Q2 CANACCORD FINANCIAL INC.

Second Quarter Fiscal 2011 Report to Shareholders

REPORTS FISCAL SECOND QUARTER 2011 RESULTS

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

VANCOUVER, November 3, 2010 – Canaccord Financial Inc.'s revenue for the second quarter of fiscal year 2011, ended September 30, 2010, was $149.3 million, up 20.6% from the same quarter last year but down 1.7% from the previous quarter. Net income for the second quarter was $9.7 million, up 44.0% compared to a net income of $6.7 million during the same quarter last year and up 99.2% compared to the previous quarter. Diluted earnings per share (EPS) for fiscal Q2/11 were $0.12, compared to diluted EPS of $0.12 in Q2/10 and diluted EPS of $0.06 the previous quarter. "Though we are encouraged by the dramatic market turnaround the last two months, volatile market activity persisted through much of July and August and had a noticeable impact on business levels during our fiscal second quarter," noted Paul Reynolds, President and CEO of Canaccord Financial Inc. "Client interest remains strong and as investors and corporate issuers regain confidence in the markets, the climate for trading and investment banking activity should continue to improve."

SECOND QUARTER 2011 VS. SECOND QUARTER 2010

- Revenue of $149.3 million, up 20.6% or $25.6 million from $123.7 million
- Expenses of $135.3 million, up 16.8% or $19.4 million from $115.9 million
- Net income of $9.7 million compared to net income of $6.7 million
- Return on equity (ROE) of 5.7%, down from 6.9%(1)
- Diluted EPS of $0.12 compared to diluted EPS of $0.12

Excluding acquisition-related expense items (1)(2)

- Expenses of $133.5 million, up 15.2% or $17.6 million from $115.9 million
- Net income of $11.5 million compared to net income of $6.7 million
- ROE of 6.7%, down from 6.9% (1)(3)
- Diluted EPS of $0.14 compared to diluted EPS of $0.12

SECOND QUARTER 2011 VS. FIRST QUARTER 2011

- Revenue of $149.3 million, down 1.7% or $2.6 million from $151.9 million
- Expenses of $135.3 million, down 6.5% or $9.4 million from $144.7 million
- Net income of $9.7 million compared to net income of $4.9 million
- ROE of 5.7%, up from 3.7%(1)
- Diluted EPS of $0.12 compared to diluted EPS of $0.06 in the first quarter of 2011

(1) See non-GAAP measures
(2) Acquisition-related expense items are in connection with the acquisition of Genuity Capital Markets. Second quarter 2011 figures include $1.9 million of amortization of intangible assets. First half of fiscal 2011 figures include $11.0 million of acquisition-related costs and $3.3 million of amortization of intangible assets.
(3) ROE figures excluding acquisition-related expense items, exclude only $1.9 million of amortization of intangible assets recorded in Q2/11, $11.0 million in acquisition-related costs and $1.4 million of amortization of intangible assets recorded in Q1/11, and $5.0 million of acquisition-related costs in Q4/10.

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CANACCORD Financial

Excluding acquisition-related expense items [(1)(2)]

- Expenses of $133.5 million, up 1.0% or $1.2 million from $132.3 million
- Net income of $11.5 million compared to net income of $13.9 million
- ROE of 6.7%, down from 10.3%[(1)(3)]
- Diluted EPS of $0.14 compared to diluted EPS of $0.18 in the first quarter of 2011

FIRST HALF OF FISCAL 2011 VS. FIRST HALF OF FISCAL 2010

(Six months ended September 30, 2010 vs. six months ended September 30, 2009)

- Revenue of $301.2 million, up 15.3% or $40.0 million from $261.2 million
- Expenses of $280.0 million, up 18.0% or $42.6 million from $237.4 million
- Net income of $14.6 million compared to net income of $15.9 million
- ROE of 4.7%, down from 8.3%[(1)]
- Diluted EPS of $0.18 compared to diluted EPS of $0.28 in the first half of fiscal 2010

Excluding acquisition-related expense items[(1)(2)]

- Expenses of $265.8 million, up 12.0% or $28.4 million from $237.4 million
- Net income of $25.4 million compared to net income of $15.9 million
- ROE of 8.5%, up from 8.3%[(1)(3)]
- Diluted EPS of $0.32 compared to diluted EPS of $0.28 in the first half of fiscal 2010

FINANCIAL CONDITION AT END OF SECOND QUARTER 2011 VS. SECOND QUARTER 2010

- Cash and cash equivalents balance of $636.9 million, down $72.6 million from $709.5 million
- Working capital of $340.2 million, up $33.0 million from $307.2 million
- Total shareholders' equity of $679.3 million, up $291.1 million from $388.2 million
- Book value per diluted common share for the period end was $8.03, up 18.5% or $1.25 from $6.78[(1)]
- On November 2, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on December 10, 2010 with a record date of November 19, 2010

SUMMARY OF OPERATIONS

Capital Markets

- Canaccord Genuity led 26 transactions globally to raise total proceeds of $780.4 million[(4)] during fiscal Q2/11
- Canaccord Genuity participated in a total of 72 transactions globally to raise total proceeds of $1.3 billion[(4)] during fiscal Q2/11
- During fiscal Q2/11, Canaccord Genuity led or co-led the following transactions:
  - $300.0 million for Primero Mining Corp. on the TSX Venture
  - $92.6 million for Artis Real Estate Investment Trust on the TSX
  - £52.0 million for Aberdeen Latin American Income Fund Limited on the LSE
  - $50.0 million for Zodiac Exploration Corp. on the TSX Venture
  - US$44.8 million for APO Energy Inc. (non-listed)
  - US$47 million for NPS Pharmaceuticals on the NASDAQ
  - $40.5 million for Extorre Gold Mines Limited on the TSX
  - $40.3 million for Pinecrest Energy Inc. on the TSX Venture
- Canaccord Genuity advised on eight M&A transactions that closed during the Q2/11, including:
  - SunOpta Inc. on its sale of SunOpta Bioprocess Inc. to Mascoma Corporation
  - Pure Technologies Ltd. on its acquisition of Pressure Pipe Inspection Co.
  - Brett Resources Inc. on its sale to Osisko Mining Corporation
  - Primero Mining Corp. on its acquisition of Goldcorp's San Dimas gold and silver mine
- Canaccord Genuity completed 15 Private Investment in Public Equity (PIPE) transactions in North America that raised US$222.4 million in proceeds during fiscal Q2/11[(5)]
- Canaccord Genuity ranked first for Quality of Investing Ideas and first for Quality of Small-Cap Research in the Canadian 2010 Brendan Wood International survey[(6)]

(1) See non-GAAP measures
(2) Acquisition-related expense items in connection with the acquisition of Genuity Capital Markets. Second quarter 2011 figures include $1.9 million of amortization of intangible assets. First-half of fiscal 2011 figures include $11.0 million of acquisition-related costs and $3.3 million of amortization of intangible assets.
(3) ROE figures excluding acquisition-related expense items, exclude only $1.9 million of amortization of intangible assets recorded in Q2/11, $11.0 million in acquisition-related costs and $1.4 million of amortization of intangible assets recorded in Q1/11, and $5.0 million of acquisition-related costs in Q4/10.
(4) Source: FP Infomart and Company information
(5) Source: Placement Tracker. Includes placements for companies incorporated in Canada and the US
(6) Brendan Wood International: Institutional Equity Research, Sales and Trading Performance in Canada 2010 Report.

Wealth Management

- Assets under administration of $13.9 billion, up 22.0% from $11.4 billion at the end of Q2/10, and up 10.3% from $12.6 billion at the end of Q1/11[1]
- Assets under management of $473 million, up 4.4% from $453 million at the end of Q2/10, and up 9.7% from $431 million at the end of Q1/11[1]
- As at September 30, 2010 Canaccord had 280 Advisory Teams[7], down 54 from 334 Advisory Teams as of September 30, 2009 and down 10 from 290 Advisory Teams as of June 30, 2010
  - This decrease is largely due to an ongoing strategic review of our Wealth Management division and the conversion of corporate branches to the Independent Wealth Management (IWM) platform, where each branch is led by one IA and is counted as one Advisory Team
- During Q2/11, Canaccord Wealth Management closed its Orangeville (Ontario) branch, which operated on Canaccord's IWM platform
- On August 24, 2010, Canaccord Wealth Management added to its service offering with the launch of *Complete Canaccord Philanthropic Solutions*, which provides clients with a tax-efficient and cost-effective way to include charitable giving as part of their overall estate plan.

Subsequent to September 30, 2010

- On November 1, 2010, Canaccord Wealth Management's corporate Prince George branch converted to the Independent Wealth Management platform
- Canaccord Wealth Management now has 30 offices across Canada, including 11 branches on the IWM platform

Non-GAAP Measures

Non-GAAP measures presented include assets under administration, assets under management, book value per diluted common share, return on equity and figures that exclude acquisition-related expense items. Management believes that these non-GAAP measures will allow for a better evaluation of the operating performance of Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude acquisition-related expense items provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. A limitation of utilizing these figures that exclude acquisition-related expense items is that the GAAP accounting effects of the acquisition-related expense items do in fact reflect the underlying financial results of Canaccord's business and these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's GAAP measures of financial performance and the respective non-GAAP measures should be considered together.

(1) See non-GAAP measures
(7) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licenced for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average sized book.

TO OUR SHAREHOLDERS

We've seen a dramatic improvement in both market activity and equity performance during the last two months, which is particularly encouraging as September is typically marked by lower returns. Still, this improved market environment does not reflect our experience during the first two months of our fiscal second quarter. After an unusually slow summer period marked by much uncertainty on the part of investors and issuers, Canaccord Financial posted relatively good results for the three months ended September 30, 2010 and finished the quarter with strong momentum across all of our businesses. In addition, the integration of the Canaccord Genuity teams, facilities and client relationships has gone extremely well and is beginning to reveal the strong capital markets synergies we anticipated from the acquisition.

Revenue for the three months ended September 30, 2010 totalled $149.3 million, a 20.6% increase from the same period a year ago. Net income rose 44% to $9.7 million while diluted earnings per share remained flat at $0.12 due to the issuance of shares during the first quarter of fiscal 2011 for the acquisition of Genuity Capital Markets (Genuity). Diluted EPS doubled compared to last quarter, when most charges related to the acquisition of Genuity were booked.

The amortization of assets related to the Genuity acquisition peaked during Q2/11, resulting in $1.9 million of acquisition-related expenses. Excluding acquisition-related expense items, net income for the quarter was $11.5 million compared to $6.7 million in the same period last year and $13.9 million in Q1/11. On this basis, diluted EPS was $0.14 for the quarter, up 17% compared to the same period last year, but down 22% compared to the previous quarter. Net income was up 60% in the first six months of fiscal 2011, compared to the first six months of fiscal 2010.

As part of our ongoing commitment to cost containment, we are in the process of implementing many new initiatives to enhance Canaccord's operating efficiency. We expect to achieve up to $20 million in cost savings from these changes, which will help bring us closer to our long-term target for return on equity. Excluding acquisition-related expense items, annualized ROE for the second quarter of fiscal 2011 was 6.7% compared to 6.9% for the second quarter last year. Importantly, our cash and working capital positions remain very strong.

CANACCORD GENUITY

The surge of activity Canaccord Genuity experienced in September was not sufficient to completely offset the market uncertainty that affected the entire industry during the summer months of 2010. Nonetheless, Canaccord Genuity led 26 transactions globally during the quarter, raising total proceeds of more than $780 million. The division's revenue for the three months ended September 30, 2010 declined 3% to $97 million compared to the first quarter of fiscal 2011, during which we completed the acquisition of Genuity. Excluding acquisition-related charges, Canaccord Genuity's second quarter operating income, before intersegment cost allocations, declined 18% to $21.2 million compared to the first quarter. Second-quarter revenue from M&A advisory assignments declined to $13 million.

In Canada, the Canaccord Genuity team worked hard to get deals done that could be done in the difficult market environment. We're seeing the benefits of the Genuity acquisition with many of our advisory clients. Two companies we advised during the quarter, SunOpta Inc. and Pure Technologies Ltd., are great examples of how we have been able to add value to our pre-existing client relationships through our new combined platform. We also reached beyond our traditional strengths in mining and energy to complete transactions for clients in the real estate, life sciences and technology sectors. The secondary offering we did for Artis Real Estate Investment Trust during the quarter is a prime example of our sector diversification and the strength of our client relationships. At $93 million, it was the fifth offering we led or co-led for this client since January 2010, bringing the total value of capital raised for Artis this year to $375 million.

We were very pleased to see excellent revenue growth from our trading desks across all geographies, outperforming many of our competitors. In Canada, strong client relationships continue to drive increases in market share on the TSX and TSX Venture exchanges compared to our activity prior to the integration of Canaccord Genuity. Our ability to grow our agency business in challenging markets results from a combination of great execution and great ideas, so we are very pleased to be recognized in Brendan Woods' *Institutional Equity Research, Sales and Trading Performance in Canada 2010 Report* with the top rankings for Quality of Investing Ideas and Quality of Small-Cap Research. Three of our analysts also received top-three rankings in the report, including Mario Mendonca who placed first in Canada for his coverage of insurance companies and second for his coverage of banks.

While investor uncertainty in the US during our second quarter reduced banking and advisory revenue compared to the previous quarter, our US agency trading business continued to grow and gain market share, despite lower overall volumes industry-wide. We also continue to expand our equity research group, with two prominent additions to our technology practice. In August, our US team held Canaccord's 30th annual Global Growth Conference in Boston, with great success. We had record institutional attendance and client participation, with over 1,300 registrants that included 524 institutional investors. Impressively, our team facilitated nearly 600 investment banking meetings and more than 3,000 one-on-one meetings for our clients over just three days. Our clients are continually impressed by not only the quality of opportunities that are identified through the conference but also the corporate relationships we help to facilitate.

Our UK business continues to be a key contributor to Canaccord's global platform. With a solid increase in revenue for the second quarter, our UK team is making significant progress within the still-difficult economic environment there. Most recently, our team led a £206 million follow-on issue for Rockhopper Exploration, a transaction that will be recognized in our fiscal third quarter. And with a 61% increase in commission revenue during the first six months of fiscal 2011 compared to the same period last year, we're very pleased that the investments we've made to build out our UK sales and trading desks are beginning to deliver the results we anticipated.

CANACCORD WEALTH MANAGEMENT

Uncertain and volatile equity markets reduced investor activity for most of the second quarter of fiscal 2011. Revenue for Canaccord Wealth Management totalled $44.5 million, an 11% increase from the same period last year but down 5.7% from the previous quarter. After intersegment cost allocations, the division lost $4 million compared to a loss of $3.3 million in the year-earlier quarter and a loss of $1.9 million in the first quarter of fiscal 2011.

The realignment of our wealth management operations is a core strategy for Canaccord, but it is clear that we must do more to lower the division's breakeven so it can become self-sustaining. We expect that approximately $10 million of the savings we've identified in our current round of cost-containment initiatives will come from changes to improve operational efficiencies in Canaccord Wealth Management. To that end, we recently promoted Tanya Bird to Chief Operating Officer of the division, a role in which she will be responsible for improving the productivity of our wealth management operations and implementing strategies to enhance our clients' experience.

LOOKING AHEAD

Despite the tough market environment we faced through much of the summer – a situation not unique to Canaccord – we began to see positive momentum in September, with profit contribution across all of our geographies. That momentum has carried over into the third quarter, giving us reason to be optimistic, although cautiously, about the immediate months ahead. We're particularly pleased with the success of the integration of the Canaccord Genuity capital markets teams and the early synergies we're seeing among our skill sets and client relationships. We entered the third quarter with a strong pipeline and a sense of growing momentum in all of our business units.

Amidst the challenging economic backdrop, we're seeing great prospects for growth, particularly in new markets. There are significant opportunities in Asia that would allow us to leverage our core strengths, strong client relationships and focus on growth companies. China, specifically, has a high demand for expertise in areas we've established market leadership in, especially the mining, energy and clean technology sectors. We are actively engaged in exploring several opportunities that would increase our access to, and presence in, this important growth market. We hope to be able to share our Asia strategy with you in the near future and look forward to discussing its benefits with you in the months ahead.

PAUL D. REYNOLDS
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal second quarter 2011 for the three months and six months ended September 30, 2010 – this document is dated November 3, 2010

The following discussion of the financial condition and results of operations for Canaccord Financial Inc. (Canaccord or the Company) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and six-month periods ended September 30, 2010 compared to the corresponding periods in the preceding fiscal year. The three- and six-month periods ended September 30, 2010 are also referred to as second quarter 2011, Q2/11, fiscal Q2/11 and first-half fiscal year 2011 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three- and six-month periods ended September 30, 2010, beginning on page 26 of this report; our Annual Information Form dated May 19, 2010; and the 2010 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2010 (Audited Annual Consolidated Financial Statements) in Canaccord's Annual Report dated May 19, 2010 (the Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2010 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The financial information presented in this document is prepared in accordance with Canadian generally accepted accounting principles (GAAP) unless specifically noted. This MD&A is based on unaudited interim and Audited Annual Consolidated Financial Statements prepared in accordance with Canadian GAAP.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties detailed from time to time in Canaccord's interim and annual consolidated financial statements and its Annual Report and Annual Information Form filed on www.sedar.com. These forward-looking statements are made as of the date of this document, and will not be updated or revised except as may be required by applicable law.

NON-GAAP MEASURES

Certain non-GAAP measures are utilized by Canaccord as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

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

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

Financial statement items which exclude acquisition-related expense items are non-GAAP measures. Acquisition-related expense items include acquisition-related costs and the amortization of intangible assets related to the acquisition of Genuity.

Non-GAAP measures presented include assets under administration, assets under management, book value per diluted common share, return on equity and figures that exclude acquisition-related expense items. Management believes that these non-GAAP measures will allow for a better evaluation of the operating performance of Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude acquisition-related expense items provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. A limitation of utilizing these figures that exclude acquisition-related expense items is that the GAAP accounting effects of the acquisition-related expense items do in fact reflect the underlying financial results of Canaccord's business and these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's GAAP measures of financial performance and the respective non-GAAP measures should be considered together.

BUSINESS OVERVIEW

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and global capital markets. Since its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has 38 offices worldwide, including 30 Wealth Management offices located across Canada. Canaccord Genuity, the international capital markets division, operates in the US, UK, Canada and Barbados.

Canaccord Financial Inc. is publicly traded under the symbol CF on the TSX and the symbol CF. on AIM, a market operated by the London Stock Exchange.

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

Business Environment

The impact of the market flash-crash in May continued to have professional and non-professional investors noticeably sidelined during July and August. Equity market activity slowed considerably and failed to reflect the higher price levels of economically sensitive materials. Individual investors continued to lower their exposure to equity mutual funds and increase exposure to debt instruments and debt focused funds.

Currency movement dominated the movement of all markets. The deterioration of the euro in fiscal Q1/11 was matched by an equally dramatic decline of the US dollar in fiscal Q2/11. Fears that the US economy was weakening severely led to sharp price increases for commodities.

Economic data released over the quarter provided mixed messages, however weak job growth was a consistent theme. Economic growth prospects were lowered for calendar 2010 by developed nations' central bankers.

In September the investment environment made a positive turn as sidelined cash was redeployed toward equities. Though September typically provides the worst market returns of the year, this year it became the best performing September since 1939. The S&P 500 benchmark index gained 8.8% in September. With corporate cash mounting, merger and acquisition activity began to pick up during the month.

Commodity producing countries became favourite destinations for investment. Junior resource transactions saw a significant lift in value and volumes. With all the newly injected liquidity, everything rose in price except for a much-needed lift in house prices in developed countries as investment in real estate remained questionable in a no job-growth environment. By the end of September, interest rate instruments left little room for further capital gains. Currency market volatility made long-range decisions difficult and equities and commodities became the default choice for investment. This trend should continue into fiscal Q3/11.

Market Data

Financing values declined on the AIM and NASDAQ markets compared to the previous quarter and the same quarter last year, while financings on the TSX and TSX Venture were down significantly.

Financings in our key sectors on the TSX and TSX Venture were down 48% compared to the same quarter last year, and down 18% compared to the previous quarter. The mining sector had the most significant decline, while the technology sector saw a prominent increase compared to the previous quarter.

Financings in our key sectors on the AIM were down over 50% compared to the previous quarter, with all but the technology sector experiencing lowered financing activity.

Total financing value by exchange

	July 10	August 10	September 10	Fiscal Q2/11	Change from fiscal Q2/10	Change from fiscal Q1/11
TSX and TSX Venture (C$ billions)	3.3	2.5	2.3	8.1	(59.3)%	(44.1)%
AIM (£ billions)	0.6	0.3	0.4	1.3	(13.3)%	(13.3)%
NASDAQ (US$ billions)	1.1	4.0	3.0	8.1	(60.3)%	(10.0)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Financing value for relevant AIM industry sectors

(£ millions, except for percentage amounts)	July 10	August 10	September 10	Fiscal Q2/11	Change from fiscal Q2/10	Change from fiscal Q1/11
Oil and gas	£ 191.8	£ 104.3	£ 52.1	£ 348.2	6.9%	(26.3)%
Mining	24.8	20.4	89.7	134.9	(35.2)%	(76.9)%
Pharmaceutical and Biotech	2.3	0.9	0.1	3.3	(89.3)%	(85.8)%
Media	3.2	0.3	–	3.5	(93.4)%	(30.0)%
Technology	10.6	7.5	13.8	31.9	(15.8)%	15.2%
Total (of relevant sectors)	**£ 232.7**	**£ 133.4**	**£ 155.7**	**£ 521.8**	**(20.4)%**	**(53.1)%**

Source: LSE AIM Statistics

Financing value for relevant TSX and TSX Venture industry sectors

($ millions, except for percentage amounts)	July 10	August 10	September 10	Fiscal Q2/11	Change from fiscal Q2/10	Change from fiscal Q1/11
Oil and gas	$ 878.1	$ 964.2	$ 284.0	$ 2,126.3	(6.3)%	(42.7)%
Mining	722.1	554.7	270.1	1,546.9	(76.0)%	(6.9)%
Biotech	–	42.0	7.4	49.4	n.m.	(7.0)%
Media	200.0	–	–	200.0	247.8%	n.m.
Technology	686.0	5.5	–	691.5	n.m.	268.4%
Total (of relevant sectors)	**$ 2,486.2**	**$ 1,566.4**	**$ 561.5**	**$ 4,614.1**	**(47.6)%**	**(18.1)%**

Source: FP Infomart
n.m.: not meaningful

About Canaccord's Operations

Canaccord Financial Inc.'s operations are divided into two business segments: Canaccord Genuity (capital markets operations) and Canaccord Wealth Management. Together, these operations offer a wide range of complementary investment banking services, investment products and brokerage services to Canaccord's institutional, corporate and private clients. Canaccord's administrative segment is referred to as Corporate and Other.

Canaccord Genuity

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

- Canaccord's research analysts have deep knowledge of more than 760 companies across our focus sectors: Mining and Metals, Energy, Technology, Life Sciences, Agriculture & Fertilizers, Media & Telecom, Financials, Consumer, Real Estate, Infrastructure, Transportation and Sustainability
- Our Sales and Trading desk executes timely transactions for more than 2,000 institutional relationships around the world, operating as an integrated team on one common platform
- With more than 135 skilled investment bankers, Canaccord Genuity provides clients with deep sector expertise and broad equity transaction and M&A advisory experience

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

Canaccord Wealth Management

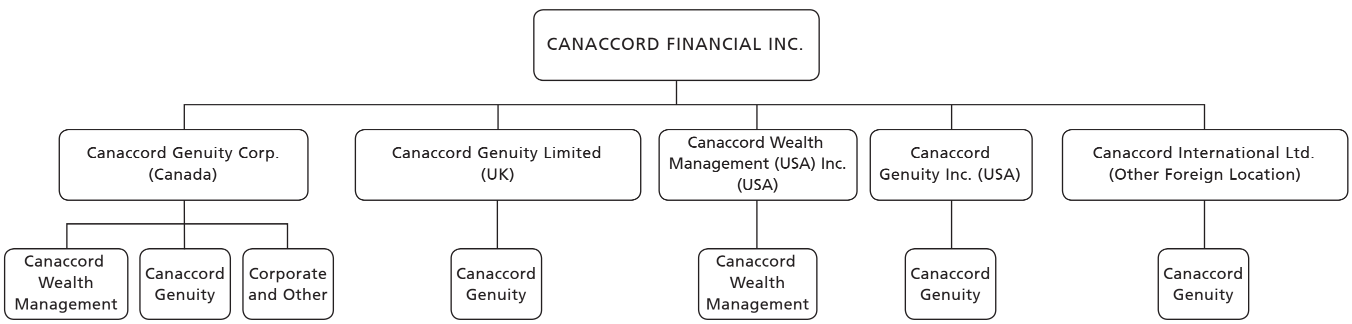
As a leading independent investment dealer, Canaccord Wealth Management provides comprehensive wealth management solutions and services to our private clients. We recognize that the growing complexity of many clients' financial circumstances demands experienced Advisory Teams who can provide tailored financial services and ideas that meet our clients' needs. Many of our Investment Advisors have obtained advanced industry designations such as Chartered Financial Analyst or Certified Investment Manager. We continue to provide our advisors with support from specialized financial planning and insurance experts, the latest technologies and ongoing training opportunities.

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

Corporate and Other

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

Corporate structure



CONSOLIDATED OPERATING RESULTS

Second quarter and first-half fiscal 2011 summary data[(1)(4)]

(C$ thousands, except per share, employee and % amounts)	Three months ended September 30			QTD Q2/11 vs. Q2/10	Six months ended September 30			YTD fiscal 2011 vs. 2010
	2010	2009	2008		2010	2009	2008	
Canaccord Financial Inc.								
Revenue								
Commission	$ **63,002**	$ 56,628	$ 60,630	11.3%	$ **125,258**	$ 112,084	$ 132,626	11.8%
Investment banking	**51,236**	32,366	27,894	58.3%	**107,137**	78,956	78,883	35.7%
Advisory fees	**13,215**	15,254	6,130	(13.4)%	**33,936**	24,550	31,288	38.2%
Principal trading	**9,597**	11,589	87	(17.2)%	**15,555**	23,059	5,998	(32.5)%
Interest	**5,436**	3,121	11,734	74.2%	**8,580**	6,597	24,063	30.1%
Other	**6,799**	4,786	4,354	42.1%	**10,736**	15,961	10,679	(32.7)%
Total revenue	$ **149,285**	$ 123,744	$ 110,829	20.6%	$ **301,202**	$ 261,207	$ 283,537	15.3%
Expenses								
Incentive compensation	**71,823**	63,966	50,977	12.3%	**144,914**	132,429	133,704	9.4%
Salaries and benefits	**16,322**	13,983	14,195	16.7%	**32,138**	27,785	29,638	15.7%
Other overhead expenses[(2)]	**47,201**	37,934	50,633	24.4%	**91,988**	77,137	101,642	19.3%
Acquisition-related costs	**–**	–	–	–	**10,990**	–	–	n.m.
Total expenses	$ **135,346**	$ 115,883	$ 115,805	16.8%	$ **280,030**	$ 237,351	$ 264,984	18.0%
Income (loss) before income taxes	**13,939**	7,861	(4,976)	77.3%	**21,172**	23,856	18,553	(11.3)%
Net income (loss)	**9,711**	6,746	(5,398)	44.0%	**14,586**	15,858	11,061	(8.0)%
Earnings (loss) per diluted share	**0.12**	0.12	(0.11)	–	**0.18**	0.28	0.21	(35.7)%
Return on average common equity	**5.7%**	6.9%	(5.0)%	(1.2)p.p.	**4.7%**	8.3%	5.3%	(3.6)p.p.
Dividends per share	0.05	0.05	–	–	0.10	0.05	0.125	100.0%
Book value per diluted common share	**8.03**	6.78	7.15	18.5%	**8.03**	6.78	7.15	18.5%
Total assets	**5,274,244**	3,407,005	1,942,070	54.8%	**5,274,244**	3,407,005	1,942,070	54.8%
Total liabilities	**4,594,972**	3,018,780	1,527,762	52.2%	**4,594,972**	3,018,780	1,527,762	52.2%
Total shareholders' equity	**679,272**	388,225	414,308	75.0%	**679,272**	388,225	414,308	75.0%
Number of employees	**1,631**	1,539	1,688	6.0%	**1,631**	1,539	1,688	6.0%
Excluding acquisition-related expense items[(3)]								
Total expenses	**133,519**	115,883	115,805	15.2%	**265,774**	237,351	264,984	12.0%
Income (loss) before income taxes	**15,766**	7,861	(4,976)	100.6%	**35,428**	23,856	18,553	48.5%
Net income (loss)	**11,538**	6,746	(5,398)	71.0%	**25,432**	15,858	11,061	60.4%
Earnings (loss) per diluted share	**0.14**	0.12	(0.11)	16.7%	**0.32**	0.28	0.21	14.3%

(1) Data is considered to be GAAP except for ROE, book value per diluted common share, number of employees and figures excluding acquisition-related expense items.
(2) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(3) Acquisition-related expense items in the second quarter 2011 include $1.9 million of amortization of intangible assets in connection with the acquisition of Genuity Capital Markets. Acquisition-related expense items during first-half fiscal 2011 include $11.0 million acquisition-related costs and $3.3 million amortization of intangible assets in connection with the acquisition of Genuity Capital Markets.
(4) Data includes the results of Genuity since the closing date of April 23, 2010.

p.p.: percentage points
n.m.: not meaningful

Geographic distribution of revenue for the second quarter of fiscal 2011[1]

(C$ thousands, except % amounts)	*Three months ended September 30* 2010	2009	*Quarter-over-quarter change*	*Six months ended September 30* 2010	2009	*YTD-over-YTD change*
Canada	**$ 109,493**	$ 79,190	38.3%	**$ 218,411**	$ 167,124	30.7%
UK	**18,338**	13,774	33.1%	**34,783**	34,700	0.2%
US	**21,093**	30,137	(30.0)%	**47,799**	57,316	(16.6)%
Other Foreign Location	**361**	643	(43.9)%	**209**	2,067	(89.9)%
Total	**$ 149,285**	$ 123,744	20.6%	**$ 301,202**	$ 261,207	15.3%

(1) For a business description of Canaccord's geographic distribution please refer to the "About Canaccord's Operations" section on page 8.

Revenue

Second quarter 2011 vs. second quarter 2010

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other. Revenue for the three months ended September 30, 2010 was $149.3 million, an increase of 20.6% or $25.6 million compared to the same period a year ago.

For the second quarter of fiscal 2011, revenue generated from commissions increased by $6.4 million to $63.0 million compared to the same period a year ago. Our Canaccord Genuity segment contributed $3.9 million and our Canaccord Wealth Management segment contributed $2.5 million to this increase.

Investment banking revenue was $51.2 million, up $18.9 million or 58.3%, primarily due to increased capital markets activities from our Canadian operations. Advisory fees revenue was $13.2 million, a decrease of $2.0 million or 13.4%. This decrease is mainly due to declining market conditions in our US operations, which was partially offset by higher revenues in our Canadian operations as a result of increased performance from our focus sectors and the acquisition of Genuity.

Revenue derived from principal trading was $9.6 million, down $2.0 million or 17.2% mainly due to reduced trading gains in the Canaccord Wealth Management segment, and the UK and Canadian capital markets operations, offset by stronger performance by the Fixed Income group.

Interest revenue was $5.4 million, which increased by $2.3 million or 74.2% resulting from higher interest rates and additional interest revenue earned from activities of the Fixed Income group in Q2/11. Other revenue was $6.8 million, up $2.0 million or 42.1%, which was mainly attributed to an increase in foreign exchange gains in the quarter compared to the same period last year.

Second quarter revenue in Canada was $109.5 million, up 38.3% or $30.3 million from the second quarter last year. Despite the challenging market environment, operations in Canada were improved due to significant growth in investment banking and advisory fees revenue.

Revenue in the UK was $18.3 million, an increase of 33.1% or $4.6 million compared to the same period a year ago due to stronger financing activities in the UK market as well as the contribution from the new sales trading team hired in the UK operations. Revenue from Other Foreign Location was $0.4 million, a decrease of $0.3 million.

Revenue in the US was $21.1 million, down $9.0 million or 30.0% from Q2/10. Revenue dropped from the second quarter last year because of decreased activity in respect of both public and private offerings and advisory work.

First-half fiscal year 2011 vs. first-half fiscal year 2010

Revenue for the six months ended September 30, 2010 was $301.2 million, an increase of 15.3% or $40.0 million compared to the same period a year ago despite the uncertainties in the economic environment, due to the acquisition of Genuity and increased activities in our focus sectors. Both the Canaccord Wealth Management and Canaccord Genuity segments generated more trading activities than during the same period a year ago, resulting in an increase in commission revenue of 11.8% to $125.3 million.

The Company's growing capital markets business contributed to the increase in investment banking and advisory fees revenue. Investment banking revenue was $107.1 million, up $28.2 million or 35.7% and advisory fees revenue was $33.9 million representing an increase of $9.4 million or 38.2%.

Principal trading revenue experienced a decrease of $7.5 million to $15.6 million compared to the same period last year. As discussed above, reduced trading gains in the Canadian and UK operations resulted in lower principal trading revenue, partially offset by stronger performance by the Fixed Income group.

Interest revenue was $8.6 million, an increase of 30.1% due to higher interest rates and interest revenue earned by the Fixed Income group. Other revenue decreased by $5.2 million to $10.7 million during the first half of fiscal year 2011, largely as a result of reduced foreign exchange gains. First quarter of fiscal year 2010 experienced large fluctuations in foreign exchange rates resulting in exceptionally high foreign exchange gains during that quarter that did not recur in the less volatile foreign exchange market during the second quarter fiscal 2011.

Year-to-date revenue in Canada was $218.4 million, an increase of 30.7% or $51.3 million from the same period a year ago. First-half fiscal year 2011 revenue in the UK was $34.8 million, which remained relatively consistent from the same period a year ago. Revenue in the US was $47.8 million, a decrease of 16.6% or $9.5 million compared with the first half of fiscal year 2010. Revenue from Other Foreign Location was $0.2 million compared to $2.1 million in the six months ended September 30, 2009. Despite the challenging market conditions, as evidenced by the decrease in revenue in the US operations, overall revenue increased as a result of the growth in investment banking and advisory fees, as well as higher revenue from the Canaccord Wealth Management segment.

Expenses as a percentage of revenue

	Three months ended September 30			*Six months ended September 30*		
in percentage points	***2010***	*2009*	*Quarter-over-quarter change*	***2010***	*2009*	*YTD-over-YTD change*
Incentive compensation	**48.1%**	51.7%	(3.6)p.p.	**48.1%**	50.7%	(2.6)p.p.
Salaries and benefits	**10.9%**	11.3%	(0.4)p.p.	**10.7%**	10.6%	0.1p.p.
Other overhead expenses(1)	**31.6%**	30.7%	0.9p.p.	**34.2%**	29.5%	4.7p.p.
Total	**90.6%**	93.7%	(3.1)p.p.	**93.0%**	90.8%	2.2p.p.

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

Compensation expenses

Second quarter 2011 vs. second quarter 2010

Expenses for the three months ended September 30, 2010 were $135.3 million, an increase of 16.8% from a year ago.

Incentive compensation expense was $71.8 million for the quarter, up 12.3% or $7.9 million, consistent with the net increase in incentive-based revenue. Consolidated incentive compensation as a percentage of total revenue was 48.1%, a decrease of 3.6 percentage points, reflecting the Company's continued efforts to monitor the incentive compensation structure to maximize shareholder value. In addition, reclassification of expense recoveries to compensation pools contributed to the decrease. Salaries and benefits expense was $16.3 million, an increase of 16.7% in the second quarter of fiscal 2011 from the same period a year ago, largely attributable to the increase in staffing levels, and also the reclassification of certain expenses from development costs to salaries and benefits expense.

Total compensation (incentive compensation plus salaries) expense as a percentage of consolidated revenue for Q2/11 was 59.0%, a decrease of 3.9 percentage points from 63.0% in Q2/10. As discussed above, this was mainly due to the Company's efforts to review the compensation structure to maximize shareholder value.

First-half fiscal year 2011 vs. first-half fiscal year 2010

Expenses for the six months ended September 30, 2010 were $280.0 million, an overall increase of $42.7 million or 18.0% from a year ago. Incentive compensation expense was $144.9 million, up 9.4%, which was consistent with the increase in incentive-based revenue. Consolidated incentive compensation as a percentage of total revenue was 48.1%, a decrease of 2.6 percentage points mainly as a result of monitoring of the incentive compensation ratio and reclassification of expense recoveries to compensation pools.

Salaries and benefits expense was $32.1 million, an increase of 15.7% in the first half of fiscal 2011 compared to the same period a year ago for the reasons mentioned above. The total compensation (incentive compensation plus salaries) expense as a percentage of consolidated revenue was 58.8%, a decrease of 2.5 percentage points from 61.3% in the same period of the prior year.

Other overhead expenses

(C$ thousands, except % amounts)	Three months ended September 30 2010	2009	Quarter-over-quarter change	Six months ended September 30 2010	2009	YTD-over-YTD change
Trading costs	**$ 7,241**	$ 7,002	3.4%	**$ 14,946**	$ 14,326	4.3%
Premises and equipment	**6,640**	6,104	8.8%	**12,678**	11,986	5.8%
Communication and technology	**6,779**	5,245	29.2%	**13,048**	10,734	21.6%
Interest	**1,673**	492	240.0%	**2,289**	1,337	71.2%
General and administrative	**15,990**	11,698	36.7%	**31,781**	23,586	34.7%
Amortization(1)	**3,706**	1,906	94.4%	**6,990**	3,827	82.6%
Development costs	**5,172**	5,487	(5.7)%	**10,256**	11,341	(9.6)%
Total other overhead expenses	**$ 47,201**	$ 37,934	24.4%	**$ 91,988**	$ 77,137	19.3%

(1) Includes $1.9 million of amortization of intangible assets in connection with the acquisition of Genuity Capital Markets for the three months ended September 30, 2010 and $3.3 million for the six months ended September 30, 2010.

Other overhead expenses

Second quarter 2011 vs. second quarter 2010

Other overhead expenses increased by 24.4% or $9.3 million from the prior year to $47.2 million for the second quarter of fiscal 2011 mainly due to a $4.3 million increase in general and administrative expense, a $1.8 million increase in amortization expense, a $1.5 million increase in communication and technology expense, and a $1.2 million increase in interest expense.

Certain expenses were reclassified during the quarter resulting in a decrease in incentive compensation expense, offset by an increase in promotion and travel, and communication and technology expense. The Company recovers certain expenses from compensation pools, which were netted against the related expenses in previous periods. Beginning in Q1/11, these expense recoveries were reflected in incentive compensation expense resulting in a decrease in this expense. This reclassification largely explains the $1.4 million increase in promotion and travel expense and the $1.5 million increase in communications and technology expense.

The main contributor to the increase in general and administrative expense was an increase in promotion and travel expense due to the reclassification discussed above. The credit provision was up by $1.1 million due to $0.8 million of credit recoveries in the Canaccord Wealth Management segment in Q2/10 that did not recur in Q2/11. The remaining increase in general and administrative expense can be attributed to expenditures on new marketing materials, client settlement, and professional fees incurred in the second quarter of fiscal 2011.

Amortization expense increased due to the $1.9 million amortization of intangible assets acquired through the purchase of Genuity. Interest expense was increased by $1.2 million, which was attributable to higher interest rates and additional interest expense incurred by the Fixed Income group.

First-half fiscal year 2011 vs. first-half fiscal year 2010

Other overhead expenses for the six months ended September 30, 2010 increased by 19.3% or $14.9 million to $92.0 million from the same period a year ago. The main contributors were increases in general and administrative expense, amortization expense and communication and technology expense.

General and administrative expense increased $8.2 million primarily as a result of the $4.1 million increase in promotion and travel expense resulting from the reclassification discussed above. In addition, office expense increased by $1.3 million due mostly to the printing of new marketing materials. Client settlement expense went up by $1.1 million. As per the Company's policy of reserving against unsecured balances, the Company recognized an additional $1.0 million credit provision in the first-half fiscal year 2011 compared to the same period last year.

The remaining increase in overhead expenses was due to the $3.3 million increase in amortization of intangible assets acquired through the purchase of Genuity. Reclassification of certain expense recoveries mentioned above also resulted in the increase in communication and technology expense.

Interest expense was also up by $1.0 million resulting from activities in the Fixed Income group. Development costs were down by $1.1 million due to a reduction of hiring incentives in the US operations.

Net income

Second quarter 2011 vs. second quarter 2010

Net income for Q2/11 was $9.7 million compared to net income of $6.7 million in the same period a year ago. Diluted EPS was $0.12 in Q2/11, same as Q2/10. The increase in net income was mainly due to stronger revenue performance and reduced compensation ratio in the Canaccord Genuity segment. ROE for Q2/11 was 5.7% compared to a ROE of 6.9% in Q2/10. Book value per diluted common share for Q2/11 was $8.03 versus $6.78 in Q2/10. Excluding acquisition-related expense items, net income was $11.5 million and diluted EPS was $0.14.

The effective tax rate for this quarter was 30.3% compared to 14.2% in the same quarter last year. The lower tax rate in Q2/10 was due to the utilization of non-capital loss carryforwards.

First-half fiscal year 2011 vs. first-half fiscal year 2010

Net income for the first half of fiscal 2011 was $14.6 million compared to $15.9 million for the same period a year ago. Although the acquisition of Genuity led to an increase in revenue, the Company incurred $14.3 million of acquisition-related expense items that impacted net income. Diluted EPS was $0.18 compared to $0.28 a year ago, and ROE was 4.7% compared to 8.3% a year ago. Book value per diluted common share at the period end was $8.03, an 18.5% increase from $6.78. Net income excluding acquisition-related expense was $25.4 million and diluted EPS was $0.32.

Income tax expense was $6.6 million in the year to date of fiscal 2011, a decrease of $1.4 million from fiscal 2010. The year-to-date effective tax rate was 31.1% compared to 33.5% for the same period last year. The change in effective tax rate was due to lower statutory rates in the current year as well as changes in valuation allowances as a result of the availability of unrecognized non-capital loss carryforwards.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

Canaccord Genuity(1)(4)

	Three months ended September 30			Six months ended September 30		
(C$ thousands, except number of employees and % amounts)	*2010*	*2009*	*Quarter-over-quarter change*	*2010*	*2009*	*YTD-over-YTD change*
Canaccord Genuity						
Revenue	**$ 96,963**	$ 78,475	23.6%	**$ 197,115**	$ 163,972	20.2%
Expenses						
Incentive compensation	**46,818**	42,761	9.5%	**93,409**	87,992	6.2%
Salaries and benefits	**4,154**	3,376	23.0%	**8,175**	6,780	20.6%
Other overhead expenses	**26,590**	17,881	48.7%	**51,766**	38,378	34.9%
Acquisition-related costs	**–**	–	–	**10,990**	–	n.m.
Total expenses	**$ 77,562**	$ 64,018	21.2%	**$ 164,340**	$ 133,150	23.4%
Income before income taxes(2)	**19,401**	14,457	34.2%	**32,775**	30,822	6.3%
Number of employees	**597**	482	23.9%			
Excluding acquisition-related expense items(3)						
Total expenses	**75,735**	64,018	18.3%	**150,084**	133,150	12.7%
Income before income taxes	**21,228**	14,457	46.8%	**47,031**	30,822	52.6%

(1) Data is considered to be GAAP except for number of employees and figures excluding acquisition-related expense items.
(2) Income before income taxes excludes Intersegment Allocated Costs. See "Intersegment Allocated Costs".
(3) Acquisition-related expense items in second quarter 2011 include $1.9 million of amortization of intangible assets in connection with the acquisition of Genuity Capital Markets. Acquisition-related expense items during first-half fiscal 2011 include $11.0 million of acquisition-related costs and $3.3 million amortization of intangible assets in connection with the acquisition of Genuity Capital Markets.
(4) Data includes the results of Genuity since the closing date of April 23, 2010.
n.m.: not meaningful

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

Second quarter 2011 vs. second quarter 2010

Revenue for Canaccord Genuity in Q2/11 was $97.0 million, an increase of 23.6% or $18.5 million from the same quarter a year ago, due to increased activity in our focus sectors as well as the acquisition of Genuity.

Revenue from Canadian operations

Canaccord Genuity in Canada generated revenue of $58.2 million in Q2/11, an increase of 68.8% or $23.7 million from Q2/10. Despite the challenging market environment, revenue increased in this geographic sector, which is a reflection of the growth in the Canaccord Genuity business as a result of increased activity in our focus sectors and the positive impact from the acquisition of Genuity. Canadian revenue for Canaccord Genuity of $58.2 million represented 60.0% (Q2/10: 43.9%) of Canaccord Genuity's total revenue.

Revenue from UK and Other Foreign Location

Canaccord Genuity's operations in the UK and Europe include providing sales and trading, corporate finance and research services to our institutional and corporate customers. Revenue derived from capital markets activity outside of Canada, the UK and the US is reported as Other Foreign Location, which includes operations for Canaccord International Ltd. Revenue in the UK and Other Foreign Location was $18.7 million, which increased 29.7% or $4.3 million from the same period a year ago mainly due to stronger capital markets activity in the UK as well as the result of the addition of a new sales trading team hired at the end of fiscal 2010. UK and Other Foreign Location revenue of $18.7 million was 19.3% (Q2/10: 18.4%) of Canaccord Genuity's total revenue.

Revenue from US operations

The US operations reflect the capital markets activities of Canaccord Genuity Inc. Second quarter fiscal 2011 revenue for Canaccord Genuity in the US was $20.1 million (Q2/10: $29.6 million), a decrease of $9.5 million or 32.1% compared to the same period last year primarily due to a declining market environment in the US leading to decreased activity in respect of both public and private offerings and advisory work. Revenue from the US operations represented 20.7% (Q2/10: 37.7%) of Canaccord Genuity's total revenue.

Expenses

Expenses for Q2/11 were $77.6 million, up 21.2% or $13.5 million. The higher expenses were mainly attributed to increases in incentive compensation expense of $4.1 million, communications and technology expense of $1.6 million, general and administrative expense of $2.9 million, $1.9 million of amortization expense and interest expense of $1.2 million.

The Company recovers certain expense items from compensation pools. These expense recoveries were previously reflected in the related expense items in prior periods, but these recoveries have been reclassified to incentive compensation beginning in Q1/11. Therefore, the reclassification has reduced incentive compensation expense and contributed to the increase in promotion and travel expense of $2.1 million, and communication and technology expense of $1.6 million in Q2/11 compared to the same period a year ago.

As a result of the reclassification of expense recoveries discussed above, the incentive compensation ratio decreased to 48.3% from 54.5%. In addition, the Company has continued to make efforts to monitor the incentive compensation structure to maximize shareholder value. Salaries and benefits expense was $4.2 million, up $0.8 million or 23.0% compared to the second quarter of fiscal 2010. This increase is consistent with the 23.9% growth in headcount in this segment.

General and administrative expense was $8.1 million in Q2/11, up $2.9 million or 54.7%. Promotion and travel expense increased by $2.1 million or 89.3%, partly as a result of the reclassification discussed above. The increase in promotion and travel expense is also due to the Company's sales and marketing initiatives as well as higher staffing levels in this segment.

Included in amortization expense in Q2/11 is $1.9 million of amortization of intangible assets related to the acquisition of Genuity. Interest expense was up $1.2 million, attributable to additional interest expense incurred from the Fixed Income group's activities.

Net income

Income before income taxes excluding allocated overhead expenses for the quarter was $19.4 million, an increase of $4.9 million or 34.2% from the same quarter a year ago. The acquisition of Genuity as well as stronger business in the capital markets operations resulted in a higher pre-tax income in Q2/11 compared to Q2/10. Excluding acquisition-related expense items, income before income taxes in Q2/11 was $21.2 million compared to $14.5 million in Q2/10.

First-half fiscal year 2011 vs. first-half fiscal year 2010

Revenue for Canaccord Genuity for the first half of fiscal 2011 was $197.1 million, which increased $33.1 million from the same period last year due to higher revenue generated from the Canadian operations.

Revenue from Canadian operations

In Canada, revenue was $116.2 million, an increase of 63.8% from the same period a year ago. Within Canada, $103.0 million was derived from investment banking and equities activity, while $13.3 million was from international trading, registered traders and fixed income operations. The acquisition of Genuity as well as a strong performance in all focus sectors led to the significant increase in revenue in Canada. Overall, Canadian revenue represented 59.0% of Canaccord Genuity's total revenue (YTD fiscal 2010: 43.3%).

Revenue from UK and Other Foreign Location operations

The UK and Other Foreign Location revenue was $35.0 million, a slight decrease of $1.8 million from the same period a year ago. Revenue from the UK and Other Foreign Location operations represented 17.8% of Canaccord Genuity's total revenue (YTD fiscal 2010: 22.4%).

Revenue from US operations

The US operations experienced a decline in revenue during the first half of fiscal 2011, mainly due to decreased activity in respect of both public and private offerings and advisory work. Revenue was $45.9 million, a decrease of $10.4 million or 18.4 % compared to the same period a year ago. Revenue from US operations represented 23.3% of Canaccord Genuity's total revenue (YTD fiscal 2010: 34.3%).

Expenses

Expenses for first-half fiscal 2011 were $164.3 million, up 23.4% or $31.2 million. The higher expenses were mainly attributed to increases in incentive compensation expense of $5.4 million, salaries and benefits expense of $1.4 million, communications and technology expense of $2.7 million, interest expense of $1.2 million, general and administrative expense of $6.0 million, and amortization of $3.3 million.

Acquisition-related expense items of $14.3 million were incurred in relation to the purchase of Genuity during the first half of fiscal 2011. Acquisition-related expense items include: $6.0 million of severance, $2.8 million of lease termination costs, $3.3 million of amortization of intangible assets, $0.9 million of professional and consulting fees, and $1.3 million of other expenses.

Incentive compensation ratio decreased to 47.4% from 53.7% due to the Company's continued efforts to maximize shareholder value by monitoring the incentive compensation structure, as well as reclassification of pool recoveries as discussed above. Salaries and benefits expense in first-half fiscal 2011 experienced an increase of $1.4 million consistent with the 23.9% growth in staffing levels.

General and administrative expense was $17.1 million in the six months ending September 30, 2010, up $6.0 million or 53.4%. Promotion and travel expense increased by $4.5 million, partially as a result of the reclassification discussed above. Promotion and travel expense also increased as a result of the Company's sales and marketing initiatives and higher staffing levels. The Company's policy of reserving against unsecured balances led to an increase in credit provision expense by $0.8 million compared to the same period in the prior year.

Communication and technology expense also increased by $2.7 million largely due to the reclassification of pool recoveries. Interest expense was up by $1.2 million, which was attributable to the Fixed Income group's activities. The amortization of intangible assets in connection with the acquisition of Genuity resulted in the $3.3 million increase in amortization expense.

Net income

Income before income taxes excluding allocated overhead expenses for first-half fiscal 2011 was $32.8 million, an increase of $2.0 million or 6.3% from the same period a year ago. Income before income taxes was higher for the six months ended September 30, 2010 compared to the same period in the prior year as a result of the revenue growth in this segment, offset by $14.3 million of acquisition-related expense items. Excluding acquisition-related expense items, income before income taxes in the second quarter ending September 30, 2010 was $47.0 million compared to $30.8 million for the same period last year.

Canaccord Wealth Management[1]

	Three months ended September 30			*Six months ended September 30*		
(C$ thousands, except AUM and AUA, which are in C$ millions; employees; Advisory Teams; and % amounts)	*2010*	*2009*	*Quarter-over-quarter change*	*2010*	*2009*	*YTD-over-YTD change*
Revenue	**$ 44,539**	$ 40,138	11.0%	**$ 91,746**	$ 80,323	14.2%
Expenses						
Incentive compensation	**22,079**	19,368	14.0%	**45,563**	38,011	19.9%
Salaries and benefits	**4,817**	4,360	10.5%	**8,699**	8,606	1.1%
Other overhead expenses	**12,223**	11,485	6.4%	**24,560**	23,764	3.3%
Total expenses	**$ 39,119**	$ 35,213	11.1%	**$ 78,822**	$ 70,381	12.0%
Income before income taxes[2]	**5,420**	4,925	10.1%	**12,924**	9,942	30.0%
Assets under management	**473**	453	4.4%			
Assets under administration	**13,895**	11,386	22.0%			
Number of Advisory Teams	**280**	334	(16.2)%			
Number of employees	**665**	698	(4.7)%			

(1) Data is considered to be GAAP except for AUM, AUA, number of Advisory Teams and number of employees.

(2) Income before income taxes excludes Intersegment Allocated Costs. See "Intersegment Allocated Costs".

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

Second quarter 2011 vs. second quarter 2010

Revenue from Canaccord Wealth Management was $44.5 million, an increase of $4.4 million or 11.0% mainly due to a $2.5 million increase in commission revenue, a $1.9 million increase in investment banking revenue and a $0.3 million increase in interest revenue. These increases were partially offset by a $0.5 million decrease in principal trading revenue. The overall growth in revenue is consistent with the movement in AUA and AUM, and also reflects the Company's strategic initiatives in this sector.

AUA increased by 22.0% or $2.5 billion to $13.9 billion compared to Q2/10 primarily due to higher market values. AUM increased by 4.4% year over year. There were 280 Advisory Teams at the end of the second quarter of fiscal 2011, a decrease of 54 from a year ago due to an ongoing strategic review of the Wealth Management division and the conversion of corporate branches to the Independent Wealth Management (IWM) platform. Canaccord's fee-based revenue was consistent with the same quarter of the prior year and accounted for 15.2% of Canaccord Wealth Management's revenue in both quarters.

Expenses for Q2/11 were $39.1 million, an increase of 11.1% or $3.9 million. This change was made up of an increase in incentive compensation expense of $2.7 million and an increase in general and administrative expense of $1.7 million, offset by a minor decrease in other overhead expenses. The movement in incentive compensation expense was consistent with the increase in revenue. Incentive compensation ratio was 49.6% in Q2/11 compared to 48.3% in Q2/10. General and administrative expense was up due to a large credit recovery of $0.8 million in Q2/10 that did not recur in Q2/11 and an increase in office expense of $0.5 million for the printing of marketing materials for this segment.

Income before income taxes excluding allocated overhead expenses for the quarter was $5.4 million compared to an income of $4.9 million from the same period a year ago. Revenue growth during Q2/11 compared to Q2/10 resulted in the higher income before income taxes.

First-half fiscal year 2011 vs. first-half fiscal year 2010

Revenue from Canaccord Wealth Management was $91.7 million, an increase of $11.4 million. This increase was attributed to an increase in commission revenue of $7.7 million, and an increase in investment banking revenue of $5.4 million, offset by a decline in principal trading revenue of $2.1 million. Fee-related revenue as a percentage of total Canaccord Wealth Management revenue remained relatively consistent at 14.6% compared to 14.5% in the same period last year.

Expenses for the six months ended September 30, 2010 were $78.8 million, up $8.4 million or 12.0%. Incentive compensation expense increased by $7.6 million or 19.9%, in line with the 14.2% growth in total revenue. The total compensation expense payout as a percentage of revenue for the first six months of fiscal 2011 was 59.1%, an increase of 1.1 percentage points from 58.0% for the same period a year ago.

General and administrative expense increased $1.6 million or 24.7%. General and administrative expense was up as a result of an increase in office expense of $0.9 million resulting from the printing of marketing materials, as well as a $1.0 million increase in client settlement expense. This was offset by a $0.4 million decrease in promotion and travel expense resulting from this segment's efforts to reduce spending.

The increase in expense was partially offset by a decrease in trading costs expense of $0.5 million or 11.1% and communication and technology expense of $0.4 million or 12.4%. The lower expenses were a result of this segment's cost reduction efforts.

Income before income taxes excluding allocated overhead expenses for the first half of fiscal 2011 was $12.9 million compared to $9.9 million from the same period a year ago.

Corporate and Other(1)

	Three months ended September 30			Six months ended September 30		
(C$ thousands, except employees and % amounts)	*2010*	*2009*	*Quarter-over-quarter change*	*2010*	*2009*	*YTD-over-YTD change*
Revenue	**$ 7,783**	$ 5,131	51.7%	**$ 12,341**	$ 16,912	(27.0)%
Expenses						
Incentive compensation	**2,926**	1,837	59.3%	**5,942**	6,426	(7.5)%
Salaries and benefits	**7,351**	6,247	17.7%	**15,264**	12,399	23.1%
Other overhead expenses	**8,388**	8,568	(2.1)%	**15,662**	14,995	4.4%
Total expenses	**$ 18,665**	$ 16,652	12.1%	**$ 36,868**	$ 33,820	9.0%
Loss before income taxes(2)	**(10,882)**	(11,521)	5.5%	**(24,527)**	(16,908)	45.1%
Number of employees	**369**	359	2.8%			

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

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

Second quarter 2011 vs. second quarter 2010

Revenue for the three months ended September 30, 2010 was $7.8 million, an increase of 51.7% or $2.7 million from the same quarter a year ago. The change was mainly related to a $1.9 million increase in foreign exchange gains and a $0.8 million increase in interest revenue. Foreign exchange gains relates to fluctuations in the foreign exchange rates and interest revenue was up due to higher interest rates.

Expenses for Q2/11 were $18.7 million, an increase of $2.0 million or 12.1%. Incentive compensation expense increased by $1.1 million due to compensation based on higher group profitability. Salaries and benefits expense increased by $1.1 million, partly due to additional employees hired for this segment to enhance the Company's operations and support services. Salaries and benefit expense relating to systems development were also reclassified from development cost to salaries and benefit expense. This also explains the $0.5 million decrease in development costs.

Overall, loss before income taxes was $10.9 million in Q2/11 compared to $11.5 million in the same quarter a year ago.

First-half fiscal year 2011 vs. first-half fiscal year 2010

Revenue was $12.3 million, down $4.6 million, primarily attributed to lower foreign exchange gains in first-half fiscal year 2011. There were significant fluctuations in the foreign exchange rates during the first quarter of fiscal year 2010 resulting in exceptionally high gains reported by the Company.

Expenses for the first half of fiscal 2011 were $36.9 million, an increase of $3.0 million. Incentive compensation decreased by $0.5 million or 7.5% as part of the Company's initiative to monitor its compensation structure. This drop was offset by a $2.9 million or 23.1% increase in salaries and benefits mainly due to higher staffing levels and reclassification of salaries and benefits expense related to systems development as discussed above. This reclassification also resulted in a decrease in development costs. Premises and equipment expense was up by $1.0 million or 48.0% due to additional lease commitments assumed by the Company from the acquisition of Genuity.

Overall, loss before income taxes was $24.5 million compared to $16.9 million for the same period a year ago.

INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses, and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $9.4 million for the three months ending September 30, 2010 and to Canaccord Genuity such allocable costs were $2.9 million. For the six months ending September 30, 2010, $18.9 million was allocated to Canaccord Wealth Management and $5.6 million to Canaccord Genuity.

FINANCIAL CONDITION

Below are specific changes in selected balance sheet items.

Assets

Cash and cash equivalents were $636.9 million on September 30, 2010 compared to $731.9 million on March 31, 2010. Refer to the Liquidity and Capital Resources section below for more details.

Securities owned were $1.3 billion compared with $362.8 million on March 31, 2010, mainly attributable to an increase in corporate and government debt. This increase is mainly attributable to growth in fixed income activity, and increased holdings in equities and convertible debentures and corporate finance bought deal positions. The increase in fixed income holdings was a result of the continuing corporate initiative to expand the Fixed Income group, which deals in the primary and secondary markets for many fixed income products.

Accounts receivable were $3.0 billion at September 30, 2010 compared to $2.0 billion at March 31, 2010, mainly due to increases in receivables from brokers and investment dealers resulting from the expansion of the Fixed Income group.

Goodwill was $242.1 million and intangible assets were $75.8 million, representing the goodwill and intangible assets acquired from the purchase of Genuity.

Other assets consisting of income taxes receivable, future income taxes, equipment and leasehold improvements, and investments, were $63.2 million compared to $56.3 million at March 31, 2010 mainly due to an increase in income taxes receivable at September 30, 2010.

Liabilities

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At September 30, 2010 Canaccord has available credit facilities with banks in Canada and the UK in the aggregate amount of $414.0 million [March 31, 2010 – $411.4 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by either unpaid client securities and/or securities owned by the Company. On September 30, 2010 there was bank indebtedness of $64.7 million compared to $29.4 million on March 31, 2010 related to these facilities.

Securities sold short were $1.2 billion at September 30, 2010 compared to $364.1 million at March 31, 2010. This increase was a result of the Company's initiative to expand the Fixed Income group.

Accounts payable were $3.3 billion compared to $2.3 billion at March 31, 2010. The increase in accounts payable to brokers and investment dealers resulting from the growth of the Fixed Income group explains most of the increase in accounts payable.

Non-current future income tax liability was $21.3 million largely due to the recognition of a future income tax liability in connection with the intangible assets acquired through the purchase of Genuity.

Other liabilities were $15.0 million at September 30, 2010 and $20.4 million at March 31, 2010. At September 30, 2010 the Company had a nil income taxes payable balance outstanding while it was $5.4 million at March 31, 2010.

OFF-BALANCE SHEET ARRANGEMENTS

A subsidiary of the Company has entered into irrevocable secured standby letters of credit from a financial institution totalling $2.4 million (US$2.3 million) [March 31, 2010 – $2.3 million (US$2.3 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure comprised of share capital, retained earnings and accumulated other comprehensive loss. On September 30, 2010 cash and cash equivalents were $636.9 million, a decrease of $95.0 million from $731.9 million as of March 31, 2010. During the six months ended September 30, 2010 financing activities provided cash in the amount of $7.5 million mainly due to the $35.3 million increase in bank indebtedness, partially offset by the acquisition of common shares for LTIP and dividends paid. Investing activities used cash in the amount of $50.0 million primarily related to the acquisition of Genuity Capital Markets. Operating activities used cash in the amount of $55.6 million, which was due to changes in working capital balances. An increase in cash of $3.1 million was attributed to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $95.0 million compared to March 31, 2010.

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

The following table summarizes Canaccord's long-term contractual obligations on September 30, 2010.

		Contractual obligations payments due by period			
(C$ thousands)	*Total*	*Fiscal 2012*	*Fiscal 2013–Fiscal 2014*	*Fiscal 2015–Fiscal 2016*	*Thereafter*
Premises and equipment operating leases	129,102	24,001	40,219	32,179	32,703

OUTSTANDING SHARE DATA

	Outstanding shares as of September 30	
	2010	*2009*
Issued shares excluding unvested shares(1)	**74,551,609**	48,681,034
Issued shares outstanding(2)	**82,552,764**	55,359,489
Issued shares outstanding – diluted(3)	**84,532,360**	57,226,445
Average shares outstanding – basic	**70,836,180**	48,420,751
Average shares outstanding – diluted	**79,577,578**	55,444,791

(1) Excludes 4,744,750 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs and 3,256,405 unvested shares purchased by an employee benefit trust for the long term incentive plan (LTIP).
(2) Includes 4,744,750 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs and 3,256,405 unvested shares purchased by an employee benefit trust for the LTIP.
(3) Includes 1,979,596 of share issuance commitments.

The Company acquired 100% of Genuity for consideration consisting of 26.5 million Canaccord common shares and cash of $58.0 million. At November 3, 2010 Canaccord had 82,552,764 common shares issued and outstanding, an increase of 27,193,275 common shares from September 30, 2009 due to shares issued in connection with the acquisition of Genuity and stock compensation plans. See Note 5 of the Unaudited Interim Consolidated Financial Statements for more information regarding the acquisition of Genuity.

STOCK-BASED COMPENSATION PLANS

Stock options

The Company grants stock options to purchase common shares of the Company to independent directors and senior managers. The independent directors and senior managers have been granted options to purchase up to an aggregate of 2,599,993 common shares of the Company. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the stock options is $9.82 per share.

In May 2010 the Company granted an aggregate of 150,000 stock options to six independent directors with an exercise price of $8.39 per share. The options vest over a four-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director.

Long term incentive plan

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

INTERNATIONAL FINANCIAL CENTRE

Canaccord is a member of the International Financial Centre British Columbia Society and it operates an international financial centre in Montreal, both of which provide certain tax and financial benefits pursuant to the *International Business Activity Act* of British Columbia and the *Act Respecting International Financial Centres* of Quebec. Accordingly, Canaccord's overall income tax rate is less than the rate that would otherwise be applicable.

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On September 30, 2010 forward contracts outstanding to sell US dollars had a notional amount of US$10.8 million, a decrease of $0.8 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$10.1 million, an increase of US$3.1 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in the US and UK are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

RELATED PARTY TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

As a result of adopting Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1582 "*Business Combinations*", Handbook Section 1601 "*Consolidated Financial Statements*" and Handbook Section 1602 "*Non-controlling Interests*", and the completion of the acquisition of Genuity Capital Markets (Genuity), the Company has the following critical accounting estimates in addition to those described in Canaccord's 2010 Annual Report:

Goodwill and other intangible assets

As a result of the acquisition of Genuity Capital Markets, Canaccord acquired goodwill and other intangible assets. Goodwill is the cost of the acquired companies in excess of the fair value of their net assets, including other intangible assets, at the acquisition date. The identification and valuation of other intangible assets required management to use estimates and make assumptions. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the reporting unit to which goodwill has been allocated is greater than or at least equal to its carrying value. Fair value is determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables. The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset's carrying value may not be recoverable. The amortization periods for intangible assets are reviewed annually. Intangible assets with indefinite lives are not amortized, but are tested for impairment annually, or more frequently if there is an indication the asset may be impaired.

CHANGE IN ACCOUNTING POLICIES

Business Combinations and Consolidated Financial Statements

Effective April 1, 2010, the Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582 "*Business Combinations*", Handbook Section 1601 "*Consolidated Financial Statements*", and Handbook Section 1602 "*Non-controlling Interests*", which replace CICA Handbook Section 1581 "*Business Combinations*" and Handbook Section 1600 "*Consolidated Financial Statements*". Handbook Section 1582 harmonizes Canadian guidance to International Financial Reporting Standards (IFRS) 3 "*Business Combinations*". CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600 except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 substantially harmonizes Canadian standards with amended International Accounting Standard (IAS) 27 "*Consolidated and Separate Financial Statements*". This Canadian standard provides guidance on accounting for non-controlling interests in a subsidiary in the consolidated financial statements subsequent to a business combination.

The adoption of these sections is required for the Company's interim financial statements beginning April 1, 2011. Earlier adoption of these sections was permitted and required that all three sections be adopted concurrently. The Company early adopted all three standards concurrently for the acquisition of Genuity effective April 1, 2010.

Business combinations from April 1, 2010

As a result of adoption of Handbook Section 1582, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of operations.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Business combinations prior to April 1, 2010

In comparison to the above-mentioned requirements, the following differences continue to apply:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs and consideration transferred was measured at the announcement date. The accounting treatment for business combinations prior to April 1, 2010 have not been restated to comply with the new accounting policies.

RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. The Company will issue its first annual and interim consolidated financial statements prepared under IFRS for the year ended March 31, 2012 and the three months ended June 30, 2011, respectively, with restatement of comparative information presented.

We have presented a detailed discussion of the project plan and significant differences between Canadian GAAP and IFRS in the 2010 Annual Report, which should be read in conjunction with the following IFRS update.
The following is a status update of the IFRS conversion plan based on work undertaken during the first half of fiscal year 2011.

IFRS Conversion Plan Status Update

The Company is in the final stages of the design and planning phase of its changeover plan. During the six months ended September 30, 2010 the Company completed the following:

- Prepared and presented mock IFRS financial statements to the Audit Committee which highlighted notes disclosure and presentation differences
- Selected accounting policies under IFRS and discussed with auditors
- Determined the exceptions and exemptions that will be elected by the Company under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*"
- Identified key areas with quantitative impact and began calculations for the opening balance sheet adjustments
- Reviewed changes for regulatory capital reporting

Over the next quarter, we will be finalizing our opening balance sheet quantitative impacts. We will continue to evaluate the impact of IFRS conversion on our information technology and data systems, internal control of financial reporting, or disclosure controls and procedures as well as any business impacts. We do not expect significant changes in our information technology and data systems, the design of our disclosure controls and procedures, or our internal controls of financial reporting based on our operations as of today.

Summary of Key Differences

Key differences identified to date between IFRS and Canadian GAAP are summarized below. Further differences may be identified as the Company completes its implementation analysis.

Accounting Policy Area	**Key Differences in Accounting Treatment**	**Potential Key Impacts**
Share-based payments	**Canadian GAAP** *Expense recognition:* Amortization of share-based payments may be expensed either on a straight-line basis or a graded basis. *Forfeiture rate:* Canadian GAAP provides an option to either estimate a forfeiture rate at the grant date or recognize forfeitures as they occur. **IFRS** *Expense recognition:* Share-based payments must be amortized on a graded basis. *Forfeiture rate:* A forfeiture rate must be estimated at the grant date. **Analysis** Amortization of our share-based payments must be recognized on a graded basis with a forfeiture rate estimated at grant date. The forfeiture rate will be reviewed on an annual basis.	**Expected impact to IFRS opening Consolidated Balance Sheet:** The difference in incentive compensation expense as a result of using the graded amortization and estimating a forfeiture rate for any unvested share-based payments will result in a change in our opening retained earnings.
Financial instruments	**Canadian GAAP** Financial assets are initially measured at fair value, and they are classified as held for trading, held to maturity, loans and receivables, or available for sale. **IFRS** Financial assets are initially measured at fair value and classified as either amortized cost or fair value. **Analysis** Under Canadian GAAP, any gains or losses from available for sale assets are recognized in other comprehensive income; however, this classification does not exist under IFRS. Any changes in fair value or amortization of amortized cost financial assets are recognized into net income directly. The Company also reviewed the difference in accounting treatment of transaction costs and noted that Canadian GAAP and IFRS are consistent in expensing transaction costs incurred for financial instruments classified as held for trading or fair value.	**Expected impact to IFRS opening Consolidated Balance Sheet:** The Company is currrently assessing the impact to IFRS opening Consolidated Balance Sheet.

Impairment of assets	**Canadian GAAP** ***Goodwill*** Impairment should be tested annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment is based on discounted cash flows only if the asset's undiscounted cash flows are below its carrying value. Impairment losses may not be reversed. ***Indefinite lived intangible assets*** Impairment should be tested annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized when the carrying amount exceeds its fair value. Impairment losses may not be reversed. ***Finite lived intangible assets*** Intangible assets should be tested for impairment if events or changes in circumstances indicate that the asset might be impaired. Impairment losses are recognized when the carrying amount exceeds its fair value. Impairment losses may not be reversed. **IFRS** ***Goodwill*** Impairment is tested annually or more frequently if events or circumstances indicate that the asset might be impaired. IFRS requires a one-step impairment test for identifying and measuring impairment, comparing an asset's carrying value to the higher of its value in use and fair value less cost to sell. Impairment losses may not be reversed in future periods. ***Indefinite lived intangible assets*** Impairment is determined by comparing the carrying amount with the recoverable amount and is tested annually or more frequently if circumstances indicate an asset may be impaired. Impairment is recognized when the carrying amount exceeds the higher of the asset's fair value less cost to sell or its value in use. Impairment losses may be reversed in the future not exceeding the carrying amount that would have been determined if there was no impairment loss. ***Finite lived intangible assets*** Impairment is determined by comparing the carrying amounts with the recoverable amount and is tested only if circumstances indicate an asset may be impaired. Impairment is recognized when the carrying amount exceeds the higher of the asset's fair value less cost to sell or its value in use. Impairment losses may be reversed in the future not exceeding the carrying amount that would have been determined if there was no impairment loss. **Analysis** These differences may lead to additional impairment charges under IFRS.	**Expected impact to IFRS opening Consolidated Balance Sheet:** The Company recently acquired goodwill and intangible assets as part of its acquisition of Genuity Capital Markets. The Company has not recognized any impairment as of the date of this MD&A. The Company will prepare its annual impairment testing under Canadian GAAP during the second half of fiscal 2011. The Company will assess any quantitative difference from IFRS at that time.
Income taxes	**Canadian GAAP** Future income tax asset and liability can be classified as either current or non-current asset or liability on the balance sheet. **IFRS** Future income tax assets and liabilities must be classified as non-current on the balance sheet. **Analysis** Presentation of the balance sheet will be different as all future income tax asset or liability will be classified as non-current under IFRS. There may also be other future income tax impact on any transition adjustments resulting from the conversion to IFRS.	**Expected impact to IFRS opening Consolidated Balance Sheet:** The Company is currently assessing the impact to IFRS opening Consolidated Balance Sheet.

IFRS 1 – First-Time Adoption

IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" states that IFRS is to be applied retrospectively with some optional exemptions and mandatory exceptions to this requirement. The significant exemption options are summarized in the table below:

Business combinations	The Company will elect not to apply IFRS 3: "*Business Combinations*" to all business combinations that occur before April 1, 2010. The Company has early adopted HB Section 1582 which is harmonized with IFRS 3 for all business combinations subsequent to April 1, 2010. The Company will elect this exemption option to not restate all business combinations that occurred prior to April 1, 2010.
Share-based payments	The Company may elect not to apply IFRS 2: "*Share-based Payments*" retrospectively to its share-based payments that have vested as of the IFRS transition date.
Currency translation differences	The Company will elect to reclassify all cumulative translation differences for self-sustaining foreign subsidiaries in accumulated other comprehensive income into retained earnings on transition.

The Audit Committee was provided IFRS updates each quarter during fiscal 2010 and this will continue through fiscal 2011 until date of changeover. The Audit Committee has been kept up to date on the progress of the conversion and any significant impacts, including potential quantitative impacts, have been disclosed to the Audit Committee. The Audit Committee is involved in the approval of accounting policy choices and IFRS 1 optional exemptions, opening balance sheet adjustments, and changes to presentation and disclosures of financial statements during fiscal 2011.

BUSINESS COMBINATION

On March 4, 2010 the Company announced that it had signed a definitive agreement to acquire 100% control of Genuity, a leading independent advisory and restructuring firm in Canada. The transaction was completed on April 23, 2010 for consideration consisting of 26.5 million Canaccord common shares valued at $271.9 million and cash of $30.0 million. The share price of $10.26 was based on the closing share price as of April 22, 2010, the date before the transaction closed. In addition, the vendors received $28.0 million as a working capital adjustment subsequent to closing. All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and will be released ratably over five years.

This transaction has been accounted for in accordance with CICA Handbook 1582 "*Business Combinations*" using the acquisition method. The consolidated statement of operations includes the results of Genuity since the closing date of April 23, 2010. See Note 5 of the Interim Unaudited Consolidated Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Based on an evaluation performed as of March 31, 2010, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of our disclosure controls and procedures were effective as defined under *National Instrument 52-109*. During the six months ended September 30, 2010 there were no changes that would have materially affected, or are reasonably likely to materially affect, Canaccord's disclosure controls and procedures.

Changes in internal control over financial reporting

An evaluation of the Company's internal control over financial reporting was performed as of March 31, 2010. Based on this evaluation, the President & CEO and the Executive Vice President & CFO concluded that our internal control over financial reporting is designed and operating effectively as defined under *National Instrument 52-109* and that there are no material weaknesses. There were no changes in internal control over financial reporting that occurred during the six months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

DIVIDEND POLICY

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

DIVIDEND DECLARATION

On November 2, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on December 10, 2010 with a record date of November 19, 2010.

HISTORICAL QUARTERLY INFORMATION

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

The following table provides selected quarterly financial information for the nine most recently completed financial quarters ended September 30, 2010. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C$ thousands, except per share amounts)	Fiscal 2011		Fiscal 2010				Fiscal 2009		
	Q2	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*
Revenue									
Canaccord Genuity	**$ 96,963**	$ 100,152	$ 83,496	$ 116,090	$ 78,475	$ 85,497	$ 64,972	$ 49,250	$ 58,336
Canaccord Wealth Management	**44,539**	47,207	54,990	51,733	40,138	40,185	37,255	33,532	43,844
Corporate and Other	**7,783**	4,558	4,647	5,374	5,131	11,781	4,769	4,406	8,649
Total revenue	**$ 149,285**	$ 151,917	$ 143,133	$ 173,197	$ 123,744	$ 137,463	$ 106,996	$ 87,188	$ 110,829
Net income	**9,711**	4,875	7,526	15,113	6,746	9,112	3,666	(62,378)	(5,398)
EPS – basic	**$ 0.13**	$ 0.07	$ 0.15	$ 0.31	$ 0.14	$ 0.19	$ 0.07	$ (1.27)	$ (0.11)
EPS – diluted	**$ 0.12**	$ 0.06	$ 0.14	$ 0.27	$ 0.12	$ 0.16	$ 0.07	$ (1.27)	$ (0.11)

RISKS

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

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. An investment in the common shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord's business. Canaccord is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to specific interest rate risk as a result of its principal trading in fixed income securities. Canaccord Wealth Management revenue is dependent on trading volumes and, as such, is dependent on the level of market activity and investor confidence. Canaccord Genuity's revenue is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations and changes in business conditions and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position.

The financial services business is subject to extensive regulation in Canada, the US, the UK and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on its business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the firm's regulated subsidiaries' target ratios as set out by the respective regulators, fund current and future operations, ensure that the firm is able to meet its financial obligations as they come due, and support the creation of shareholder value. The regulatory bodies that some of the Company's subsidiaries are subject to are listed in Note 15 of the March 31, 2010 Audited Annual Consolidated Financial Statements.

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

ADDITIONAL INFORMATION

A comprehensive discussion of our business, strategies, objectives and risks is available in our Annual Information Form and Management's Discussion and Analysis, including our Audited Annual Consolidated Financial Statements in Canaccord's 2010 Annual Report, which are available on our website at www.canaccordfinancial.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com.

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at (in thousands of dollars)	*September 30, 2010*	*March 31, 2010*
ASSETS		
Current		
Cash and cash equivalents	**$ 636,908**	$ 731,852
Securities owned [note 3]	**1,268,897**	362,755
Accounts receivable [notes 4 and 11]	**2,987,415**	1,972,924
Income taxes receivable	**5,567**	–
Future income taxes	**15,136**	13,190
Total current assets	**4,913,923**	3,080,721
Investment	**5,000**	5,000
Equipment and leasehold improvements	**37,463**	38,127
Intangible assets [note 6]	**75,784**	–
Goodwill [note 6]	**242,074**	–
	$ 5,274,244	$ 3,123,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$ 64,733**	$ 29,435
Securities sold short [note 3]	**1,236,229**	364,137
Accounts payable and accrued liabilities [notes 4 and 11]	**3,257,737**	2,308,146
Income taxes payable	**–**	5,385
Subordinated debt [note 8]	**15,000**	15,000
Total current liabilities	**4,573,699**	2,722,103
Future income taxes	**21,273**	–
	4,594,972	2,722,103
Commitments and contingencies [note 14]		
Shareholders' equity		
Common shares [note 9]	**457,870**	185,691
Contributed surplus	**52,079**	57,351
Retained earnings	**200,237**	194,007
Accumulated other comprehensive loss	**(30,914)**	(35,304)
Total shareholders' equity	**679,272**	401,745
	$ 5,274,244	$ 3,123,848

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands of dollars, except per share amounts)	*For the three months ended* September 30, 2010	*For the three months ended* September 30, 2009	*For the six months ended* September 30, 2010	*For the six months ended* September 30, 2009
REVENUE				
Commission	**$ 63,002**	$ 56,628	**$ 125,258**	$ 112,084
Investment banking	**51,236**	32,366	**107,137**	78,956
Advisory fees	**13,215**	15,254	**33,936**	24,550
Principal trading	**9,597**	11,589	**15,555**	23,059
Interest	**5,436**	3,121	**8,580**	6,597
Other	**6,799**	4,786	**10,736**	15,961
	149,285	123,744	**301,202**	261,207
EXPENSES				
Incentive compensation	**71,823**	63,966	**144,914**	132,429
Salaries and benefits	**16,322**	13,983	**32,138**	27,785
Trading costs	**7,241**	7,002	**14,946**	14,326
Premises and equipment	**6,640**	6,104	**12,678**	11,986
Communication and technology	**6,779**	5,245	**13,048**	10,734
Interest	**1,673**	492	**2,289**	1,337
General and administrative	**15,990**	11,698	**31,781**	23,586
Amortization [note 6]	**3,706**	1,906	**6,990**	3,827
Development costs	**5,172**	5,487	**10,256**	11,341
Acquisition-related costs [note 5]	**–**	–	**10,990**	–
	135,346	115,883	**280,030**	237,351
Income before income taxes	**13,939**	7,861	**21,172**	23,856
Income tax expense (recovery) [note 7]				
Current	**3,234**	(201)	**5,880**	4,360
Future	**994**	1,316	**706**	3,638
	4,228	1,115	**6,586**	7,998
Net income for the period	**$ 9,711**	$ 6,746	**$ 14,586**	$ 15,858
Basic earnings per share [note 9[iv]]	**$ 0.13**	$ 0.14	**$ 0.20**	$ 0.33
Diluted earnings per share [note 9[iv]]	**$ 0.12**	$ 0.12	**$ 0.18**	$ 0.28

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	For the three months ended		For the six months ended	
(in thousands of dollars)	***September 30, 2010***	*September 30, 2009*	***September 30, 2010***	*September 30, 2009*
Net income for the period	**$ 9,711**	$ 6,746	**$ 14,586**	$ 15,858
Other comprehensive income (loss), net of taxes				
Net change in unrealized losses on translation of self-sustaining foreign operations	**(186)**	(10,304)	**4,390**	(10,019)
Comprehensive income (loss) for the period	**$ 9,525**	$ (3,558)	**$ 18,976**	$ 5,839

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

	As at and for the six months ended	
(in thousands of dollars)	***September 30, 2010***	*September 30, 2009*
Common shares, opening	**$ 185,691**	$ 183,619
Shares issued in connection with the acquisition of Genuity Capital Markets [note 5]	**271,900**	–
Shares issued in connection with the long-term incentive plan (LTIP) [note 10]	**5,162**	3,296
Acquisition of common shares for LTIP [note 10]	**(14,688)**	(5,237)
Release of vested common shares from employee benefit trust [note 10]	**14,518**	8,880
Unvested share purchase loans	**(4,713)**	2,733
Common shares, closing	**457,870**	193,291
Contributed surplus, opening	**57,351**	44,383
Stock-based compensation [note 10]	**(7,782)**	(393)
Unvested share purchase loans	**2,510**	403
Contributed surplus, closing	**52,079**	44,393
Retained earnings, opening	**194,007**	160,868
Net income for the period	**14,586**	15,858
Dividends	**(8,356)**	–
Retained earnings, closing	**200,237**	176,726
Accumulated other comprehensive loss, opening	**(35,304)**	(16,166)
Other comprehensive income (loss) for the period	**4,390**	(10,019)
Accumulated other comprehensive loss, closing	**(30,914)**	(26,185)
Shareholders' equity	**$ 679,272**	$ 388,225

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands of dollars)	*For the three months ended* *September 30, 2010*	*September 30, 2009*	*For the six months ended* *September 30, 2010*	*September 30, 2009*
OPERATING ACTIVITIES				
Net income for the period	**$ 9,711**	$ 6,746	**$ 14,586**	$ 15,858
Items not affecting cash				
Amortization	**3,706**	1,906	**6,990**	3,827
Stock-based compensation expense	**5,281**	5,807	**12,569**	11,075
Future income tax expense	**994**	1,316	**706**	3,638
Changes in non-cash working capital				
Increase in securities owned	**(433,892)**	(349,400)	**(900,138)**	(384,189)
Increase in accounts receivable	**(793,641)**	(830,505)	**(996,617)**	(925,543)
(Increase) decrease in income taxes receivable	**(2,286)**	15,623	**(16,343)**	19,354
Increase in securities sold short	**533,129**	326,489	**871,743**	303,167
Increase in accounts payable and accrued liabilities	**771,550**	818,244	**950,916**	960,473
Cash provided by (used in) operating activities	**94,552**	(3,774)	**(55,588)**	7,660
FINANCING ACTIVITIES				
Acquisition of common shares for LTIP	**(10,331)**	(776)	**(14,688)**	(5,237)
Decrease (increase) in unvested common share purchase loans	**4,230**	1,790	**(4,713)**	3,136
Dividends paid	**(4,209)**	–	**(8,356)**	–
Change in bank indebtedness	**(18,259)**	(20,188)	**35,298**	10,000
Repayment of subordinated debt	**–**	–	**–**	(10,000)
Cash (used in) provided by financing activities	**(28,569)**	(19,174)	**7,541**	(2,101)
INVESTING ACTIVITIES				
Acquisition of Genuity Capital Markets	**–**	–	**(37,997)**	–
Net liabilities acquired from Genuity Capital Markets	**–**	–	**(11,227)**	–
Purchase of equipment and leasehold improvements	**(424)**	(113)	**(763)**	(565)
Proceeds on net redemption of investment in ABCP	**–**	867	**–**	1,761
Cash (used in) provided by investing activities	**(424)**	754	**(49,987)**	1,196
Effect of foreign exchange on cash balances	**1,396**	(2,619)	**3,090**	1,527
Increase (decrease) in cash position	**66,955**	(24,813)	**(94,944)**	8,282
Cash position, beginning of period	**569,953**	734,268	**731,852**	701,173
Cash position, end of period	**$ 636,908**	$ 709,455	**$ 636,908**	$ 709,455
Supplemental cash flow information				
Interest paid	**$ 1,547**	$ 436	**$ 2,048**	$ 1,227
Income taxes paid	**3,629**	1,179	**19,746**	2,003

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 (in thousands of dollars, except per share amounts)

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (GAAP) with respect to interim financial statements, applied on a consistent basis. These interim unaudited consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 1 to the Company's audited consolidated financial statements as at and for the year ended March 31, 2010 as filed on SEDAR on May 19, 2010 (Audited Annual Consolidated Financial Statements) except for the changes in accounting policies as described in Note 2. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements and notes thereon should be read in conjunction with the Audited Annual Consolidated Financial Statements.

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

As a result of adopting Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1582 "*Business Combinations*", Handbook Section 1601 "*Consolidated Financial Statements*" and Handbook Section 1602 "*Non-controlling Interests*", and the completion of the acquisition of Genuity Capital Markets (Genuity), the Company is disclosing the following accounting policies in addition to those previously disclosed in the Audited Annual Consolidated Financial Statements.

Goodwill

Goodwill represents the excess of the purchase price paid for an acquisition over the fair value of the net tangible and identifiable intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

The cost of identifiable intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset's carrying value may not be recoverable. The amortization periods for intangible assets are reviewed annually. Intangible assets with indefinite lives are not amortized, but are tested for impairment annually, or more frequently if there is an indication the asset may be impaired.

Impairment testing of goodwill and intangible assets with indefinite lives

In accordance with CICA Handbook Section 3064 "*Goodwill and Intangible Assets*", the Company is required to annually evaluate goodwill and intangible assets with indefinite lives to determine whether they are impaired. Goodwill and intangible assets with indefinite lives should also be tested for impairment whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the reporting unit to which goodwill and intangible assets with indefinite lives have been allocated is greater than or at least equal to its carrying value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Any impairment of goodwill or intangible assets with indefinite lives will be recognized as an expense in the period of impairment, and subsequent reversals of impairments are prohibited.

Recent accounting pronouncements

International Financial Reporting Standards (IFRS)

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

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

2. CHANGE IN ACCOUNTING POLICIES

Business Combinations and Consolidated Financial Statements

Effective April 1, 2010, the Company adopted CICA Handbook Section 1582 "*Business Combinations*", Handbook Section 1601 "*Consolidated Financial Statements*" and Handbook Section 1602 "*Non-controlling Interests*", which replace CICA Handbook Section 1581 "*Business Combinations*" and Handbook Section 1600 "*Consolidated Financial Statements*". Handbook Section 1582 harmonizes Canadian guidance to IFRS 3 "*Business Combinations*". CICA Handbook Section 1601 carries forward guidance from CICA Handbook Section 1600 except for the standards relating to the accounting for non-controlling interests, which are addressed separately in Section 1602. Section 1602 substantially harmonizes Canadian standards with amended International Accounting Standard (IAS) 27 "*Consolidated and Separate Financial Statements*". This Canadian standard provides guidance on accounting for non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination.

The adoption of these sections is required for the Company's interim financial statements beginning April 1, 2011. Earlier adoption of these sections was permitted and required that all three sections be adopted concurrently. The Company early adopted all three standards concurrently for the acquisition of Genuity [Note 5] effective April 1, 2010.

Business combinations from April 1, 2010

As a result of adoption of Handbook Section 1582, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of operations.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The adoption of these standards had a significant impact on how the Company accounted for the business combination with Genuity. The impact was as follows:

- Transaction costs were not capitalized as part of the purchase consideration and instead were expensed as incurred. As a result, the Company expensed approximately $5.0 million during the year ended March 31, 2010 and $11.0 million during the three months ended June 30, 2010.
- Measurement date for equity instruments issued by the Company as consideration for the acquisition was the date of acquisition (April 22, 2010 closing price) and not at the average of a few days before and after the terms were agreed to and announced (March 4, 2010). Therefore, the Company used a share price of $10.26 versus a share price of $9.49 to value the consideration, increasing the purchase consideration for the business combination by $20.3 million and increasing goodwill being recorded on the consolidated balance sheet by the same amount.

Business combinations prior to April 1, 2010

In comparison to the above-mentioned requirements, the following differences continue to apply:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs and consideration transferred was measured at the announcement date. The accounting treatment for business combinations prior to April 1, 2010 have not been restated to comply with the accounting policies described above.

3. SECURITIES OWNED AND SECURITIES SOLD SHORT

	September 30, 2010		March 31, 2010	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ **1,079,216**	$ **1,215,920**	$ 282,686	$ 342,916
Equities and convertible debentures	**188,607**	**20,309**	79,098	21,221
Investment in asset-backed commercial paper	**1,074**	**–**	971	–
	$ **1,268,897**	$ **1,236,229**	$ 362,755	$ 364,137

As at September 30, 2010 corporate and government debt maturities range from 2010 to 2060 [March 31, 2010 – 2010 to 2060] and bear interest ranging from 0.50% to 14.00% [March 31, 2010 – 0.50% to 14.00%].

4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	September 30, 2010	March 31, 2010
Brokers and investment dealers	$ **1,811,125**	$ 932,408
Clients	**628,048**	503,733
RRSP cash balances held in trust	**490,352**	475,220
Other	**57,890**	61,563
	$ **2,987,415**	$ 1,972,924

Accounts payable and accrued liabilities

	September 30, 2010	March 31, 2010
Brokers and investment dealers	$ **1,637,579**	$ 949,595
Clients	**1,384,721**	1,188,545
Other	**235,437**	170,006
	$ **3,257,737**	$ 2,308,146

Amounts due from and to brokers and dealers include balances from resale and repurchase agreement, securities loaned and borrowed, as well as brokers and dealers counterparties.

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 when cash is delivered and interest being paid when cash is received. Securities borrowed and securities loaned are carried at the amounts of cash collateral delivered 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 received 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.

Securities purchased under agreements to resell and securities sold under agreements to repurchase represent collateralized financing transactions. The Company receives securities purchased under agreements to resell, makes delivery of securities sold under agreements to repurchase, monitors the market value of these securities on a daily basis and delivers or obtains additional collateral as appropriate.

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client accounts. Interest on margin loans and amounts due to clients is based on a floating rate [September 30, 2010–6.00%–6.25% and 0.00%–0.05%, respectively; March 31, 2010–5.25%–6.25% and 0.05%–0.00%, respectively].

5. BUSINESS COMBINATION

On March 4, 2010 the Company announced that it had signed a definitive agreement to acquire 100% control of Genuity, a leading independent advisory and restructuring firm in Canada. The transaction was completed on April 23, 2010 for consideration consisting of 26.5 million Canaccord common shares valued at $271.9 million and cash of $30.0 million. The shares issued were valued at $10.26 per share based on the closing share price as of April 22, 2010, the date before the transaction closed. In addition, the vendors received $28.0 million as a working capital adjustment subsequent to closing. All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and will be released ratably over five years.

This transaction has been accounted for in accordance with CICA Handbook 1582 "*Business Combinations*" [Note 2], using the acquisition method. The consolidated statement of operations includes the results of Genuity since the closing date of April 23, 2010. The Company has not disclosed the amounts of revenue and net income contributed by Genuity for the six months ended September 30, 2010 as required by CICA Handbook Section 1582 as the Company has determined that it is impracticable to provide such disclosure. The Company has fully integrated Genuity's operations and accounting records into its existing Canaccord Genuity operating segment, and as such, the Company is not able to separately identify the revenue and net income from Genuity since the acquisition on April 23, 2010.

Total costs related to this transaction were $11.0 million for the six months ended September 30, 2010. These costs include professional and consulting fees, lease termination costs and staff restructuring incurred for this acquisition.

Acquisition-related costs		
Severance	$	5,968
Lease termination costs		2,800
Professional and consulting fees		869
Other		1,353
Total	$	10,990

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

Consideration paid		
Cash	$	58,000
Common shares issued (26.5 million shares @ $10.26 per share)		271,900
	$	329,900

Net assets acquired		
Net tangible assets	$	28,212
Identifiable intangible assets		79,050
Future income tax liability		(19,436)
Goodwill		242,074
	$	329,900

The net tangible assets acquired included accounts receivable of $8.8 million. The goodwill of $242.1 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

The above amounts are estimates, which were made by management at the time of the preparation of these unaudited interim financial statements based on information then available. Amendments may be made to these amounts as values subject to estimates are finalized. No such amendments were recorded during the six-month period ended September 30, 2010.

6. GOODWILL AND INTANGIBLE ASSETS

		Identifiable intangible assets				
	Goodwill	*Brand names*	*Customer relationships*	*Sales backlog*	*Non-competition*	*Total*
Gross amount						
Balance, April 1, 2010	–	–	–	–	–	–
Additions	242,074	44,930	25,450	1,633	7,037	79,050
Balance, September 30, 2010	242,074	44,930	25,450	1,633	7,037	79,050
Amortization						
Balance, April 1, 2010	–	–	–	–	–	–
Amortization	–	–	(1,015)	(1,633)	(618)	(3,266)
Balance, September 30, 2010	–	–	(1,015)	(1,633)	(618)	(3,266)
Net book value						
September 30, 2010	$ 242,074	$ 44,930	$ 24,435	$ –	$ 6,419	$ 75,784

Intangible assets reflect assigned values related to acquired brand names, customer relationships, sales backlogs and non-competition agreements. Customer relationships, sales backlogs and non-competition agreements have a finite life and are amortized on a straight-line basis over their estimated useful lives. The estimated amortization periods of these amortizable intangible assets are as follows:

- Customer relationships 11 years
- Sales backlogs 0.4 years
- Non-competition 5 years

The amortization of intangible assets is recognized in the statement of operations as part of amortization expense. Amortization of intangible assets was $1.9 million and $3.3 million for the three and six months ended September 30, 2010, respectively.

Brand names are considered to have an indefinite life as they will provide benefit to the Company over a continuous period.

Impairment testing of goodwill and intangible assets

Goodwill and intangible assets acquired through the acquisition of Genuity have been allocated to the Canadian portion of the Canaccord Genuity cash-generating unit for impairment testing. There have been no changes to circumstances or events that would indicate the carrying value of goodwill and intangibles has been impaired at September 30, 2010. As a result, no interim impairment testing has been performed. The annual impairment testing for goodwill and intangible assets with indefinite lives will be performed at March 31, 2011.

7. INCOME TAXES

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

	For the three months ended		For the six months ended	
	September 30, 2010	*September 30, 2009*	***September 30, 2010***	*September 30, 2009*
Income taxes at the estimated statutory rate	**$ 3,895**	$ 2,330	**$ 5,910**	$ 7,204
Less: Difference in tax rates in foreign jurisdictions	**(197)**	265	**(49)**	55
Non-deductible items affecting the determination of taxable income	**309**	342	**912**	674
Change in valuation allowance related to US operating losses	**(343)**	(1,879)	**(1,494)**	(2,696)
Change in future income tax asset – reversal period of temporary differences	**230**	194	**257**	1,426
Change in accounting and tax base estimate	**334**	(137)	**1,050**	1,335
Income tax expense – current and future	**$ 4,228**	$ 1,115	**$ 6,586**	$ 7,998

8. SUBORDINATED DEBT

	September 30, 2010	*March 31, 2010*
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	**$ 15,000**	$ 15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the IIROC.

9. COMMON SHARES

	September 30, 2010		March 31, 2010	
	Number of shares	Amount	Number of shares	Amount
Common shares	**82,552,764**	**$ 531,615**	55,571,133	$ 254,553
Unvested share purchase loans	**(4,744,750)**	**(39,993)**	(4,475,468)	(35,280)
Held for long term incentive plan [note 10]	**(3,256,405)**	**(33,752)**	(3,201,274)	(33,582)
	74,551,609	**$ 457,870**	47,894,391	$ 185,691

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

[i] Authorized
Unlimited common shares without par value
Unlimited preferred shares without par value

[ii] Issued and fully paid

Common shares	Number of shares	Amount
Balance, September 30, 2009	55,359,489	$ 252,715
Shares issued in connection with stock compensation plans [note 10]	253,080	2,009
Shares cancelled	(41,436)	(171)
Balance, March 31, 2010	55,571,133	254,553
Shares issued in relation to the acquisition of Genuity, net of issuance costs [note 5]	26,500,000	271,900
Shares issued in connection with stock compensation plans [note 10]	481,631	5,162
Balance, September 30, 2010	82,552,764	$ 531,615

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

[iv] Earnings per share

	For the three months ended		For the six months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Basic earnings per share				
Net income for the period	**$ 9,711**	$ 6,746	**$ 14,586**	$ 15,858
Weighted average number of common shares (number)	**74,235,155**	48,536,387	**70,836,180**	48,420,751
Basic earnings per share	**$ 0.13**	$ 0.14	**$ 0.20**	$ 0.33
Diluted earnings per share				
Net income for the period	**$ 9,711**	$ 6,746	**$ 14,586**	$ 15,858
Weighted average number of common shares (number)	**74,235,155**	48,536,387	**70,836,180**	48,420,751
Dilutive effect of unvested shares (number)	**4,744,750**	3,746,523	**4,744,750**	3,746,523
Dilutive effect of stock options (number) [note 10]	**184,745**	24,909	**152,550**	10,734
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 10]	**3,476,002**	3,020,875	**3,526,132**	3,061,594
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 10]	**335,047**	261,418	**317,966**	205,189
Adjusted weighted average number of common shares (number)	**82,975,699**	55,590,112	**79,577,578**	55,444,791
Diluted earnings per share	**$ 0.12**	$ 0.12	**$ 0.18**	$ 0.28

10. STOCK-BASED COMPENSATION PLANS

Stock options

The Company grants stock options to purchase common shares of the Company to independent directors and senior management. Stock options to independent directors vest over a four-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director. Stock options to senior management vest over a five-year period and expire on the earliest of: (a) seven years from the grant date; (b) three years after death or any other event of termination of employment; (c) after any unvested optioned shares held by the optionee are cancelled for any reason (other than early retirement but including resignation without entering into a formal exit agreement and termination for cause); and (d) in the case of early retirement, after a determination that the optionee has competed with the Company or violated any non-competition, non-solicitation or non-disclosure obligations. The exercise price is based on the fair market value of the common shares at grant date. The weighted average exercise price of the stock options was $9.82 at September 30, 2010.

In May 2010 the Company granted an aggregate of 150,000 stock options to six independent directors with an exercise price of $8.39 per share.

The following is a summary of the Company's stock options awarded to directors and senior management as at September 30, 2010 and changes during the six months period then ended:

	Number of options	*Weighted average exercise price*
Balance, September 30, 2009	2,499,993	$ 9.91
Granted	–	–
Balance, March 31, 2010	2,449,993	9.91
Granted	150,000	8.39
Balance, September 30, 2010	**2,599,993**	**$ 9.82**

Options outstanding				*Options exercisable*	
Range of exercise price	*Number of options*	*Weighted average remaining contractual life*	*Weighted average exercise price*	*Number of options exercisable*	*Weighted average exercise price*
$ 23.13	100,000	1 year	$ 23.13	75,000	$ 23.13
7.21–9.48	2,499,993	3.85 years	9.28	93,750	8.51
$ 7.21–23.13	**2,599,993**	**3.74 years**	**$ 9.82**	**168,750**	**$ 15.01**

The fair value of each stock option grant has been estimated on grant date using the Black-Scholes option pricing model. The following assumptions were used for the options granted in May 2010:

	May 2010 grant
Dividend yield	2.00%
Expected volatility	44.00%
Risk-free interest rate	1.94%
Expected life	4 years

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

Compensation expense of $0.5 million and $0.9 million has been recognized for the three and six months ended September 30, 2010 ($0.2 million and $0.3 million for the three and six months ended September 30, 2009).

Long term incentive plan

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

The costs of the RSUs are amortized over the vesting period of three years. Compensation expense of $4,825 and $11,678 has been recognized for the three and six months ended September 30, 2010 ($5,611 and $10,818 for the three and six months ended September 30, 2009).

	For the three months period ended		For the six months period ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Number of awards outstanding, beginning of period	**5,769,872**	4,974,663	**5,317,945**	4,602,385
Granted	**76,658**	995,136	**1,625,499**	1,903,460
Vested	**(717,832)**	(522,548)	**(1,799,995)**	(1,058,594)
Forfeitures	**(39,142)**	–	**(53,893)**	–
Awards outstanding, end of period	**5,089,556**	5,447,251	**5,089,556**	5,447,251

	For the three months period ended		For the six months period ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Number of common shares held by Trust, beginning of period	**2,858,544**	3,252,159	**3,201,274**	3,075,300
Acquired	**952,953**	76,652	**1,451,953**	648,581
Released on vesting	**(555,092)**	(396,879)	**(1,396,822)**	(791,949)
Common shares held by Trust, end of period	**3,256,405**	2,931,932	**3,256,405**	2,931,932

11. RELATED PARTY TRANSACTIONS

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

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

	September 30, 2010	March 31, 2010
Accounts receivable	**$ 32,626**	$ 39,534
Accounts payable and accrued liabilities	**88,346**	82,299

12. SEGMENTED INFORMATION

The Company has two operating segments:

Canaccord Genuity – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and the US.

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

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

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on income (loss) before income taxes.

The Company does not allocate total assets or equipment and leasehold improvements to the segments. Amortization of equipment and leasehold improvements is allocated to the segments based on square footage occupied. Amortization of identifiable intangible assets is allocated to Canaccord Genuity as it relates to the acquisition of Genuity. There are no significant intersegment revenues.

	For the three months ended							
	September 30, 2010				September 30, 2009			
	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues	**$ 96,963**	**$ 44,539**	**$ 7,783**	**$ 149,285**	$ 78,475	$ 40,138	$ 5,131	$ 123,744
Expenses excluding undernoted	**72,603**	**36,119**	**17,746**	**126,468**	61,305	31,982	15,203	108,490
Amortization	**2,788**	**575**	**343**	**3,706**	926	618	362	1,906
Development costs	**2,171**	**2,425**	**576**	**5,172**	1,787	2,613	1,087	5,487
Income (loss) before income taxes	**$ 19,401**	**$ 5,420**	**$ (10,882)**	**$ 13,939**	$ 14,457	$ 4,925	$ (11,521)	$ 7,861

	For the six months ended							
	September 30, 2010				September 30, 2009			
	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues	**$ 197,115**	**$ 91,746**	**$ 12,341**	**$ 301,202**	$ 163,972	$ 80,323	$ 16,912	$ 261,207
Expenses excluding undernoted	**143,762**	**72,770**	**35,262**	**251,794**	126,535	64,643	31,005	222,183
Amortization	**5,136**	**1,194**	**660**	**6,990**	1,884	1,220	723	3,827
Development costs	**4,452**	**4,858**	**946**	**10,256**	4,731	4,518	2,092	11,341
Acquisition-related costs [note 5]	**10,990**	**–**	**–**	**10,990**	–	–	–	–
Income (loss) before income taxes	**$ 32,775**	**$ 12,924**	**$ (24,527)**	**$ 21,172**	$ 30,822	$ 9,942	$ (16,908)	$ 23,856

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

	For the three months ended		For the six months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Canada				
Revenue	**$ 109,493**	$ 79,190	**$ 218,411**	$ 167,124
Equipment and leasehold improvements	**27,712**	29,533	**27,712**	29,533
Goodwill and other intangible assets	**317,858**	–	**317,858**	–
United Kingdom				
Revenue	**$ 18,338**	$ 13,775	**$ 34,783**	$ 34,700
Equipment and leasehold improvements	**4,667**	5,843	**4,667**	5,843
United States				
Revenue	**$ 21,093**	$ 30,137	**$ 47,799**	$ 57,316
Equipment and leasehold improvements	**5,084**	6,342	**5,084**	6,342
Other Foreign Location				
Revenue	**$ 361**	$ 642	**$ 209**	$ 2,067

13. CAPITAL MANAGEMENT

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of common shares, contributed surplus, retained earnings and accumulated other comprehensive loss, and is further complemented by subordinated debt. The following tables summarize our capital as at September 30, 2010:

Type of capital	Carrying amount	As a percentage of capital
September 30, 2010		
Common shares	**$ 457,870**	**65.9%**
Contributed surplus	**52,079**	**7.5%**
Retained earnings	**200,237**	**28.9%**
Accumulated other comprehensive loss	**(30,914)**	**(4.5)%**
Shareholders' equity	**679,272**	**97.8%**
Subordinated debt	**15,000**	**2.2%**
	$ 694,272	**100.0%**
March 31, 2010		
Common shares	$ 185,691	44.6%
Contributed surplus	57,351	13.8%
Retained earnings	194,007	46.6%
Accumulated other comprehensive loss	(35,304)	(8.5)%
Shareholders' equity	401,745	96.5%
Subordinated debt	15,000	3.5%
	$ 416,745	100.0%

The Company's capital management framework is designed to maintain the level of capital that will:

- Meet the Company's regulated subsidiaries' target ratios as set out by the respective regulators
- Fund current and future operations
- Ensure that the Company is able to meet its financial obligations as they become due
- Support the creation of shareholder value

The following subsidiaries are subject to regulatory capital requirements in the respective jurisdictions by the listed regulators:

- Canaccord Genuity Corp. is subject to regulation in Canada primarily by the IIROC
- Canaccord Genuity Limited is regulated in the UK by the Financial Services Authority and is a member of the London Stock Exchange
- Canaccord Genuity Inc. and Genuity Capital Markets USA Corp. are registered as broker dealers in the US and are subject to regulation primarily by the Financial Industry Regulatory Authority
- Canaccord Wealth Management (USA) Inc. is registered as a broker dealer in the US and is subject to regulation primarily by the Financial Industry Regulatory Authority
- Canaccord International Ltd. is regulated in Barbados by the Central Bank of Barbados

Margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements cause regulatory capital requirements to fluctuate on a daily basis. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of cash disbursements. There were no significant changes in the Company's capital management policy during the current year. The Company's subsidiaries were in compliance with all of the minimum regulatory capital requirements during the six months ended September 30, 2010.

14. 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:

2012	$ 24,001
2013	21,432
2014	18,787
2015	17,496
2016	14,683
Thereafter	32,703
	$ 129,102

Contingencies

During the period, there have been no material changes to the Company's contingencies from those described in Note 16 of the Audited Annual Consolidated Financial Statements as filed on SEDAR on May 19, 2010 except for the following:

Genuity has been named as co-defendant in an action alleging improper solicitation of the plaintiffs' employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against Genuity is for general damages to be determined by the court and an accounting of benefits received by all the parties as a result of these alleged activities. There is also a claim against all the parties for $10.0 million for punitive and exemplary damages. Management believes these claims can be wholly defended and no liability will be determined against Genuity. As Canaccord Genuity Corp. assumed all the assets and liabilities of Genuity, it may be subject to any judgment that may be made against Genuity in connection with this litigation.

15. SUBSEQUENT EVENT

On November 2, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on December 10, 2010 with a record date of November 19, 2010.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the fiscal 2011 interim financial statement presentation.

SHAREHOLDER INFORMATION

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The Canaccord Financial 2010 Annual Report is available on our website at www.canaccordfinancial.com. For a printed copy please contact the Investor Relations department.

FISCAL 2011 EXPECTED DIVIDEND[1] EARNINGS RELEASE DATES

	Expected earnings release date	*Dividend record date*	*Dividend payment date*
Q2/11	November 3, 2010	November 19, 2010	December 10, 2010
Q3/11	February 10, 2011	March 4, 2011	March 15, 2011
Q4/11	May 18, 2011	June 3, 2011	June 15, 2011

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

SHAREHOLDER ADMINISTRATION

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

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, ON, M5J 2Y1
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1-800-564-6253
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Email: service@computershare.com
Internet: www.computershare.com
Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

FINANCIAL INFORMATION

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

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