John Pryde is a former investment adviser who was employed by Canaccord from 1998 until 2001. Mr. Pryde allegedly made unauthorised and unsuitable trades for the accounts of many of his clients during that period. A substantial number of Mr. Pryde's clients have made claims against Mr. Pryde and Canaccord for losses resulting from these alleged actions. Canaccord has conducted a full investigation of Mr. Pryde's activities and has settled, without litigation, the majority of the claims by clients who were not associates of Mr. Pryde. Since 2002, six actions have been commenced in the Supreme Court of British Columbia against Canaccord by certain former clients of Mr. Pryde. These plaintiffs are claiming damages for loss of capital in the approximate amount of \$2.2 million and unquantified amounts for aggravated damages, punitive damages,

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restitution for commissions paid to Mr. Pryde, interest and costs. Canaccord has denied the allegations against it and intends to continue to vigorously defend itself against these claims. In addition, Canaccord has made a counterclaim against some of the plaintiffs alleging that these plaintiffs knew of Mr. Pryde's activities and participated with him for their mutual financial benefit to the detriment of Canaccord.

Former Employee Claim

A former officer, director and shareholder who was also an employee (the "Former Employee") of Canaccord has claimed against Canaccord. At the time his employment with Canaccord ceased, in July 2001, the Former Employee owned, directly and indirectly, certain shares of the Company (the "Shares"). The Shares were repurchased in October 2001 for approximately \$2.7 million. In December 2001, the Former Employee commenced litigation in the Ontario Superior Court of Justice against Canaccord seeking damages for wrongful dismissal of \$4.5 million, an order requiring Canaccord to repurchase his shares for approximately \$4.3 million and other damages and amounts in the aggregate amount of an additional \$2.75 million. Canaccord has denied these allegations and will continue to vigorously defend itself against these claims. Canaccord counterclaimed against the Former Employee in February 2002 for losses now quantified at \$3.6 million plus interest in connection with a debenture in a private company which Canaccord alleges it purchased on the basis of false representations made by the Former Employee.

In September 2004, the Former Employee sought to amend his claim to seek a declaration from the court that he continues to own the Shares or, in the alternative, an order requiring Canaccord to repurchase the Shares at a fair market value in an unspecified amount in excess of the amount already claimed. The Former Employee had previously made no claim to continued ownership of the Shares or an interest in the Company or its subsidiaries. Canaccord considers the Former Employee's new claims to be vexatious and opposed the motion to amend his pleadings. The motion was dismissed by a Master of the Ontario Superior Court and that decision is now on appeal.

8. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Canaccord group will be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

9. Taxation

9.1 Canadian Federal Income Taxation

The following discussion summarises the principal Canadian federal income tax considerations generally applicable to an individual other than a trust (an "investor") who acquires one or more Common Shares of the Company, and to who at all material times for the purposes of the Income Tax Act (Canada) (the "Canadian Act") deals at arm's length with the Company, holds all Common Shares solely as capital property, is a non-resident of Canada, and does not, and is not deemed to, use or hold any Common Share in or in the course of carrying on business in Canada. It is assumed that the Common Shares will at all material times be listed on a stock exchange that is prescribed for the purposes of the Canadian Act.

This summary is not, and is not to be construed as, tax advice to any particular investor. Each investor is urged to obtain independent advice as to the Canadian income tax consequences of an investment in Common Shares applicable to the investor's particular circumstances.

This summary is based on the current provisions of the Canadian Act, including the regulations thereunder, and the Canada-United Kingdom Income Tax Convention (1978) and the First, Second and Third Protocols thereto (the "Treaty"). This summary takes into account all specific proposals to amend the Canadian Act and the regulations thereunder publicly announced by the government of Canada to the date hereof and the Company's understanding of the current published administrative and assessing practices of the Canada Revenue Agency. It is assumed that all such amendments will be enacted substantially as currently proposed, and that there will be no other material change to any such law or practice, although no assurances can be given in these respects. Except to the extent otherwise expressly set out herein, this summary does not take into account any provincial, territory or foreign income tax law or treaty.

(a) Dividends

Any dividend on a Common Share, including a stock dividend, paid or credited, or deemed to be paid or credited, by the Company to an investor will be subject to Canadian withholding tax at the rate of 25 per cent on the "amount" of the dividend as determined for Canadian income tax purposes, or such

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lesser rate as may be available under the Treaty. Pursuant to the Treaty, the rate of withholding tax applicable to a dividend paid on a Common Share to an investor who is a resident of the United Kingdom for the purposes of the Treaty will be reduced to 15 per cent of the amount of the dividend unless the main purpose or one of the main purposes of any person concerned with the creation or assignment of the shares or other rights in respect of which the dividend is paid is to take advantage of the Treaty by means of that creation or assignment. The Company will be required to withhold any such tax from the dividend, and remit the tax directly to the Canada Revenue Agency for the account of the investor.

(b) Capital Gains

An investor generally will not be subject to Canadian tax on any capital gain realised by the investor on a disposition of a Common Share unless the Common Share constitutes “taxable Canadian property” to the investor for purposes of the Canadian Act and the investor is not eligible for relief pursuant to the Treaty. A Common Share will not constitute taxable Canadian property of the investor, for these purposes, provided that the Common Share is listed on a stock exchange that is prescribed for the purposes of the Canadian act (the TSX is a prescribed exchange), and that neither the investor, nor one or more persons with whom the investor did not deal at arm’s length, alone or together at any time in the 60 months immediately preceding the disposition owned 25 per cent or more of the issued shares of any class of the capital stock of the Company.

Effective for taxation years beginning on or after January 1, 2005, the Treaty exempts an investor from Canadian income tax in respect of any capital gain realised on a disposition of a Common Share if the investor is not a resident of Canada at any time during the fiscal year in which the Common Share is disposed of and has not been resident in Canada at any time during the six years immediately preceding the disposition of the Common Share.

9.2 United Kingdom Taxation

The following comments are intended as a general guide for the benefit of an investor of Common Shares (holding their shares through CDI’s) as to their tax position under current United Kingdom tax law and Inland Revenue practice as at the date of this document. These comments are intended only for investors who are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Common Shares as investments rather than trading stock and who are the beneficial owners thereof. Any investor who is in any doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers without delay.

(a) Dividends

An investor resident in the UK for tax purposes will be taxable on the total of any dividend received and the related withholding tax, which will be regarded as the top slice of the individual’s income. The withholding tax suffered is available as a credit against the UK income tax payable on the dividend.

Entitlement to claim repayment of any part of the withholding tax for investors not resident in the UK for tax purposes will depend in general, on the provisions of any double tax convention between Canada and the country in which the investor is resident. Investors who are not resident in the UK should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment of any part of the withholding tax and, if so, the procedure for doing so.

(b) Capital Gains

A disposal of Common Shares by an investor who is either resident or, ordinarily resident for tax purposes in the UK, may, depending on the investor’s circumstances and subject to any available exemptions or reliefs, give rise to a capital gain or allowable loss. An investor who has, on or after March 17, 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years and who disposes of the Common Shares during that period may also be liable on his return to the UK for capital gains taxation on the gain made when non resident (subject to any available exemptions or reliefs).

For UK resident individual investors, taper relief may be available to reduce the amount of the gain chargeable to tax. The availability and rate of taper relief will depend upon the period of ownership of the Common Shares and on whether the Common Shares qualify as business assets or not for the individual in question.

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For UK resident individual investors within the charge to corporation tax, taper relief is not available, but an indexation allowance should be available to reduce the amount of chargeable gain realised on the disposal of the Common Shares. However, such indexation allowance cannot create a capital loss.

9.3 Stamp duty and stamp duty reserve tax (“SDRT”)

Under current UK practice, the Inland Revenue may charge stamp duty reserve tax on the CDIs in CREST. Should such a charge arise, this is likely to be at a rate of 0.5 per cent of the value of the transaction.

If you are in doubt as to your tax position or are subject to taxation in any jurisdiction other than the UK you should consult an appropriate professional adviser without delay.

10. Employee Stock Purchase Plans

Effective April 1, 2005 the Company implemented two employee stock purchase plans. The first plan, called the Employee Stock Purchase Plan is offered to all full time permanent employees. The second plan is offered to Canaccord’s key senior employees and is called the Employee Stock Incentive Plan. The Company also has a share option plan although no grants under that plan have been made.

10.1 Employee Stock Purchase Plan

This plan allows employees to purchase the Company’s shares through the open market. Employee contributions are matched by the Company to a maximum of \$1,500 per year per employee. Contribution levels can be changed twice in a calendar year and may be suspended by the employee for six months. There are restrictions on the transactions that may take place during close periods and these comply with AIM Rule 21. All employees are precluded from buying or selling any Common Shares during close periods (other than through the Employee Stock Purchase Plan). Directors are eligible to participate in the Employee Stock Purchase Plan. As at the date of this document only Mr. John Zaozirny of the Directors was participating in the Employee Stock Purchase Plan.

The Company has agreed with the AIM team at the London Stock Exchange that it will only be required to make a block disclosure of purchases of Common Shares by its Directors in the Employee Stock Purchase Plan once every six months as opposed to monthly as would be required under AIM Rule 17, on the basis that such purchases are regular and to have to make such disclosures on a monthly basis would be unnecessarily burdensome. This relaxation does not extend to purchases of Common Shares by Directors outside the Employee Stock Purchase Plan or to any sales of Common Shares by Directors, both of which must be notified under AIM Rule 17 without delay.

10.2 Employee Stock Incentive Plan

The Employee Stock Incentive Plan is provided to certain key executive level employees of Canaccord as a component of an overall incentive compensation package. This plan has been designed to align the interests of key employees, principally in the Global Capital Markets group, with the interests of the Company’s shareholders. Under this plan the Company will contribute 40 per cent of the purchase price in respect of Common Shares acquired by these employees in the open market. The loan will be forgiven over four years in equal amounts on the first, second, third and fourth anniversaries of the purchase. If the employee resigns or is fired for cause while any amount of the loan remains outstanding, then the employee is required to sell and the Company will be required to purchase the Common Shares representing that portion of the loan still outstanding for the original consideration per share, and the Company will accept that amount in full satisfaction of such amount. The Company will, in effect, have no recourse for repayment of the loan beyond the Common Shares relating to that portion of the loan outstanding.

10.3 Share Option Plan

The Company has a share option plan whereby it may grant options to purchase Common Shares to directors, officers, employees and consultants of the Canaccord group at a price to be fixed by the Directors. The number of Common Shares which may be issued pursuant to the plan is fixed at 4,612,927 Common Shares. The plan also provides for certain share appreciation rights subject to activation by the Directors. There are no options granted pursuant to this plan and at the present time the Company does not intend to grant any options under this plan.

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11. General

11.1 The accounting reference date of the Company is March 31.

11.2 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

- (a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
- (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (i) fees totalling £10,000 or more; or
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price of the Common Shares on Admission; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.

11.3 Ernst & Young LLP stated on June 16, 2005 that they consent to the inclusion in this document of their report in respect of the financial statements of the Company over each of the years in the two year period ended March 31, 2005 for the purposes of paragraph 45(2)(a)(iv) of schedule 1 to the POS Regulations and, for the purposes of Regulations 13(1) and 14(1) of the POS Regulations, accept responsibility for that report and have not become aware, since the date of that audit report, of any matter affecting the validity of the report at that date.

11.4 Ellis Foster stated on June 16, 2005 that they consent to the inclusion in this document of their report in respect of the financial statements of the Company over the one year period ended March 31, 2003 for the purposes of paragraph 45(2)(a)(iv) of schedule 1 to the POS Regulations and, for the purposes of Regulations 13(1) and 14(1) of the POS Regulations, accept responsibility for that report and have not become aware, since the date of that audit report, of any matter affecting the validity of the report at that date.

11.5 Grant Thornton Corporate Finance has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which it appears.

11.6 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.

11.7 No paying agent has been appointed by the Company.

11.8 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the Company.

11.9 Save as disclosed in this document, there are no investments in progress which are significant.

11.10 Save as set out in this document, there has been no significant change in the trading or financial position of Canaccord or any significant trends concerning the development of Canaccord's business since March 31, 2005, the date of the latest consolidated audited accounts of the Canaccord group.

12. Availability of this Document

Copies of this Admission Document will be available free of charge to the public during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Grant Thornton Corporate Finance, Grant Thornton House, Melton Street, London, NW1 2EP for a period of one month from the date of Admission.

June 16, 2005

