No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell these securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering and Secondary Offering June 23, 2004

Canaccord Capital Inc.

$100,000,005

9,756,098 Common Shares

This offering (the ''Offering'') of 9,756,098 common shares (the ''Common Shares'') of Canaccord Capital Inc. (the ''Company'') consists of a new issue by the Company of 6,829,268 Common Shares and a secondary offering of 2,926,830 Common Shares being sold by certain shareholders of the Company (collectively, the ''Selling Shareholders''). The Company will not receive any of the proceeds from the sale of the Common Shares by the Selling Shareholders. See ''Principal and Selling Shareholders''.

Canaccord is a leading independent full service investment dealer. Canaccord has substantial operations in each of the two principal segments of the securities industry: private client services and capital markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to Canaccord's retail, institutional and corporate clients.

The Common Shares are being offered by CIBC World Markets Inc., Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Scotia Capital Inc., RBC Dominion Securities Inc., GMP Securities Ltd., National Bank Financial Inc. and TD Securities Inc. (collectively, the ''Underwriters''). The offering price was determined through negotiation among the Company, the Selling Shareholders and the Underwriters. The Underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Shares. See ''Plan of Distribution''. **An investment in the Common Shares is subject to certain risks that should be considered by a prospective purchaser. See "Risk Factors".**

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell the Common Shares purchased under this prospectus. The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Common Shares under the symbol "CCI". Listing is subject to the Company fulfilling all of the requirements of the TSX on or before September 15, 2004, including distribution of the Common Shares to a minimum number of public shareholders.

Price: $10.25 per Common Share

	Price to Public	Underwriters' Fee	Net Proceeds to Company[(1)]	Net Proceeds to Selling Shareholders[(2)]
Per Common Share	$10.25	$0.59	$9.66	$9.66
Total	$100,000,005	$5,750,000	$65,974,997	$28,275,007

(1) Before deducting expenses of the Offering estimated to be $2,000,000, which will be paid by the Company.

(2) The Selling Shareholders have granted to the Underwriters an option (the ''Over-Allotment Option''), exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to an additional 1,463,415 Common Shares from the Selling Shareholders on the same terms as set out above to cover over-allotments, if any, and for market stabilization purposes. If the Underwriters exercise the Over-Allotment Option in full, the total Price to Public, Underwriters' Fee and Net Proceeds to Selling Shareholders will be $115,000,008, $6,612,500 and $42,412,511, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares upon exercise of the Over-Allotment Option. See ''Plan of Distribution''.

In the opinion of counsel, the Common Shares will not be precluded as investments under certain statutes as set out under ''Eligibility for Investment''.

In connection with the Offering, the Company is considered a "related issuer" and "connected issuer" of Canaccord Capital Corporation, one of the Underwriters, under applicable securities laws. BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc., two of the Underwriters, are subsidiaries of Canadian chartered banks that are lenders to Canaccord Capital Corporation. Accordingly, in connection with the Offering, the Company may also be considered a "connected issuer" of BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc. under applicable securities laws. See "Relationships Between the Company and Certain of the Underwriters".

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued by the Company and sold by the Selling Shareholders and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under ''Plan of Distribution'' and subject to the approval of certain legal matters on behalf of the Company and the Selling Shareholders by Miller Thomson LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

Subscriptions for Common Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. A global certificate for the Common Shares sold under the Offering will be issued in registered form to The Canadian Depository for Securities Limited (''CDS'') and will be deposited with CDS at the closing of the Offering. It is expected that the closing of the Offering will occur on or about June 30, 2004, or on such earlier or later date as the Company, the Selling Shareholders and the Underwriters may agree, but in any event not later than July 30, 2004.

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GENERAL MATTERS

Unless otherwise indicated or the context otherwise requires, the ''Company'' refers to Canaccord Capital Inc. ''Canaccord'' and the ''Canaccord group'' refer to the Company and its direct and indirect subsidiaries.

Canaccord® is one of the registered trademarks of Canaccord Capital Corporation and the Canaccord logo is one of the trademarks of Canaccord Capital Corporation. INDEPENDENT THINKING®, Independence Account® and Azure Account® are also registered trademarks of Canaccord Capital Corporation.

The Company's fiscal year end is March 31. Unless otherwise indicated, ''fiscal'' in connection with a year relates to the 12 month period ended March 31 in that year.

Unless otherwise indicated, the information in this prospectus assumes that the Over-Allotment Option is not exercised by the Underwriters and that the Reorganization is completed.

Information contained on Canaccord's website may not be deemed to be part of this prospectus or incorporated by reference herein and may not be relied upon by prospective purchasers for the purposes of determining whether to invest in the Common Shares qualified for distribution under this prospectus.

Industry and market information used herein has been obtained from public sources which Canaccord believes to be reliable.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations regarding Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as ''may'', ''will'', ''should'', ''expect'', ''plan'', ''anticipate'', ''believe'', ''estimate'', ''predict'', ''potential'', ''continue'', ''target'' or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, prospective purchasers should specifically consider various factors, including the risks outlined under ''Risk Factors'', which may cause actual results to differ materially from any forward-looking statement. Although the forward-looking statements contained in this prospectus are based upon what management believes to be reasonable assumptions, Canaccord cannot assure purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this prospectus, and Canaccord assumes no obligation to update or revise them to reflect new events or circumstances.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

Canaccord

Overview

Canaccord is a leading independent full service investment dealer. Canaccord has substantial operations in each of the two principal segments of the securities industry: private client services and capital markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to Canaccord's retail, institutional and corporate clients.

Canaccord, through various predecessor corporations, has been in business since 1950. In 1992, with fundamental changes in Canada's financial services sector underway, Canaccord adopted a focused growth strategy and is now one of the pre-eminent independent investment dealers in Canada. To reach this standing, Canaccord made substantial investments in infrastructure and business development and concentrated on building strong client relationships.

A key contributor to the success of this growth strategy has been the majority ownership of Canaccord by its employees. With more than 430 employee shareholders, Canaccord is independent, entrepreneurial and free from the institutional constraints and conflicts that can exist at larger financial institutions.

Canaccord has achieved a size and industry presence which management believes gives it a competitive advantage over other independent dealers in Canada. Canaccord has also achieved diversification across multiple business lines, products, services, industry sectors and deal size, as well as geographical diversification with operations in North America and Europe. Canaccord's position within the industry is illustrated by the following:

- a network of 26 offices including principal offices in Vancouver, Toronto, Montreal, Calgary and London, England
- over 1,200 employees
- capital employed of $119 million as of March 31, 2004
- $402 million in revenue in fiscal 2004
- net income of $40 million in fiscal 2004
- over 600 licensed professionals with more than $8 billion of assets under administration
- international capital markets operations with an established European presence based in London
- participation in more than 540 investment banking transactions in fiscal 2004 with an aggregate deal value in excess of $16 billion
- international and principal trading operations
- availability of a wide variety of in-house and other investment products to meet the wealth management needs of private clients
- 40 research professionals covering 285 companies
- an industry leader in technological innovation and development
- disciplined risk management

The achievements highlighted above reflect the dedicated commitment that Canaccord's management and employees have made in executing Canaccord's growth strategy. This strategy has proven successful with revenues increasing from $37 million in fiscal 1992 to more than $400 million in fiscal 2004.

In 2002 Canaccord established a business relationship with Manulife Financial Corporation (''Manulife'') that enabled Canaccord to expand its private client product offerings and was marked by an investment by a subsidiary of Manulife which resulted in the ownership of a 20% equity interest in the Company (fully-diluted).

Corporate Strategy

In addition to achieving its position as a leading independent full service investment dealer, Canaccord has also created a strong foundation for its future growth. Canaccord's strategy is to continue to build on this foundation and to focus on its complementary capabilities that include:

- a substantial network of private client investment advisors
- capital markets strength in North America and Europe
- strong private client, institutional and corporate relationships
- established international trading operations
- broad venture capital expertise
- comprehensive research coverage

These capabilities are supported by an infrastructure built with leading information technology and disciplined risk management and compliance procedures.

Canaccord intends to deploy additional capital from the Offering to expand its private client and capital markets operations in order to further leverage its existing infrastructure. Canaccord will also build further on the growth opportunity which exists for a strong independent investment dealer offering full service capabilities to its clients.

In addition, Canaccord intends to expand its on-line trading capability and its correspondent brokerage services operations. Canaccord may also consider strategic acquisitions as a means of achieving its growth objectives in addition to internal growth.

Competitive Strengths

Canaccord's key competitive strengths are:

Independent and Entrepreneurial Culture

Canaccord has successfully developed and nurtured an entrepreneurial culture among its investment advisors and professional staff. This culture and Canaccord's independent stature form the foundation for Canaccord's trademark: INDEPENDENT THINKING®.

Strong Private Client Platform

Canaccord provides its clients with a wide array of products and services including brokerage services, investment advice, research recommendations, financial planning and wealth management products including portfolio managed accounts, fee-based accounts and retirement savings plans.

Diverse Capital Markets Operations

Canaccord's capital markets operations include investment banking, venture capital, research, institutional sales and trading, international and principal trading and fixed income trading. Canaccord's capital markets operations are diversified in their geographical reach with activity in Canada, the United States, the United Kingdom and Europe. Canaccord's European presence is one of the key factors which differentiates Canaccord from its competitors in Canada.

Leading Technology and Operating Platform

Canaccord has invested over $14 million in its technology and operating platform and the development of its proprietary information systems over the last five years. This has enabled Canaccord to be on the leading edge among investment dealers in terms of information and systems support to its investment advisors, professionals, operations staff and management.

Disciplined Risk Management

Through the significant industry experience and breadth of knowledge of its senior managers, Canaccord has adopted a disciplined approach to risk management with controls and procedures designed to effectively manage the inherent market, credit, operational and regulatory and legal risks associated with operating as an investment dealer.

The Offering

Offering by Company:	6,829,268 Common Shares.
Offering by Selling Shareholders:	1,267,642 Common Shares by 95 employees, directors and officers(1) and 1,659,188 Common Shares by Manulife(2). See "Principal and Selling Shareholders".
Offering Price:	$10.25 per Common Share.
Amount:	$100,000,005 ($115,000,008 if the Over-Allotment Option is exercised in full).
Shares Outstanding:	46,129,268 Common Shares will be outstanding after the closing of the Offering.
Escrowed Securities:	All Common Shares (excluding those sold pursuant to the secondary offering) held by any existing shareholder (other than Manulife) who holds, immediately before the closing of the Offering, 50,000 or more Common Shares will be held in escrow and released as to 25% of the shares on the first, second, third and fourth anniversaries of the closing of the Offering. All Common Shares held by any existing shareholder who holds, immediately before the closing of the Offering, less than 50,000 Common Shares will be held in escrow and released 180 days following the closing of the Offering. The Common Shares held by Manulife (excluding those sold pursuant to the secondary offering) after the closing of the Offering will be held in escrow and released 180 days following the closing of the Offering. See "Escrowed Securities".
Use of Proceeds:	The Company will receive net proceeds from the Offering of approximately $64.0 million. Canaccord intends to use the net proceeds of the Offering to expand its private client and capital markets operations, expand its on-line trading capability and its correspondent brokerage services operations, repay subordinated debt, as well as for future acquisitions and general working capital. See "Use of Proceeds".
Dividend Policy:	The Company intends to pay dividends on the outstanding Common Shares equal to approximately 25% of the Company's net income. Although dividends are expected to be declared and paid quarterly, the board of directors, in its sole discretion, will determine the amount and timing of any dividends. Such determination will depend on general business conditions and Canaccord's financial condition, results of operations and capital requirements and such other factors as the board determines to be relevant. See "Dividend Policy".

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(1) These Common Shares represent approximately 5% of the holdings of each of these Selling Shareholders. This amount may be increased to a maximum of approximately 7.5% in the event the Over-Allotment Option is exercised in full. The balance of the Common Shares held by these shareholders will be subject to certain escrow conditions. See "Escrowed Securities".

(2) After giving effect to the Offering, Manulife will continue to own 6,028,369 Common Shares representing 13.07% of the total outstanding Common Shares (5,187,094 Common Shares representing 11.24% assuming the Over-Allotment Option is exercised in full). These Common Shares will be subject to certain escrow conditions. See "Escrowed Securities".

Summary Consolidated Financial Information and Other Data

The summary consolidated financial information set out below for each of the years in the five year period ended March 31, 2004 includes information derived from the Company's audited consolidated financial statements appearing elsewhere in this prospectus. The following information should be read in conjunction with those statements and the related notes and with "Management's Discussion and Analysis". The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

	Year Ended March 31				
	2000	2001	2002	2003	2004
	(in thousands of dollars)[1]				
Income Statement Data:					
Revenue	294,676	218,769	170,433	199,206	402,157
Comprised of:					
Private client services	169,892	140,251	90,534	97,784	175,983
Capital markets	110,484	66,288	72,264	91,629	211,758
Other	14,300	12,230	7,635	9,793	14,416
Operating income before other items[2] [3]	56,596	13,342	3,680	6,741	74,677
Net income (loss)	27,350	3,318	(18,080)	(5,053)	40,429
Balance Sheet Data:					
Total assets	909,440	512,303	783,221	830,737	1,508,366
Total liabilities	818,204	425,803	704,739	746,809	1,379,302
Capital employed[3][4]	63,619	66,500	61,482	73,928	119,064
Other Data (unaudited):					
Return on capital employed[3][5]	110.7%	5.2%	negative	negative	54.7%
Pro forma the Reorganization:[6]					
Number of Common Shares outstanding					39,300,000
Capital employed per share[7]					$3.03
Net income per share[8]					$1.03
Pro forma the Reorganization and the Offering:[9]					
Number of Common Shares outstanding					46,129,268
Capital employed per share[7]					$3.97
Net income per share[8]					$0.88

(1) Except for per share amounts, Common Shares outstanding and percentages.

(2) Other items include amortization, discretionary payouts to key employees, gains on disposal of investments and claims, development costs and restructuring and other costs.

(3) This data is considered to be non-GAAP. See "Management's Discussion and Analysis — Non-GAAP Measures".

(4) Capital employed is the aggregate of convertible debentures, share capital, cumulative foreign currency translation adjustment and retained earnings. The convertible debentures will be converted into share capital under the Reorganization.

(5) Return on capital employed is net income (loss) divided by capital employed at the beginning of the period.

(6) This pro forma information is presented as if the Reorganization had been completed as of March 31, 2004.

(7) Capital employed per share is capital employed divided by the applicable pro forma number of shares outstanding.

(8) Net income per share is net income divided by the applicable pro forma number of shares outstanding.

(9) This pro forma information is presented as if the Reorganization had been completed and the net proceeds from the Offering had been received as of March 31, 2004.

Risk Factors

An investment in the Common Shares is subject to certain risk factors that prospective purchasers should carefully consider including risks related to: the securities business generally; reduced revenues due to economic, political and market conditions; changes in foreign currency exchange rates; reduced revenues due to declining market volume, prices or liquidity; reduced revenues during periods of declining prices or reduced activity in targeted industries or geographic markets; underwriting activities; dependence on ability to retain and recruit personnel; litigation and potential securities laws liability; dependence upon availability of capital; credit risk and exposure to losses; significant fluctuations in quarterly results; significant competition; regulation; management of growth; dependence on systems; risk management policies and procedures; employee misconduct; restrictions on ownership and transfer of Common Shares; control; future sales of Common Shares; potential conflicts of interest; and absence of prior market for Common Shares and fluctuations in market price. See ''Risk Factors'' and ''Management's Discussion and Analysis — Five Year Trends''.

As a brokerage firm deriving its revenue primarily from sales commissions, underwriting and advisory fees and inventory trading activity, Canaccord's business is materially affected by conditions in the financial marketplace and economic conditions generally. The revenue earned by Canaccord during the fiscal years 2000 to 2004 reflects a challenging environment in which the equity markets declined from record highs in early 2000 to substantially reduced levels of corporate activity and investor confidence in late 2000 which lasted through 2002. Canaccord experienced losses in two of the last five fiscal years. See ''Management's Discussion and Analysis — Five Year Trends''.

Canaccord's revenue increased by more than 100% from fiscal 2003 to fiscal 2004 including more than a three-fold increase in investment banking revenue from Canaccord's U.K. and European operations. Although Canaccord believes that demand for its products and services will continue, and in particular that its target market sectors in Europe are growing and currently under-served and, as such, represent significant potential for future growth, there can be no assurance that the level of revenue, including U.K. and European investment banking revenue, realized in fiscal 2004 will be achieved in subsequent years. See ''Business of Canaccord — Capital Markets — Investment Banking — United Kingdom and Europe''.

BUSINESS OF CANACCORD

Introduction

Investment dealers play an essential role in the operation and development of the securities industry. The securities industry is comprised of two principal segments:

- private client services providing brokerage services and investment advice and products to retail or private clients
- capital markets which includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities on behalf of dealers themselves

There are two broad categories of investment dealers: full service dealers and specialized dealers. Full service dealers offer their institutional, corporate and private clients a full range of products and services while specialized dealers offer a variety, although not a full range, of products and services typically in respect of selected industries or products to targeted clients. In Canada, most of the full service investment dealers are owned by chartered banks or are affiliated with larger foreign dealers. Canadian investment dealers which are not owned by or affiliated with a bank or a foreign dealer are regarded as independent.

Canaccord is a full service independent investment dealer with substantial private client and capital markets operations, offering a wide range of investment products, brokerage services and investment banking services to Canaccord's retail, institutional and corporate clients. With majority employee ownership Canaccord is independent, entrepreneurial and free from the institutional constraints and conflicts that can exist at larger financial institutions.

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

- a widespread network of offices and investment advisors providing services and products to private clients
- an international capital markets group that meets the financing needs of a broad range of corporate clients and provides institutional sales and trading services and international trading services as well as comprehensive research

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

Canaccord has 26 offices, including 24 throughout Canada of which 23 are retail offices. Canaccord's head office is located in Vancouver. Canaccord's other principal offices in Canada are located in Toronto, Montreal and Calgary. Canaccord's European and international operations are conducted through its office in London, England and its other international office located in Barbados.

History and Background

Canaccord's business originated in 1950 and continued as a small regional broker dealer under various names until 1968. In 1968, Alfred (Ted) Turton acquired a controlling interest in that broker dealer and renamed it Hemsworth, Turton & Co. Ltd. (''Hemsworth'') and at that time Peter Brown, Canaccord's current Chairman and Chief Executive Officer, joined the firm. It then grew in prominence as an active participant in the public venture capital markets and in the trading and financing of small and medium sized companies in the mining, oil and gas and industrial sectors. In 1972, Hemsworth became known as Canarim Investment Corporation Ltd. (''Canarim'') and by the early 1980s Canarim had become a leading regional investment dealer in these sectors with a broad base of private clients.

Beginning in the 1980s, following changes in Canada's regulatory framework for financial institutions, the financial services industry in Canada began a process of consolidation. A number of Canadian chartered banks, primarily through acquisitions, aligned themselves with other financial institutions and national investment dealers. This process enabled the banks to benefit from economies of scale and broaden the range of financial products and services they were able to offer. The result was a dramatic increase in the size and dominance of the banks within the Canadian financial services sector.

In the late 1980s Canarim recognized that in order to compete effectively and grow in this new environment it needed to build on its retail capability, broaden its product mix and range of services, expand its research capability and develop an institutional client base including a European presence. Canarim sought out a strategic alliance with Loewen, Ondaatje, McCutcheon Inc. (''LOM'') which was known for its institutional and research capabilities and European operations. In 1989, Canarim, contributing its retail and venture capital business, combined operations with LOM. In conjunction with this combination, Canarim's business was renamed L.O.M. Western Securities Ltd. (''LOM Western'').

In 1992 LOM Western was acquired by a group of employees and management and was renamed, and has continued to operate as, Canaccord Capital Corporation. Canaccord then began a process to develop and build a broader product mix and range of retail services and the research, institutional and corporate finance capabilities it believed were necessary to compete effectively and grow within the changing Canadian financial landscape. Canaccord initiated its European activities in 1993 with its acquisition of a 30% interest in T. Hoare & Co. Limited, a U.K. investment dealer based in London, England. This ownership interest was increased to 100% in 1999. T. Hoare & Co. Limited is now known as Canaccord Capital (Europe) Limited.

In the 1990s competition by the Canadian chartered banks increased, technology costs rose and the regulatory burden became more onerous. As a result of either being acquired or through closure, there was a reduction in the number of larger independent dealers which created a demarcation in Canada between very small boutique operators and large bank-owned and foreign-owned dealers. This created an opportunity for a full service independent dealer with a substantial retail presence and meaningful capital markets capability. Canaccord had set the stage for capitalizing on this opportunity with its business plan which began with the LOM alliance in 1989 and the formation of Canaccord Capital Corporation in 1992. Through substantial expenditures in the development of its information technology and operating infrastructure, the build-out of a significant retail network through both acquisition and internal growth and the allocation of significant resources to expand its capital markets capability in both Canada and Europe, Canaccord has filled this market niche and succeeded in becoming a pre-eminent investment dealer in Canada.

Overview

Canaccord has operations in each of the two principal segments of the securities industry, private client services and capital markets. Supporting these activities are operations, technology, compliance and finance teams that comprise Canaccord's supporting infrastructure.

Canaccord
1,200 employees

Private Client Services
650 employees

Investment Advice
Brokerage Services
Portfolio Managed Accounts
Fee-Based Accounts
Financial Planning Services
Manulife Products

- 23 retail offices in Canada
- Revenue for fiscal 2004 of $176 million
- Assets under administration in excess of $8 billion

Capital Markets
250 employees

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

- Vancouver, Toronto, Calgary, Montreal, London, England and Barbados
- Revenue for fiscal 2004 of $212 million
- Participated in over 540 financing transactions with an aggregate deal value in excess of $16 billion in fiscal 2004

Operations and Support Services
300 employees

Front and Back Office Information Technology and Systems
Compliance and Risk Management
Operations
Finance

Corporate Strategy

Since 1992 Canaccord has solidified its position as a leading independent full service investment dealer in Canada and has created a strong foundation for its future growth. Canaccord's strategy is to continue to build on this foundation and to focus on the complementary capabilities that it has formed including:

- a substantial network of private client investment advisors
- capital markets strength in North America and Europe
- strong private client, institutional and corporate relationships
- established international trading operations
- broad venture capital expertise
- comprehensive research coverage

These capabilities are supported by leading information technology that provides real-time processing and information support and by disciplined risk management and compliance procedures.

Canaccord intends to deploy additional capital from the Offering to expand its private client and capital markets operations in order to further leverage the extensive infrastructure which it has developed. Canaccord will also build further on the growth opportunity which exists for a strong independent investment dealer offering full service capabilities to its clients. In addition, Canaccord intends to expand its on-line trading capability and its correspondent brokerage services operations. Canaccord may also consider strategic acquisitions as a means of achieving its growth objectives in addition to internal growth.

Canaccord is going public at this time to maximize the growth opportunity which management believes now exists for Canaccord in today's competitive environment. In addition to enhancing Canaccord's profile for further business development and recruitment, going public at this time will:

- provide Canaccord with additional permanent capital to expand its network of investment advisors and its private client services and support increased capital markets activity
- provide increased flexibility for designing equity based incentive programs
- permit Canaccord to use publicly traded securities to finance strategic acquisitions that it may decide to make in the future
- provide Canaccord with the flexibility to respond to opportunities that may arise in the event of any structural or competitive changes within the financial services sector in Canada which would likely occur if there is a consolidation among the chartered banks in Canada

Competitive Strengths

Independent and Entrepreneurial Culture

One of Canaccord's key strengths is its independence. The basis for Canaccord's independence is its ownership by more than 430 employees who, prior to the closing of the Offering, own approximately 80% of the Company. After the closing of the Offering, existing employee shareholders will continue to own over 65% of the Company (prior to the exercise of the Over-Allotment Option). As an employee-controlled independent dealer and with its capital base, revenue level and positioning, Canaccord, as a public company, will continue to represent a substantial and dynamic full service alternative to its competitors, including the bank-owned dealers.

Canaccord has successfully developed and nurtured an entrepreneurial culture among its investment advisors and professional staff. This culture and Canaccord's independent stature go hand-in-hand to form the foundation for Canaccord's trademark: INDEPENDENT THINKING®. Driving the business approach that this identifying mark embodies is Canaccord's senior management and their philosophy of service to Canaccord's clients, investment advisors and other professionals. With this management style, Canaccord's investment advisors are able to adopt a flexible approach and are given a wide spectrum of alternatives from which to choose in making recommendations that best meet their clients' needs.

This culture and operating style have enabled Canaccord to successfully attract new investment advisors and other professionals to expand its business and complement Canaccord's teams of investment advisors and capital markets professionals. These investment advisors and professionals are experienced individuals who wish to serve their clients in an environment free from the highly structured culture often found at the larger dealers where emphasis is placed on in-house products. Industry surveys indicate that Canaccord is highly regarded relative to its principal competitors in the categories of culture and freedom from pressure and in many of the primary client and advisor service categories. See "Private Client Services — Broker Rating Survey".

Strong Private Client Platform

Another of Canaccord's key strengths is the depth and breadth of its network of investment advisors serving the needs of private clients. With over 600 licensed professionals, Canaccord provides its clients with a wide array of products and services including brokerage services, investment advice, research recommendations and financial planning and wealth management products including portfolio managed accounts, fee-based accounts, retirement savings plans and insurance products.

Beginning in 1992, as part of Canaccord's growth strategy and its strategy of increasing the wealth management component of its business, Canaccord devoted substantial resources to strengthening its service platform which includes trading, research, investment products, operations and compliance. This enabled Canaccord to expand its private client service capability through both internal growth and by acquisition. A program to hire established and experienced investment advisors with a focus on wealth management was implemented and the retail business and investment advisors of seven smaller dealers were acquired and their operations successfully integrated into Canaccord. As a result of these growth initiatives, Canaccord's private client services network now stands at 23 locations and assets under administration exceed $8 billion. Canaccord also believes that substantial future growth opportunities exist in terms of marketing additional Canaccord products and services to its existing clients to service a greater share of their wealth management requirements.

The extent of Canaccord's private client service capability, the composition and size of its retail sales force and its demonstrated ability to integrate sizeable retail operations into its own are indicative of Canaccord's strength in serving the needs of private clients in Canada's retail sector.

Revenue generated by private client services was $176.0 million in fiscal 2004 representing 44% of total revenue.

Diverse Capital Markets Operations

Canaccord's capital markets activity includes investment banking, institutional sales and trading, research, international and principal trading, fixed income trading and venture capital.

Canaccord is able to meet the financing needs of a broad and diverse group of clients from small companies requiring early stage development capital to large companies requiring significant capital for expansion, acquisitions or other growth opportunities. In doing so, Canaccord is among the leaders in Canada in terms of the number of corporate finance equity transactions in which it participates. This broad range of corporate finance service capability provides Canaccord with a unique ability to meet its clients' financing needs as they mature and to selectively cultivate relationships with emerging companies during the early stages of their development.

Canaccord's capital markets coverage is across multiple industry sectors including mining and metals, energy, technology and biotechnology, royalty and income trusts, diversified industries, financial services and real estate/REITs. Canaccord also provides mergers and acquisitions advisory services to companies within these industry sectors.

Canaccord's capital markets activity is also diversified in its geographical reach with its U.K. and European operations headquartered in London, England. Canaccord has been successful in Europe by providing investment banking and trading services and research to European institutional and corporate clients. This European presence is one of the key factors which differentiates Canaccord from its competitors in Canada and gives Canaccord a competitive advantage when developing corporate and investment banking relationships. In 2003 Canaccord was one of the leading nominated advisers (''nomads'') for new admissions to AIM and is the only Canadian dealer that is licensed to be a nomad. AIM is the global market for smaller, growing companies owned, operated and regulated by the London Stock Exchange. Canaccord is also the only Canadian dealer approved for acting as a sponsor for new listings on the London Stock Exchange.

With more than 400 U.S. brokerage firms as clients, Canaccord is also one of the leading traders in Canada buying and selling Canadian equity securities on behalf of U.S. dealers. Canaccord's institutional sales group is also active in developing its capabilities in the U.S. and its relationships with U.S. financial institutions by expanding its service coverage in terms of research, investment ideas and trade execution to these institutions.

Canaccord devotes considerable resources to the research function as an integral component of its capital markets operations. In terms of overall research quality and effectiveness, Canaccord has achieved industry recognition and has been ranked ahead of all other Canadian-owned independent investment dealers in Canada in terms of overall research effectiveness. See ''Capital Markets — Research''.

Revenue generated by capital markets activity was $211.8 million in fiscal 2004 representing 53% of total revenue of which $84.5 million was generated by European activities.

Leading Technology and Operating Platform

Canaccord's investment of over $14.0 million in its technology and operating platform and the development of its proprietary information systems over the last five years has enabled it to be on the leading edge among investment dealers in terms of information and systems support to its investment advisors, professionals, operations staff and management.

Canaccord has deployed real-time information technology throughout the organization. Investment advisors are provided with the information, research and client service tools necessary for them to meet their clients' needs and provide their clients with a superior level of service. This technology platform has also enabled Canaccord to develop systems for operational support, compliance and risk management. This leading edge technological capability gives Canaccord a significant advantage over other dealers in Canada in that it allows Canaccord to react quickly to changing regulatory and business requirements and enables Canaccord to provide its brokers and other professional staff with real-time information processing.

Canaccord has leveraged its technological and operations support capabilities to develop a correspondent brokerage services business and an on-line trading capability. In providing correspondent brokerage services to other brokerage firms Canaccord provides full back office functionality including account recordkeeping, transaction reporting, trade execution and information management. Canaccord's current on-line trading capability is expected to allow it to develop a business line focused on providing on-line trade execution to all of its clients. With Canaccord's substantial investment in information technology and with its existing infrastructure, Canaccord expects to expand these business lines on a cost effective basis.

Disciplined Risk Management

The extent to which financial service providers effectively identify, monitor and manage the risks that arise from their various business activities is critical to their financial stability and profitability. Canaccord has adopted a disciplined approach to risk management and has developed specific administrative and business policies, procedures and reports to assist in the management and control of market, credit, operational and regulatory and legal risks. An essential component of Canaccord's ability to manage its risk is the significant industry experience and breadth of knowledge of Canaccord's senior managers in all aspects of its business including compliance, operations and finance. The average tenure with Canaccord of the senior managers within Canaccord's compliance, operations and finance departments is in excess of 12 years. In addition, Canaccord's executive management team is very active in the risk management process and the development of the controls and procedures which have been established to balance risk and return.

Private Client Services

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

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

- Revenue generated through commissions from the sale of investment products and from providing brokerage and other financial services is based on an established commission schedule. Discounts from this schedule may be given, and adjustments may be made, based on a client's level of business, trade size, complexity and other relevant factors.

- Canaccord also offers various wealth management services using a fee-based structure instead of using a traditional commission structure. As the number of people retiring or nearing retirement increases, the demand and need for various wealth management products and financial planning services increases. With these changing demographics more clients are choosing fee-based alternatives instead of traditional commission-based products and services.

- With Canaccord's historical venture capital base and focus on early stage resource and industrial companies and with Canaccord's entrepreneurial culture, many investment advisors work with small companies and entrepreneurs to provide venture capital through the public markets or on a private placement basis for various early stage business ventures including resource ventures at the exploration and development stage. Canaccord's venture capital group works closely with these investment advisors to perform due diligence, structure transactions, arrange private placements and complete initial public offerings. Revenue is generated through fees and commissions and through the exercise of share purchase warrants associated with these transactions.

Office Locations

Canaccord's network of retail offices has grown from five offices in Canada in 1992 to 23 offices in 2004. This growth has been generated through hiring programs for new investment advisors and by acquisition. Since 1992 Canaccord has acquired new advisory teams through the acquisition of the retail businesses and investment advisors of seven investment dealers.

Through these acquisitions Canaccord was able to broaden the experience of its investment advisors and diversify the mix of its advisors between those that are transaction-focused and those that are more focused on asset management and financial planning. This strategy of acquisition and selective hiring has provided Canaccord with a larger client base enabling it to expand its product mix and increase its ability to deliver a broader range of services to its clients.

Canaccord has also developed in-house expertise for bringing new retail operations and individual investment advisors into Canaccord and integrating them with Canaccord's existing operations. With each acquisition of a retail operation a transition team was assembled to ensure that the move to Canaccord was seamless for both clients and investment advisors.

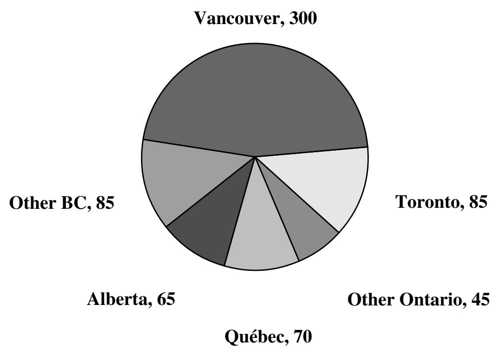
Canaccord has established a critical mass that has allowed it to develop and support a broad spectrum of client services. Canaccord provides service to its clients through the various support services and product alternatives it offers to its investment advisors. The success of this support strategy is demonstrated through Canaccord's high rankings in the annual "Investment Executive Brokerage Report Card" (see "Broker Rating Survey") and the growth in Canaccord's assets under administration to over $8 billion as of March 31, 2004. This level of support for its investment advisors is also an important factor in Canaccord's ability to retain and recruit experienced investment advisors.

Canaccord's private client services group is now distributed throughout 23 offices in Canada as follows:

British Columbia		Yukon Territory	Alberta	Ontario	Québec
Abbotsford	*Prince George*	*Whitehorse*	*Calgary*	*Kingston*	*Beloeil*
Campbell River	*Vancouver*		*Edmonton*	*Oshawa*	*Laurentides*
Christina Lake	*Vernon*			*Ottawa*	*Montreal*
Kelowna	*Victoria*			*Simcoe*	*Québec City*
Nanaimo				*Toronto*	
Penticton				*Waterloo*	

There are 650 employees in the private client services group distributed throughout Canada as follows:

Number of Private Client Employees by Location



Services

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

The products and services described below complement each other in terms of supporting Canaccord's overall service to its private clients and have contributed to Canaccord's revenue principally through transaction-based commissions. However, changing demographics over the last decade has caused financial needs to change and, as a result, demand for managed products, retirement planning and other wealth management services is increasing. With these changes, Canaccord expects that the composition of its private client revenue will increasingly reflect a greater proportion of recurring managed product fee revenue. See ''Management's Discussion and Analysis — Outlook''.

Investment Advice: Canaccord's investment advisors provide investment advice and recommendations to their clients on a wide variety of financial products and investment strategies ranging from capital preservation, retirement planning, income generation, growth and speculative investing. Clients are provided with asset allocation strategies, risk reduction strategies, growth strategies and portfolio reviews as required.

Brokerage Services: Brokerage services offered to its clients by Canaccord include trade execution through exchanges or over-the-counter markets primarily in equity securities, corporate bonds including convertible debentures, options, income trusts, mutual funds and government fixed income instruments.

Research: Canaccord's research material is made available to all of Canaccord's retail clients. The research team is comprised of 40 research professionals providing coverage on 285 companies in various industries. Through an arrangement with Credit Suisse First Boston LLC (''CSFB''), a major U.S. investment dealer, Canaccord makes certain CSFB research products available to its clients and investment advisors to broaden their exposure to investment ideas and market information.

Portfolio Managed Accounts: Canaccord provides discretionary portfolio management to private clients through its *Independence Account®* line of products. These accounts use an active management style by a professional portfolio management team utilizing a disciplined investment approach based on sector allocation, yield curve analysis, liquidity and security selection. Six account types are currently available depending on an investor's investment objectives. Canaccord is also in the process of expanding its selection of managed account products to include external portfolio managers and additional investment mandates.

Fee-Based Accounts: Through its *Azure Account®* Canaccord offers its clients a fee-only investment account designed to meet their individual investment goals and objectives. These accounts are designed for clients who wish to stay involved in the decision making process and allow them to maintain direct control over their investments. These accounts offer a maximum number of trades per year for one all-inclusive fee and allow the client to trade in a wide range of investment products including stocks, bonds, mutual funds, options, income trusts and limited partnerships.

Retirement Savings Plans: Canaccord offers its clients a ''no-fee'' self-directed registered retirement savings plan account. Canaccord was one of the first full service investment dealers to eliminate the annual administration fee. Through its relationship with Manulife, Canaccord is able to offer its clients a Manulife Bank RRSP loan in an efficient and expeditious manner.

Financial Planning Services: Canaccord has a team of specialists working with its investment advisors to support them in meeting and serving their clients' wealth management needs including retirement planning, capital preservation, efficient estate asset distribution, insurance products and taxes.

Insurance Products: Canaccord, through its licensed sales staff, provides a range of insurance products as part of the overall financial planning services available to clients.

Immigrant Investor Program: Canaccord operates an immigrant investor program in Québec which provides assistance to Canadian immigrant applicants under the investor category and to their professional consultants and advisors. Canaccord has designed a range of products and services to meet the needs of immigrant investors. Included in these services is a program which enables immigrant investors to borrow, through a credit facility arranged by Canaccord, the requisite funds for making a qualifying investment for immigration purposes. Canaccord borrows the investment funds through a non-recourse bank facility, loans the borrowed funds to the immigrant investor by way of a promissory note and then pledges the note to the lending bank as collateral for the original loan.

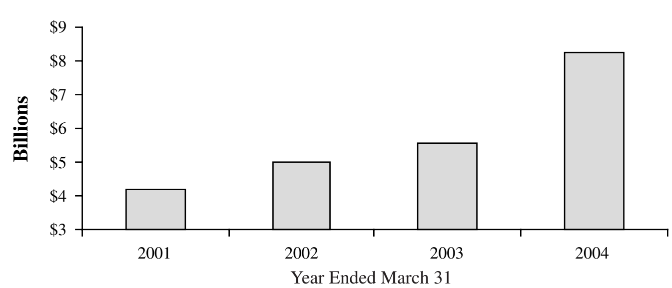
On-Line Account Access: Canaccord's clients are able to obtain secure access to their accounts on-line and obtain real-time information related to holdings and transactions. Canaccord has developed a secure on-line trading capability which is available to selected U.S. dealers for executing trades in Canadian securities through Canaccord's international trading operation and is used in connection with Canaccord's correspondent brokerage service operation. Canaccord intends to expand this service to ultimately make it available to its private clients.

Manulife Products: Canaccord offers to its clients the following Manulife products: a Manulife ONE combined borrowing and chequing account, RRSP loans, mortgages, term deposits, guaranteed investment certificates, life insurance policies and mutual funds.

Assets Under Administration

Assets under administration have increased 86% from $4.3 billion as of March 31, 2001 to over $8 billion as of March 31, 2004 as depicted in the chart below. This increase represents a compound annual growth rate in assets under administration of 24%.

Assets Under Administration(1)



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(1) Assets under administration is the market value of client assets administered by Canaccord in respect of which Canaccord earns commissions or fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Assets under administration is not a recognized measure under GAAP. Canaccord's method of calculating assets under administration may differ from the methods used by other companies and accordingly the assets under administration used herein may not be comparable to measures used by other companies.

Segregated Managed Accounts

Segregated managed accounts (SMAs) are designed so that each account has individual ownership of securities rather than ownership of a pooled fund. Accounts are charged an all inclusive fee based on account size.

Canaccord has developed a series of internally managed SMAs through its *Independence Account®* line of products. These accounts offer professional portfolio management with a choice of strategies based on a client's investment objectives. The minimum account size is $100,000. Account holders receive weekly strategy notes from the portfolio managers describing current market conditions and portfolio transactions as well as quarterly presentations.

There are currently six *Independence Account®* portfolios: Canadian Equity Portfolio (long term growth investing in Canadian equities), Canadian Balanced Portfolio (asset allocation strategy), Canadian Income Growth Portfolio (designed to produce income), U.S. Equity Portfolio (long term growth investing in U.S. equities), International Asset Allocation Portfolio (long term growth investing in international equities) and the Cash Management Portfolio (investments in money market instruments).

Investment performance[1] for the *Independence Account®* portfolios are as follows:

	Year Ended December 31			
	2003	2002	2001	2000
	%	%	%	%
Canadian Equity Portfolio[2]	+29.3	–7.4	+8.3	+16.6
Canadian Balanced Portfolio	+25.5	–1.6	+6.0	+11.8[3]
Canadian Income Growth Portfolio	+26.8	+8.6	+16.0	+28.2[4]
U.S. Equity Portfolio	+25.1	–23.4	+16.7[5]	n/a
International Asset Allocation Portfolio	+27.5	–13.6	–11.6[6]	n/a

(1) Investment performance is the internal rate of return calculated as the total profit for the period divided by the average capital base of the portfolio. Total profit includes the sum of all realized gains and losses, unrealized gains and losses, interest income and dividend income. Total profit is calculated before the effects of management and portfolio fees, which are included in the average capital base as capital withdrawals. The average capital base is calculated based on the beginning market value of the portfolio, plus any capital contributions, less any capital withdrawals.

(2) This fund was formed on November 24, 1999.

(3) From inception date of January 26, 2000 to December 31, 2000.

(4) From inception date of March 29, 2000 to December 31, 2000.

(5) From inception date of September 19, 2001 to December 31, 2001.

(6) From inception date of March 5, 2001 to December 31, 2001.

The Cash Management Portfolio, based on money market instruments, had a return of 3.3% in 2003. Total client funds invested in the *Independence Accounts®* were $251 million as of March 31, 2004.

Canaccord is in the process of expanding its SMA product line to include a selection of external portfolio managers with additional investment mandates. Additional services would also include client profiling tools with recommended asset allocation strategies.

The GO Desk

Canaccord has developed a communications and information system for its investment advisors under the names of "GO Notes" and "GO TV". These are sales, service and communications tools that provide investment advisors with timely research information and reports, daily commentaries, market outlook commentary, investment ideas, news, recommendations, company updates, sector updates, portfolio strategy comments and technical analysis. "GO TV" is an in-house TV station providing investment advisors with video broadcasts of company presentations, interviews with analysts and market commentary. By providing investment advisors with video presentations of interviews with companies and analysts they receive on behalf of their clients an institutional level of coverage and exposure. A daily morning market and company news call takes place prior to the opening of the markets and is available for replay during the course of the day. As well, daily market notes called the "*Morning Coffee*" are published prior to the opening of the markets.

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

Broker Rating Survey

Canaccord has devoted considerable resources to developing its private client services business and creating an environment and infrastructure that empowers Canaccord's investment advisors to build their individual businesses suited to their clients' needs. The success of this strategy can be seen from the results of the following annual industry surveys entitled the "Investment Executive Brokerage Report Card". These surveys measure how investment advisors rate their firms rather than how firms are rated by their clients or other industry participants.

In this survey Canaccord ranked third in 2004 among a group comprised of 11 brokerage firms in Canada.

	Rank		
Investment Dealer[1]	**2004**	**2003**	**2002**
Wellington West[2]	1	—	—
Edward Jones	2	1	1
Canaccord	**3**	**2**	**2**
RBC Investments	4	7	7
National Bank Financial	5	4	7
Raymond James	6	11	6
BMO Nesbitt Burns	7	6	3
ScotiaMcLeod	8	9	5
CIBC Wood Gundy	9	12	9
First Associates[3]	10	5	4
TD Waterhouse[4]	11	9	10

Source: Investment Executive. These surveys were conducted from a random sample of brokers from the firms listed. The survey asked the brokers to rank their firm on a scale of 1 to 10 in a number of different categories. The responses were averaged and ranked.

(1) Certain firms included in the 2003 and 2002 surveys were not included in the 2004 survey.

(2) Added to the survey in 2004.

(3) 2002 results are for Yorkton Securities. The retail brokerage operations of Yorkton Securities were acquired by First Associates in 2003. The results from 2002 to 2003 are not directly comparable.

(4) In 2002 this firm was known as TD Evergreen.

In the 2004 survey, relative to its competitors, Canaccord ranked highest (first, second or third) in categories related to:

- technology
- client service
- culture and freedom from pressure
- compensation structure
- strategic focus
- Canadian research
- legal and compliance
- quote and information systems

These survey results demonstrate that Canaccord's investment in its information technology infrastructure has been effective in terms of providing service to its investment advisors and assisting them in providing service to their clients. The entrepreneurial culture within Canaccord and the focus on client service is also demonstrated by these survey results.

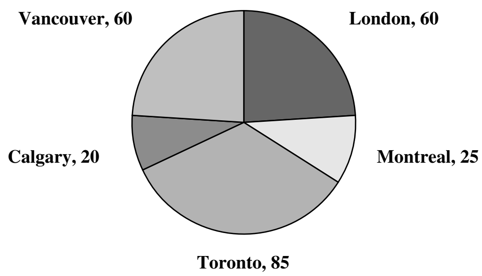
Capital Markets

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

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

The capital markets group is made up of 250 employees and professionals primarily located in Vancouver, Toronto, Calgary, Montreal and London, England. The distribution of these employees by location is described below:

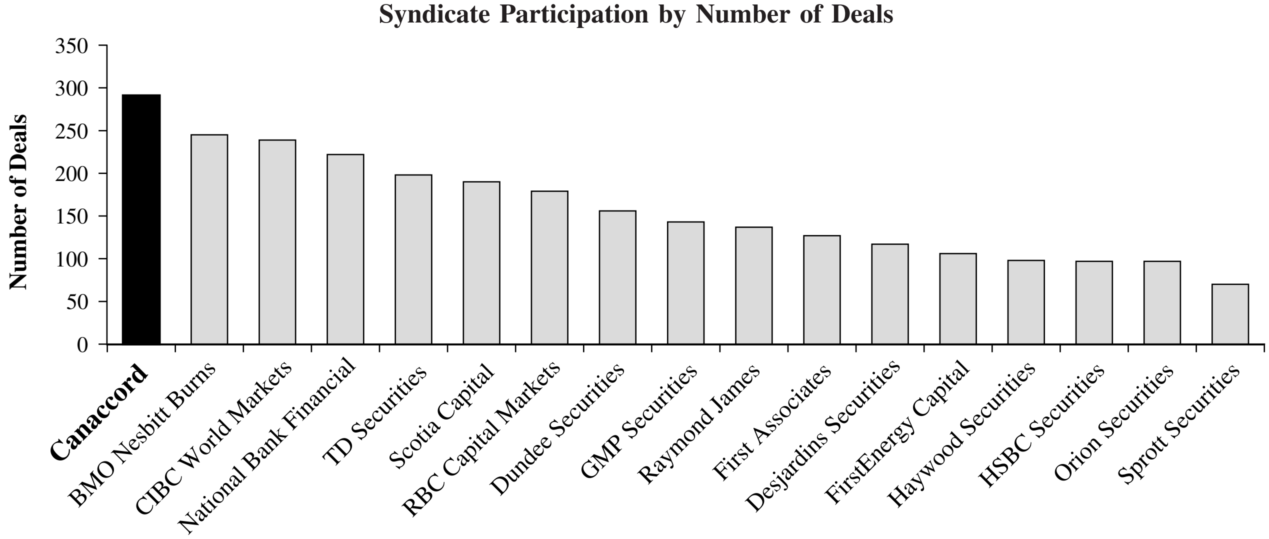
Number of Capital Markets Employees by Location



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

Industry statistics for the year 2003 indicate that among the dealers operating in Canada, including bank and foreign-owned dealers, Canaccord participated in more corporate equity investment banking transactions than any other dealer (minimum transaction size for the National Post analysis presented below was $1.5 million).

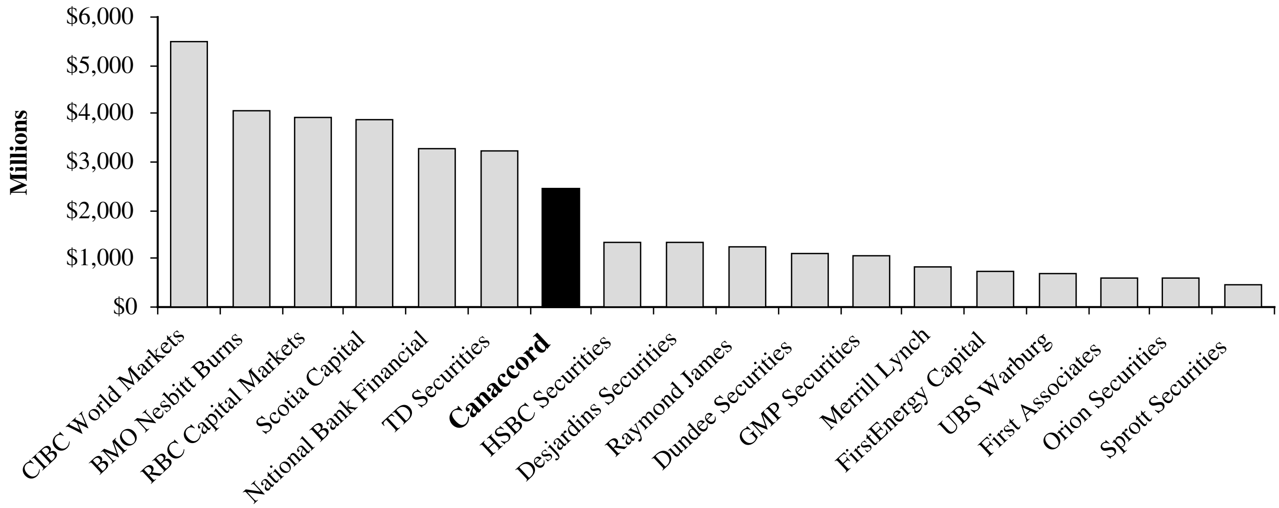
Syndicate Participation by Number of Deals



Source: National Post, January 26, 2004, underwriting tables — an analysis of syndicate participation in corporate equity investment banking transactions in Canada in 2003 with a minimum size of $1.5 million.

In terms of Canaccord's syndicate participation in corporate equity investment banking transactions relative to other dealers calculated on the basis of a bonus credit formula, Canaccord ranked ahead of all other independent dealers in Canada.

Corporate Equity — Transaction Value(1)



Source: National Post, January 26, 2004, underwriting tables — an analysis of syndicate participation in corporate equity investment banking transactions in Canada in 2003 with a minimum size of $1.5 million.

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

Investment Banking

Canaccord arranges, manages and participates in a broad range of public offerings and private placements principally in equity securities or convertible instruments of public companies or companies going public through an initial public offering. Canaccord participates in these transactions both as an underwriter where securities are purchased from the corporate issuer and re-sold to investors and as an agent where Canaccord acts as an agent on behalf of the corporate issuer to sell the securities to investors. When acting as underwriter Canaccord's capital is at risk for a short period between entering into the underwriting commitment and completing the re-sale of the securities to investors. When acting as agent there is generally no capital exposure for Canaccord.

Canaccord earns revenue from investment banking activity principally through underwriting fees, management fees and commissions. Fees and commissions can be received in the form of cash, stock or warrants or a combination. Fees and commissions earned from investment banking activity in fiscal 2004 were $133.6 million or approximately 33% of total revenue for fiscal 2004. Investment banking revenue in fiscal 2003 was $49.2 million or 25% of total revenue for fiscal 2003. Canaccord also earns revenue from providing services and advice in connection with mergers and acquisitions.

Canaccord has developed corporate finance knowledge and expertise and strong research capabilities in the following industries: mining and metals, energy, technology and biotechnology, royalty/income trusts, diversified industries, financial services and real estate/REITs.

Investment banking activity and revenue (including venture capital) from these industry sectors is as follows:

Industry Sector	Year Ended March 31, 2004 No. of Deals	Year Ended March 31, 2004 Aggregate Deal Value (in thousands of dollars)	Year Ended March 31, 2004 Revenue (in thousands of dollars)	Year Ended March 31, 2003 No. of Deals	Year Ended March 31, 2003 Aggregate Deal Value (in thousands of dollars)	Year Ended March 31, 2003 Revenue (in thousands of dollars)
Mining and Metals	274	$ 2,462,000	$ 65,430	146	$1,628,000	$25,328
Energy	41	809,000	35,933	25	364,000	8,842
Technology and Biotechnology	56	521,000	18,526	45	182,000	5,955
Royalty/Income Trusts	44	5,717,000	5,404	28	4,115,000	2,539
Diversified Industries	54	527,000	4,214	61	852,000	3,908
Financial Services	57	5,546,000	2,299	33	1,616,000	2,031
Mergers and Acquisitions	11	—	1,330	15	—	597
Real Estate/REITs	7	794,000	445	—	—	—
Total	544	$16,376,000	$133,581	353	$8,757,000	$49,200

With the total number of transactions in excess of 540, the table above illustrates that the activity contributing to investment banking revenue was well-diversified among a number of different companies, markets and industries.

The top 15 deals for which Canaccord acted as lead underwriter or agent during fiscal 2004 are summarized in the table below.

Name of Issuer	Aggregate Deal Value	Listings[1]
First Calgary Petroleum Ltd.	$ 140,000,000	TSX, AIM
ID Biomedical Corporation	134,000,000	TSX
Oriel Resources plc	101,000,000	AIM
Regal Petroleum plc	99,000,000	AIM
Metallica Resources Inc.	85,000,000	TSX
Bema Gold Corporation	69,000,000	TSX, AIM
Yamana Gold Inc.	55,000,000	TSX, AIM
Sibir Energy plc	53,000,000	AIM
Cedara Software Corp.	50,000,000	TSX
Thistle Mining Inc.	45,000,000	TSX, AIM
Wellco Energy Services Trust	42,000,000	TSX
Envoy Communications Group Inc.	35,000,000	TSX
Thistle Mining Inc.	33,000,000	TSX, AIM
Peter Hambro Mining plc	32,000,000	AIM
Cumberland Resources Ltd.	31,000,000	TSX
Total	$1,004,000,000	

(1) "TSX" indicates the issuer has a class of securities listed on the Toronto Stock Exchange. "AIM" indicates that the issuer is admitted to AIM. The issuer may also be listed on other exchanges.

The respective contributions from Canaccord's Canadian, U.K. and European, and venture capital investment banking operations are as follows:

	Year Ended March 31, 2004 No. of Deals	Year Ended March 31, 2004 Aggregate Deal Value (in thousands of dollars)	Year Ended March 31, 2004 Revenue (in thousands of dollars)	Year Ended March 31, 2003 No. of Deals	Year Ended March 31, 2003 Aggregate Deal Value (in thousands of dollars)	Year Ended March 31, 2003 Revenue (in thousands of dollars)
Canada	215	$15,041,000	$ 49,796	137	$8,386,000	$21,157
U.K. and Europe	47	1,046,000	71,721	20	263,000	22,496
Venture Capital	282	289,000	12,064	196	108,000	5,547
Total	544	$16,376,000	$133,581	353	$8,757,000	$49,200

Canada

Investment banking revenue earned in connection with transactions in Canada was $49.8 million in fiscal 2004 compared to $21.2 million in fiscal 2003. Deal participation increased from 137 deals with an aggregate deal value of $8.4 billion in fiscal 2003 to 215 deals with an aggregate deal value of $15.0 billion in fiscal 2004. This increase reflects Canaccord's increased participation in investment banking syndicates in terms of both the number of syndicates and Canaccord's participation level, an increase in the size and number of deals led by Canaccord and improved business conditions generally for corporate issuers.

The table below summarizes the investment banking revenue generated through the capital markets operations in Canada by industry sector.

	Year Ended March 31, 2004			Year Ended March 31, 2003		
Industry Sector	**No. of Deals**	**Aggregate Deal Value**	**Revenue**	**No. of Deals**	**Aggregate Deal Value**	**Revenue**
		(in thousands of dollars)			(in thousands of dollars)	
Mining and Metals	49	$ 1,767,000	$23,909	33	$1,480,000	$11,305
Energy	19	376,000	5,566	12	206,000	1,171
Technology and Biotechnology	18	379,000	9,136	9	147,000	1,649
Royalty/Income Trusts	44	5,717,000	5,404	28	4,115,000	2,539
Diversified Industries	10	462,000	1,739	7	822,000	1,865
Financial Services	57	5,546,000	2,299	33	1,616,000	2,031
Mergers and Acquisitions	11	—	1,330	15	—	597
Real Estate/REITs	7	794,000	413	—	—	—
Total	215	$15,041,000	$49,796	137	$8,386,000	$21,157

United Kingdom and Europe

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

Canaccord has deployed substantial management and financial resources to the development of its European operations and the enhancement of its capital markets capabilities in Europe. As part of this strategy Canaccord obtained the necessary approvals in the U.K. to provide a full range of investment banking services to corporate clients, act as a nominated adviser (''nomad'') and broker for AIM companies and act as a sponsor and broker for companies listed and applying for listing on the London Stock Exchange (''LSE''). AIM is a global market for smaller, growing companies which is owned, operated and regulated by the LSE. All AIM and LSE companies must appoint one or more brokers that must be a member of the LSE. A nomad, among other things, is responsible for warranting to AIM that a company is appropriate for AIM. Nomads also continue as a company advisor after admission to AIM assisting the company in disclosure and other matters. The appointed broker for companies on AIM or the LSE acts as an interface between the company and investors in respect of market related matters.

Canaccord's capital markets operation in London includes an institutional sales and trading team comprised of 25 employees, a corporate finance team with ten professionals and a research group with nine professionals. Canaccord's strategy is to continue with the development of its European presence through expanding its European-based relationships and through providing its institutional clients with a superior and diverse product mix of growing companies with mid-market capitalizations primarily in the mining and metals, energy and technology/biotechnology sectors. Canaccord believes that this market area is under-served in Europe and by virtue of the market's substantial size it represents significant potential for growth. Canaccord's position as an approved broker, sponsor and nomad for AIM and LSE companies combined with its capital markets strength in both Canada and the U.K. places Canaccord in a strong position to serve its corporate and institutional clients and capitalize on the opportunities in this market area.

Indicative of Canaccord's relative position and its opportunity in the U.K. is its status as the only Canadian dealer licensed as a nomad by AIM and its position as one of the leading sponsors, or nomads, of new listings on AIM in 2003 and 2004. In addition, Canaccord is the only Canadian dealer that is licensed to act as a sponsor for new listings on the LSE.

Canaccord is the appointed broker for five of the top 10 companies listed on AIM measured by market capitalization and the nomad for three of these companies. As of April 30, 2004, these five companies represented a market capitalization of £2.0 billion out of a total market capitalization of £4.3 billion for the top 10 companies. In addition, as of April 30, 2004, Canaccord was also the nomad for eight of the 77 new admissions to AIM in 2004 and is the broker for a total of 33 companies on AIM including 25 companies for which Canaccord is the nomad. Canaccord is also broker to seven companies listed on the LSE. The total annual fee revenue for acting as a nomad and/or broker for these companies is approximately $3.0 million.

The component of investment banking revenue generated in Europe in fiscal 2004 was $71.7 million. Reflecting the resources Canaccord has deployed in Europe and the success that this strategy has had, revenue was more than three times the $22.5 million of revenue generated in fiscal 2003.

	Year Ended March 31, 2004			Year Ended March 31, 2003		
Industry Sector	**No. of Deals**	**Aggregate Deal Value**	**Revenue**	**No. of Deals**	**Aggregate Deal Value**	**Revenue**
		(in thousands of dollars)			(in thousands of dollars)	
Mining and Metals	24	$ 502,000	$32,466	10	$101,000	$11,076
Energy	5	413,000	30,012	3	121,000	7,190
Technology and Biotechnology	13	108,000	8,120	5	31,000	3,596
Diversified Industries	5	23,000	1,123	2	10,000	634
Total	47	$1,046,000	$71,721	20	$263,000	$22,496

Venture Capital

Canaccord's venture capital group is an integral component of Canaccord's ability to serve its smaller corporate clients. By serving and meeting the needs of its corporate clients during the early formative stage of their development when financing requirements are usually small, Canaccord is able to establish relationships and continue to serve these clients as they mature and their financing requirements become much larger. Included in the 544 transactions in fiscal 2004 are 282 transactions generated by the venture capital group with associated revenue allocated to capital markets of $12.1 million. Canaccord raised over $289.0 million for these clients in fiscal 2004 and $108.0 million in fiscal 2003. Contribution in fiscal 2003 from the venture capital group was 196 transactions with a revenue allocation to capital markets of $5.5 million.

Industry Sector	Year Ended March 31, 2004 No. of Deals	Aggregate Deal Value	Revenue	Year Ended March 31, 2003 No. of Deals	Aggregate Deal Value	Revenue
		(in thousands of dollars)			(in thousands of dollars)	
Mining and Metals	201	$193,000	$ 9,055	103	$ 47,000	$2,947
Energy	17	20,000	355	10	37,000	481
Technology and Biotechnology	25	34,000	1,270	31	4,000	710
Diversified Industries	39	42,000	1,352	52	20,000	1,409
Real Estate/REITs	—	—	32	—	—	—
Total	282	$289,000	$12,064	196	$108,000	$5,547

Canaccord's venture capital group works very closely with the investment advisors in the private client services area. One of Canaccord's key strengths is its large network of investment advisors and the relationships they have with entrepreneurs and principals of small businesses and emerging growth companies. These contacts and the business opportunities they present are then referred to the venture capital group for analysis and development. This interaction and communication between investment advisors and the venture capital group often leads to corporate finance activity by way of initial public offerings, private placements, or mergers and acquisitions. In fiscal 2004 the venture capital and other investment banking fees earned by investment advisors and allocated to the private client services group was $41.0 million and in fiscal 2003 it was $16.7 million. This revenue is included as a component of private client services revenue in the Company's consolidated financial statements.

Research

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

Canaccord's research department has 40 professionals based in Toronto, Vancouver, Calgary, Montreal and London, England providing objective and timely research coverage on 285 companies in the areas of mining and metals, energy, technology and biotechnology, real estate/REITs, royalty/income trusts, diversified industries and portfolio strategy.

The distribution of this research activity between the different industry sectors in both Canada and Europe is described in the table below:

Industry Sector	Number of Research Professionals[(1)]	Number of Companies[(1)]
Portfolio Strategy and Other	3	27
Mining and Metals	8	106
Energy	5	39
Technology and Biotechnology	10	51
Diversified Industries	8	22
Real Estate/REITs	2	21
Royalty/Income Trusts	4	19
Total	40	285

(1) As of May 2004.

Nine of these research professionals are located in London, England and 31 are located in Canada. The research professionals in London cover 82 companies with 31 in the mining and metals sector, 26 in the energy sector and 25 in the technology and biotechnology sector.

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

- provide objective independent analyses of companies and their place within their industry sectors and in the capital markets
- identify under-valued investment opportunities

- communicate this information and these ideas to potential investors

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

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

Canaccord's research department as a whole has achieved industry recognition. An independent survey of Canadian "buy-side" institutions in 2003 (Brendan Wood International Research, *Sales & Trading Performance in Canada 2003 Report*) ranked Canaccord ahead of all other Canadian-owned independent dealers in Canada in terms of overall research effectiveness. This survey ranking considered factors such as quality of investment ideas, level of contact, sector knowledge and quality of written reports.

This same survey in 2003 also ranked the reputational franchise of Canaccord's institutional research, sales and trading group ahead of all other Canadian-owned independent dealers in Canada in terms of its quality of service to investors. In determining competitive positioning this survey considered such factors as quality of research, execution capabilities, quality of trader service and quality of sales service.

Institutional Sales and Trading

Canaccord's institutional sales and trading operation has 38 professionals in its offices in Vancouver, Toronto, Calgary, Montreal and London, England, providing services to most of the major financial institutions in Canada and several money managers in the United States and Europe. This institutional team provides consistent and timely market information, advice and trade execution to these institutional accounts. The institutional sales professionals work closely with Canaccord's research analysts and trading desk as part of their service platform in order to maintain regular contact with the portfolio managers, industry specialists and analysts of each institutional client.

Revenue is generated through commissions from acting as agent for the purchase and sale of securities on behalf of institutional clients. This trading is usually done on an agency basis but Canaccord may also, to a limited extent, use its own capital to buy and sell security positions for its own account as a means to facilitate the execution of trades on behalf of institutional clients if an offsetting purchaser or seller is not immediately available. Any losses realized as a result of this principal trading are considered a cost associated with earning and generating commission revenue.

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

International and Principal Trading

Canaccord has an extensive international trading operation with 23 employees who deal principally with U.S. brokerage firms executing orders on their behalf in Canadian listed equities and trading in U.S. equities on behalf of Canadian clients.

Canaccord also has over 20 registered traders that trade on behalf of Canaccord in its principal and inventory accounts by taking positions, trading and making markets in equity securities including securities of companies with small to medium sized market capitalizations. Revenue is generated through inventory trading gains offset by any trading losses incurred.

Canaccord has developed a secure on-line trading capability which has been made available to selected U.S. dealers for processing trades in Canadian securities through Canaccord's international trading operation. This system accesses Canaccord's order management system and delivers orders directly to the applicable exchange for execution and reporting. Canaccord intends to continue with the development of the business opportunity which this service represents and expand the service to make it available to a broader client base including private clients.

Fixed Income Trading

Canaccord's fixed income department includes 19 employees based in Montreal, Toronto and Vancouver. Canaccord trades on a principal basis in various fixed income instruments comprised mainly of Canadian and U.S. government bonds and treasury bills, provincial bonds, securities of federal and provincial government agencies and crown corporations and corporate debt. Inventories of fixed income securities are generally carried to facilitate sales to clients. Canaccord also participates in the auction of, and participates as an underwriter or as a selling group member in the distribution of, various government and corporate fixed income securities.

Correspondent Brokerage Services

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

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

The substantial technology and systems costs and the increased administrative and compliance burdens associated with running a brokerage service operation have made the Pinnacle service an attractive and cost effective alternative for independent dealers with specific needs or operating within a small volume environment or within a specialized environment targeting certain clients or products. With the segregation of the Canadian securities industry into groups comprised of large dealers either bank or foreign owned, a limited number of larger full service independent dealers and a growing number of smaller boutique or specialized dealers, Canaccord's management believes that there is a significant growth opportunity available for providing correspondent brokerage services through the Pinnacle business unit to dealers in the boutique or specialized category.

Revenue generated by correspondent brokerage services operations in fiscal 2004 was $4.7 million representing 1.2% of total revenue. This amount is included in other revenue in the Company's consolidated financial statements.

Competition

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

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

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

Operations and Support Services

Canaccord's operations and support services are responsible for front and back office information technology systems, compliance and risk management, operations, finance and all administrative functions. Canaccord has approximately 300 employees engaged in these activities with 50 in the information technology group, 51 in compliance, 49 in finance, 114 in operations and the balance responsible for various administrative functions.

The operations group is responsible for all activity in connection with processing securities transactions including trade execution, settlement of securities transactions and custody of client securities. The finance department is responsible for internal financial accounting and controls, client credit and accounting, compliance with certain legal and financial regulatory requirements and external financial and regulatory reporting.

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

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

In developing and building its operations and supporting infrastructure Canaccord also evaluates its systems and procedures on an ongoing basis to develop cost reduction strategies and process alternatives. This program of continuous process improvement has reduced costs and improved efficiencies. Examples include decreased trading costs through reduced exchange fees and netting procedures, enhancements to the real-time order management system, procedures for expense management and improved and more efficient procedures for opening client accounts, processing client account documentation and integrating new investment advisors and their clients into Canaccord.

Information Technology

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

As an important factor in Canaccord's success to date, Canaccord's strategy of developing strategic relationships with key industry suppliers has enabled Canaccord to be free from the burdens of legacy systems and provided it with the flexibility to adopt new technologies on a cost effective basis. With this strategy Canaccord has developed key relationships with the following organizations:

- *Dataphile (ADP):* a real-time integrated transaction system for client recordkeeping and reporting, multi-functional order management, transaction processing, account maintenance and account history
- *Hewlett-Packard:* computer hardware and software related to servers, network storage, desktop hardware and critical systems support
- *Telus:* fully managed wide area network and telecommunications services
- *Microsoft:* software support for servers, workstations and business systems
- *Cisco:* network and telecommunications equipment and network monitoring software
- *Thomson:* real-time stock quotes and market information
- *Sierra Systems:* software development tools and services
- *Radiant Communications:* internet content management and development software

Canaccord also draws on the relationships described above for project development and non-strategic services allowing Canaccord's technology department to focus on strategic initiatives, business applications and systems and network management.

Canaccord has invested over $14.0 million in its technology platform and the development of its proprietary information systems over the last five years. The primary development projects since 2000 included the following:

- *Improvements to Canaccord's network system and architecture were completed* to provide upgrades to the network infrastructure and software system upgrades to improve redundancy, increase performance, enhance security and reliability, expand capacity, add scalability and provide emergency backup power; improvements to the functionality and security of Canaccord's virtual private network technology allowing remote access to all major applications and systems including wireless communication; system integration for a trading gateway into the U.S. for executing orders on the New York Stock Exchange and NASDAQ; and critical systems support for monitoring the network around-the-clock.
- *Client service was enhanced through the addition of value-added information processing applications* including systems for an on-line account opening process with an electronic ''know-your-client'' information form integrated with Canaccord's electronic client database; systems for on-line account access by clients; development of products and systems to provide internal on-line access to client account statements, document imaging, portfolio management, corporate finance deal tracking, web content management, research report content management and video conferencing; the development of Canaccord's intranet web service for internal communication to its investment advisors, dissemination of research material and information and implementation of an enterprise-wide streaming media service for webcasts of company presentations and updates, executive briefings and market information (see ''Private Client Services — The GO Desk''); and customization of applications to support Canaccord's correspondent brokerage services and multi-company processing capabilities utilizing a web-based interface allowing brokerage client access to applications over the internet with real-time on-line trading capability.
- *Improvements to control systems, information processing and management information reporting were completed* through the development and adoption of leading business intelligence tools to create a platform for providing accurate and timely management information reports for financial analysis and executive reporting, risk management, regulatory reporting and performance measurement; enhancements to the corporate e-mail system to provide archiving, corporate supervision of e-mails and regulatory compliance; improvements to the technology environment to enhance firewall and anti-viral protection systems; and systems for real-time trade reporting and transaction management including improvements to the clearing and settlement process.

The successful completion of these projects, their effective deployment and Canaccord's continuing investment in its information technology platform are significant factors in the overall efficiency and effectiveness of Canaccord's business.

Risk Management

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

Canaccord allocates considerable internal resources to risk management and has developed a number of policies and procedures to identify, control, measure and monitor its risk exposure at all times. Diversification across multiple business lines, product areas, deal size and industry sectors and geographical diversification help to reduce risk and the overall impact of any volatility in revenues or profitability and to minimize the impact of any losses which may arise from any particular area of Canaccord's business.

Canaccord has adopted a disciplined approach to its system of risk management. This discipline encompasses a number of functional areas and requires constant communication, judgment and knowledge of Canaccord's business, products and markets. Canaccord's senior management is actively involved with the risk management process and has developed policies and reports that require specific administrative procedures and actions to assess and control various risks. These policies and procedures are subject to ongoing review and modification as activities, markets and circumstances change.

Even with the policies and procedures which Canaccord has established for controlling or limiting risk there is no certainty that such policies and procedures will be completely effective. Unforeseen events and changes in the economy may lead to market disruptions and unexpected large or rapid changes in market prices and market conditions which may have a significant adverse effect on Canaccord's business and financial prospects and stability.

Market Risk

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

Canaccord is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Canaccord is also exposed to specific interest rate risk as a result of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord mitigates its risk exposure through a variety of limits to control concentration, capital allocation and capital usage and through trading policies and guidelines. Canaccord manages and monitors its risks in this area using both qualitative and quantitative risk measures not only on a company-wide basis but also by trading desk and by individual trader. Management also reviews and monitors inventory levels and positions, trading results, aging and concentration levels. In this way, Canaccord can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management.

With the competitive nature of financial markets in Canada, certain of Canaccord's investment banking activity is done on a "bought deal" basis whereby an underwriting commitment is made subject to only very limited termination provisions. These termination conditions usually exclude reductions in market price and, accordingly, Canaccord faces a risk of loss in the event that underwritten securities cannot be resold to investors at the issue price because of changes in market price or other factors. Canaccord limits its risk exposure in this area by participating in such transactions on a syndicated basis, requiring that all such transactions are approved by senior management in both finance (for purposes of capital allocation) and capital markets (for purposes of deal quality and marketability) and limiting the time period between the date a commitment is made and the date Canaccord is able to distribute or re-sell the underwritten securities to investors.

Securities held by Canaccord are recorded at market value and, accordingly, the consolidated financial statements of the Company reflect any unrealized gains and losses arising from changes in the market values of such securities. See "Management's Discussion and Analysis — Critical Accounting Estimates — Revenue Recognition and Valuation of Securities". Losses arising as a result of any declines in market prices are therefore recognized at the time of such decline and recorded as a reduction of revenue.

Credit Risk

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

Canaccord provides financing to clients by way of margin lending. In a margin-based transaction Canaccord extends credit for a portion of the market value of a securities transaction in a client's account up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity Canaccord faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if Canaccord is unable to recover sufficient value from the collateral held. For margin lending purposes Canaccord has established limits which are generally more restrictive than those required by applicable regulatory policies. The determination of securities eligible for margin is discretionary and is based on price, market, liquidity and quality. Canaccord adjusts its margin requirements if it believes that its risk exposure is not appropriate.

Canaccord also faces a risk of financial loss with respect to trading activity by clients if such trading results in overdue or unpaid amounts in under-secured cash accounts or failure by clients to meet cash calls in the event market prices for securities sold short in short accounts increase and Canaccord is unable to purchase the securities to cover the short position at prices covered by the available credit in the client's account. Canaccord has developed a number of controls within its automated trade order management system to ensure that trading by individual account and by individual advisor is done in accordance with customized limits and risk parameters. Canaccord also utilizes a system of risk-adjusted reserve accounts to provide limited additional financial coverage.

Canaccord records a provision for bad debts in general and administrative expenses. Any actual losses arising from or associated with client trading activity as described above are charged to this provision. Historically, this provision has been sufficient to cover actual losses.

Canaccord is engaged in various trading and brokerage activities whose counterparties primarily include broker-dealers, banks, clearing agents, exchanges, financial intermediaries and other financial institutions. In the event counterparties do not fulfill their obligations, Canaccord may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. Canaccord manages this risk by imposing and monitoring individual and aggregate position limits within each business segment for each counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions and conducting business through clearing organizations which guarantee performance. Historically, Canaccord has not incurred any material loss arising from a default by a counterparty.

Operational Risk

Canaccord operates in different markets and relies on its employees and systems to process a high number of transactions. Operational risk refers to the risk of financial loss resulting from Canaccord's own operations including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in Canaccord's operating systems and inadequacies or breaches in Canaccord's control procedures. To mitigate this risk Canaccord has developed a system of internal controls and checks and balances at appropriate levels which include overnight trade reconciliation, control procedures related to clearing and settlement, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures and authorization and processing controls in respect of transactions and accounts. Canaccord also has disaster recovery procedures in place, business continuity plans and built-in redundancies in the event of a systems or technological failure. Canaccord also utilizes third party service agreements and security audits where appropriate. Historically, Canaccord has not incurred any material losses arising from operational matters or technological failures.

Regulatory and Legal Risk

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

Legal risk includes litigation risk. As with other securities dealers, Canaccord is involved with litigation and is a defendant in various legal actions. See "Legal Proceedings" and "Risk Factors — Litigation and Potential Securities Laws Liability".

With respect to Canaccord's capital markets activity Canaccord has procedures in place to review potential investment banking clients and proposed transactions and to ensure that all of its capital markets activity is compliant. These procedures include the active involvement of senior management through a regime of committee approvals and authorizations, the use of external legal counsel as appropriate and utilizing in-house professionals with industry experience.

Losses or costs associated with routine regulatory and legal matters are included in general and administrative expenses in the Company's consolidated financial statements. Losses arising from significant legal matters are recorded as other costs in the Company's consolidated financial statements. See "Management's Discussion and Analysis — Five Year Trends — Other Items — Restructuring and Other Costs".

Intellectual Property

Canaccord protects its technology through a combination of copyrights, trade secrets and contractual arrangements. Canaccord relies on trademark and copyright law, trade secret protection and confidentiality arrangements. Canaccord pursues the registration of its trademarks and servicemarks in Canada, the United States and other countries as required.

Principal Facilities

The Company's head office is located in Vancouver, British Columbia. Canaccord does not own any real estate. The following table sets out certain information regarding Canaccord's material leased office premises:

Location	Square Footage
609 Granville Street, Suite 2200, Vancouver, British Columbia	126,226
320 Bay Street, Suite 1210, Toronto, Ontario	38,261
1010 Sherbrooke Street West, Montréal, Québec	26,594
409 – 8th Avenue SW, Suite 400, Calgary, Alberta	18,780
1st Floor Brook House, 27 Upper Brook Street, London, England	9,000

DIRECTORS AND OFFICERS

The following table sets out the directors of the Company.

Name and Municipality of Residence	Position with the Company	Principal Occupation	Director Since
PETER M. BROWN . . . . Vancouver, B.C.	Chairman of the Board, Chief Executive Officer and Director	Chairman of the Board and Chief Executive Officer of the Company and Canaccord Capital Corporation	1997[1]
MICHAEL G. GREENWOOD . . . . . Edmonton, Alberta	President, Chief Operating Officer and Director	President and Chief Operating Officer of the Company and Canaccord Capital Corporation	1997[1]
WILLIAM J. EEUWES[2][3] . . . . . . Burlington, Ontario	Director	Vice-President of Manulife Capital	2002
MICHAEL D. HARRIS[3] . . . . Toronto, Ontario	Director	Senior business adviser of Goodmans LLP	2004
BRIAN D. HARWOOD[2] . . . . West Vancouver, B.C.	Director	Retired	2004
TERRENCE A. LYONS[2][3][4] . . . . Vancouver, B.C.	Director	Chairman of the Board of Northgate Minerals Corporation	2004
JAMES A. PATTISON . . . . Vancouver, B.C.	Director	Chairman of the Board, President and Chief Executive Officer of The Jim Pattison Group	2004
JOHN B. ZAOZIRNY . . . . Calgary, Alberta	Director	Vice-Chairman of the Board of Canaccord Capital Corporation and counsel to McCarthy Tétrault LLP	2004

(1) In 1968 Mr. Brown joined the company that formerly carried on the business of Canaccord Capital Corporation; he became a director of the Company in 1997 when the Canaccord group was reorganized and the Company was incorporated. Mr. Greenwood became a director of the Company at the same time. Mr. Greenwood has also been a director of Canaccord Capital Corporation since 1994.

(2) Member of the Audit Committee.

(3) Member of the Corporate Governance and Compensation Committee.

(4) Mr. Lyons is the president and a director of FT Capital Ltd. which is presently subject to a cease trade order for failure to file financial statements. At the request of Brascan Financial Corporation Mr. Lyons joined the board of FT Capital Ltd. and was appointed its President in 1990 in order to assist in its reorganization which is ongoing. Mr. Lyons has also been a director since 1991 of International Utilities Structures Inc. (''IUSI''). On October 17, 2003 IUSI was granted protection from its creditors under the *Companies' Creditors Arrangement Act* (''CCAA'') by the Court of Queen's Bench in Alberta. Proceedings under the CCAA are ongoing.

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

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

After the closing of the Offering, the directors and executive officers of the Company, the executive officers of Canaccord Capital (Europe) Limited and the executive officers of Canaccord Capital Corporation, as a group, will beneficially own, directly or indirectly, or exercise control or discretion over, an aggregate of 13,473,023 Common Shares, representing approximately 29.2% of the Common Shares issued and outstanding.

Background of the Directors and Executive Officers

Canaccord Capital Inc.

Set forth below are brief profiles of each of the directors and executive officers of the Company. Other than as set forth below, each director and executive officer has held the same principal occupation for the last five years.

Peter Brown, O.B.C., 62, is the Chairman of the Board, Chief Executive Officer and a director of the Company. Mr. Brown entered the securities industry in 1962 with Greenshields Incorporated. In 1968 he joined Hemsworth, Turton & Co. Ltd., which subsequently became known as Canaccord. Since 1968, Mr. Brown has been an active participant in the public venture capital markets and in the trading and financing of small and medium sized companies in the mining, oil and gas and industrial sectors. He has been involved in the financing of many major mining discoveries and their ongoing development. Over the years, Mr. Brown has served on the boards of numerous private sector and crown corporations. He is a past Chairman of the University of British Columbia, the Vancouver Stock Exchange, B.C. Place Corporation and B.C. Enterprise Corporation. He was also the Vice-Chairman of Expo '86 Corporation. He is currently on the Board of Trustees of the Fraser Institute, a Canadian economic, social research and education organization. He is a past member of the Chief Executives Organization and the Young Presidents Organization and a current member of the World Presidents Organization. Mr. Brown is a past recipient of the B.C. Chamber of Commerce Businessman of the Year award. He was awarded the B.C. & Yukon Chamber of Mines Financier Award for 2000, the Pacific Entrepreneur of the Year Award for 2001 and in 2002 the Distinguished Service Award by the Prospectors and Developers Association of Canada. In January 2003, Mr. Brown received a Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth recognizing his community service. In June 2003, he was awarded the Order of British Columbia recognizing his fundraising efforts for various charities and organizations in B.C. as well as the vital role he has played in financing hundreds of B.C. businesses. In February 2004, Mr. Brown was named "Person of the Year" by the Brotherhood Inter-Faith Society of British Columbia.

Michael Greenwood, 47, is the President, Chief Operating Officer and a director of the Company. Mr. Greenwood joined Canaccord in 1994. With more than 21 years of experience in corporate and government finance, Mr. Greenwood has held senior investment banking positions with a number of national investment dealers. He has covered a broad base of major Canadian corporations and has had active participation in the Canadian capital markets and merger and acquisition sectors. With extensive experience in all industry sectors, Mr. Greenwood has acted in the capacities of either financial advisor, underwriter or valuator for the federal government and various provincial governments as well as for many Canadian corporations. Mr. Greenwood is a member of the Board of the Canadian Investor Protection Fund and was a member of the Board of the Investment Dealers Association. Mr. Greenwood has a Bachelor of Science degree from Mount Saint Vincent/Dalhousie University and an M.B.A. from the University of Calgary. He is also a chartered business valuator.

William Eeuwes, 50, is a director of the Company. Mr. Eeuwes is Vice-President of Manulife Capital, the merchant banking arm of The Manufacturers Life Insurance Company. Mr. Eeuwes has more than 25 years of experience in underwriting and the management of a broad range of asset classes, including private equity, mezzanine loans, structured and project finance and corporate loans. Mr. Eeuwes is a director of several Canadian companies. He is a Fellow of the Institute of Canadian Bankers (FICB) and he has an honours degree in business from the University of Western Ontario.

Michael Harris, 59, is a director of the Company. He is a senior business adviser with Goodmans LLP in Toronto. He was Premier of the Province of Ontario from 1995 to 2002. In addition to sitting on several boards of Canadian corporations, he also serves as a director of the Tim Horton Children's Foundation and sits on the board of Vince Carter's Embassy of Hope Foundation for Children. Mr. Harris is also a Senior Fellow of the Fraser Institute.

Brian Harwood, 72, is a director of the Company. He joined Hemsworth, Turton & Co. Ltd., a predecessor firm to Canaccord, in 1970 and remained with Canaccord until his retirement in 1994. Prior to joining Hemsworth, Turton & Co. Ltd., Mr. Harwood held various positions with Bank of Montreal from 1953 to 1970. During his career at Canaccord he was principally involved with operations, finance and administration and from 1987 to 1994 he was President and Chief Operating Officer of Canaccord. He is a director and former Vice-Chairman of Canaccord Capital Corporation. During his career he has been actively involved with a number of industry committees and boards. He was a governor of the Vancouver Stock Exchange from 1985 to 1994 including acting as its Chairman from 1991 to 1993 and served on many of its committees including the audit, membership, capital and executive committees. He was a director of the Canadian Investor Protection Fund from 1990 to 1994 and its chairman from 1990 to 1992. He was a director of the Investment Dealers Association from 1989 to 1994 and a member of its Executive Committee from 1989 to 1991 and a member of the Pacific District Council from 1984 to 1987. From 1989 to 1992, Mr. Harwood was also a director of Loewen, Ondaatje, McCutcheon Inc.

Terrence Lyons, 54, is a director of the Company. Mr. Lyons is the Chairman of Northgate Minerals Corporation and he is a director of B.C. Pacific Capital Corporation and Persona Inc. In 1986, he became Senior Vice-President of Versatile Corporation and presided over the restructuring of the corporation which is now known as B.C. Pacific Capital Corporation, a senior merchant and investment banking company which is part of Brascan Financial Corporation. He obtained a Bachelor of Science degree in civil engineering from the University of British Columbia in 1972 and an M.B.A. from the University of Western Ontario in 1974.

James Pattison, O.C., O.B.C., 75, is a director of the Company. He is the Chairman, Chief Executive Officer and sole owner of The Jim Pattison Group. The Jim Pattison Group has more than 26,000 employees, annual sales of $5.5 billion and assets totaling over $3.5 billion. With investments in Canada, the U.S., Mexico, Europe, Asia and Australia, The Jim Pattison Group is involved in a wide variety of industries including food services, packaging, distribution, manufacturing, communications, entertainment, transportation and export services. Mr. Pattison has served as a director on a number of boards, and serves as a trustee on the board of the Ronald Reagan Presidential Foundation. He held the position of Chairman and President of Expo '86 Corporation. This position was served in a volunteer capacity. Mr. Pattison was appointed to the Order of Canada in 1987 and the Order of British Columbia in 1990. He is also the recipient of the Governor General's Commemorative Medal for the 125th Anniversary of Canada. Mr. Pattison is an inductee of the Canadian Business Hall of Fame and the Canadian Professional Sales Association Hall of Fame.

John Zaozirny, Q.C., 56, is a director of the Company. Mr. Zaozirny joined Canaccord in 1996 as Vice-Chairman and a director of Canaccord Capital Corporation and is currently a member of Canaccord's capital markets group. Currently he also serves as counsel to McCarthy Tétrault LLP. Mr. Zaozirny served in the Alberta Legislature as minister of energy from 1982 to 1986. In 1984, he was named Queen's Counsel for the Province of Alberta. Among his many honours, Mr. Zaozirny was named "Resource Man of the Year" in 1985 by the Alberta Chamber of Resources. He also received the Distinguished Alumnus Award from the University of Calgary in 1987. Mr. Zaozirny obtained a Bachelor of Commerce degree from the University of Calgary in 1969, a Bachelor of Laws degree from the University of British Columbia in 1972 and a Master of Laws degree from the University of London (London School of Economics) in 1973. Mr. Zaozirny is a member of the Law Societies of Alberta and British Columbia.

Dennis Burdett, 59, is Executive Vice-President, Chief Financial Officer and Corporate Secretary of the Company. He is responsible for overseeing Canaccord's financial activities, administration, operations and information technology. He is a past chairman of the Canadian Venture Exchange and he was a member of its Board of Directors and Executive Committee as well as various advisory committees. He is a past member of the Vancouver Stock Exchange Board of Governors and its executive committee, executive disciplinary committee and strategic planning committee. Mr. Burdett was an Alternate Governor of the Securities Industry Advisory Council, Alternate Governor of the Canadian Securities Institute and a member of the Board of the Investment Dealers Association and is a member of the Canadian Institute of Chartered Accountants. Prior to joining Canaccord in 1987, Mr. Burdett was the Vice-President, Finance of Expo '86 Corporation from 1983 to 1986. He obtained a Bachelor of Science degree in mathematics from the University of British Columbia in 1969 and received his chartered accountant designation in 1974.

Canaccord Capital (Europe) Limited

Set forth below are brief profiles of each of the executive officers of Canaccord Capital (Europe) Limited.

Timothy Hoare, 54, is the Chairman and Chief Executive Officer of Canaccord Capital (Europe) Limited. Mr. Hoare began his career in the securities industry when he joined Laing & Cruikshank, a London-based investment dealer, in 1975 as a mining analyst. He became a partner of that firm in 1979. In 1988 the firm was acquired by Credit Lyonnais and Mr. Hoare became a director of Credit Lyonnais Laing International in 1990. In 1993 Mr. Hoare established T. Hoare & Co. Limited, an investment dealer based in London, England which focused on research and institutional accounts and specialized in financing companies in the international resource sector. Canaccord acquired a minority interest in T. Hoare & Co. Limited in 1993 and through a series of corporate reorganizations it became a wholly-owned subsidiary of Canaccord in 1999 and now operates as Canaccord Capital (Europe) Limited. Throughout his career Mr. Hoare has been an active participant in the mining finance sector. He has arranged financings for resource companies around the world including intermediate producers and companies with properties at the exploration and development stage as well as international oil and gas companies.

Michael Kendall, 44, is the Chief Financial Officer of Canaccord Capital (Europe) Limited. Prior to joining Canaccord in 1996, Mr. Kendall was a group accountant with Lex Service plc. Mr. Kendall is a member of both the Chartered Institute of Management Accountants and The Securities Institute.

Nigel Little, 50, is the Executive Managing Director and Head of Equities for Canaccord Capital (Europe) Limited. Prior to joining Canaccord in 2002, Mr. Little was the head of downstream investment banking for Nomura International plc for three years. Mr. Little also worked for ten years at West LB Panmure (formerly NationsBank Panmure Gordon) as head of sales and trading. Earlier in his career he was Head of European Sales at Morgan Stanley and also was Head of Scottish and Irish Sales at H.S.B.C James Capel. Mr. Little is a Fellow of the British Institute of Management.

Paul Reynolds, 41, is the President and Chief Operating Officer of Canaccord Capital (Europe) Limited. He is responsible for managing Canaccord's office in London, England and is very active in Canaccord's European investment banking operations. Mr. Reynolds has over 20 years of experience in the securities industry beginning as a trader on the floor of the Vancouver Stock Exchange. He joined Canaccord in 1985. He worked as an investment advisor with Canaccord in Vancouver and specialized in financing emerging and developing companies in the resource, technology and biotechnology sectors and largely focused on institutional clients principally in Europe. In 1999, he moved to London, England to become the President of Canaccord's European operations. He has been integral to the development of Canaccord's business in Europe and a primary contributor to the successful progress that Canaccord has made in positioning Canaccord as an active participant in the European equity markets specializing in small to medium sized emerging companies.

Canaccord Capital Corporation

In addition to Messrs. Brown, Greenwood and Burdett, set forth below are brief profiles of the other executive officers of Canaccord Capital Corporation.

Paul Chalmers, 60, who has overall responsibility for the international trading department, joined Canaccord in 1990. He has been active in the securities industry for more than 35 years and is a past seat holder of the Vancouver Stock Exchange and the Alberta Stock Exchange. Mr. Chalmers began his career in 1966 at the Toronto Stock Exchange and later became involved in institutional sales and trading. Prior to joining Canaccord, Mr. Chalmers was the Chairman and founder of Canadian International Securities, a Vancouver based securities firm. Before that, Mr. Chalmers was the Chairman of Merit Investment Corporation for nine years.

Paul Di Pasquale, 55, joined Canaccord in 1998 with the acquisition by Canaccord of the retail services business of Brink, Hudson & Lefever Ltd. Mr. Di Pasquale is responsible for a private client services division in Vancouver. He has been involved in the securities industry since 1969 and has held various executive positions with responsibility for sales and trading operations for a number of retail firms in his career including Brink, Hudson & Lefever Ltd., Yorkton Securities Inc., Haywood Securities Inc., Gardiner, Watson Ltd. and Walwyn Stodgell. Mr. Di Pasquale was on the Board of Governors of the Vancouver Stock Exchange from 1984 to 1990 and served on its Executive Committee and as Chairman of its Audit and Automated Trading Committees.

Douglas Doiron, 50, who has overall responsibility for private client services in Ontario and day-to-day operating activity for the Toronto office, joined Canaccord in 1996. Prior to joining the firm, Mr. Doiron was the Chief Executive Officer and a director of Merit Investment Corporation. Mr. Doiron has a strong background in the corporate community. He spent 19 years as an executive in the trust industry, most recently as Executive Vice-President of Confederation Trust from 1990 to 1995.

Matthew Gaasenbeek, 38, who is responsible for institutional sales and trading, joined Canaccord in 1994 and is based in Toronto. Mr. Gaasenbeek spent his first five years with Canaccord in investment banking and moved to institutional sales and trading in 1999. Prior to joining the firm, Mr. Gaasenbeek was a management consultant at Price Waterhouse in its Strategic Management Services Group, where he performed numerous valuations and assisted in several corporate restructurings. He also worked for two years in sales with Xerox Corp.

Richard Grafton, 51, joined Canaccord in 2004 and, based in Calgary, is responsible for Canaccord's activities in the energy sector. Subject to regulatory approval Mr. Grafton will be appointed an executive vice-president. Mr. Grafton has over 20 years of experience in the securities industry. He was a founding shareholder and a managing director of FirstEnergy Capital Corp. During his career Mr. Grafton has specialized in the energy sector and has had extensive involvement with arranging financing transactions for oil and gas companies. Prior to the formation of FirstEnergy, Mr. Grafton was in institutional sales with Peters & Co. Limited in Calgary.

Andrew Jappy, 41, joined Canaccord in 1996. Mr. Jappy is responsible for all aspects of information technology and systems and is actively involved in managing the international trading department. Subject to regulatory approval Mr. Jappy will be appointed an executive vice-president. Prior to joining Canaccord, Mr. Jappy was an executive at TCAM Systems, a trading and settlement software firm based in New York. Mr. Jappy is a member of the Regulatory Services Advisory Committee, TSX Trading Advisory Committee, Industry Committee on Trade Reporting and Electronic Audit Trail Standards and the Vancouver Stock Traders Association. Mr. Jappy is a past member of the Security Traders Association Trading Issues Committee.

Robert Larose, 48, joined Canaccord in 2000 as Executive Vice-President and national sales manager. From his base in Vancouver, Mr. Larose is responsible for all Canaccord investment advisors across the country. Before joining Canaccord, Mr. Larose was a regional manager of Scotia McLeod. From 1992 to 1997, he was branch manager of RBC Dominion Securities in Montreal. Before that, he was a broker with RBC Dominion Securities.

Mark Maybank, 34, joined Canaccord in 2001. Based in Canaccord's Toronto office, Mr. Maybank is responsible for Canaccord's research activity. Before joining Canaccord, Mr. Maybank was an executive vice-president at a technology services and software development firm. Prior to that, he was a technology analyst with Yorkton Securities and chief financial officer of a U.S. based cellular services company. Prior to this, he held various positions with a large multinational accounting and consulting firm. Mr. Maybank has earned both his Chartered Accountant and Chartered Business Valuator designations.

Jens Mayer, 41, joined Canaccord in 2000. Based in Canaccord's Toronto office, Mr. Mayer is responsible for Canaccord's investment banking activity. Prior to joining Canaccord, Mr. Mayer was a vice-president or director on the mining teams at Yorkton Securities, Bunting Warburg and Gordon Capital. Prior to entering the area of investment banking, he worked as a consultant with Derry, Michener, Booth & Wahl, a geological and mining consulting firm. Mr. Mayer has helped finance and provided advisory services to a number of major mining companies as well as many intermediate producers and mining companies in the exploration and development stage.

Peter Virvilis, 43, joined Canaccord in 1987. Mr. Virvilis is responsible for overseeing Canaccord's administrative operations and treasury-related activities. Before joining Canaccord, Mr. Virvilis was the Assistant Treasurer for Expo '86 Corporation from 1985 to 1987. Mr. Virvilis is a director of the Canadian Depository for Securities ("CDS") and a member of its Finance Committee, Risk Advisory Committee and Strategic Development Review Committee. He is a past chair of the CDS/West Canada Integration Committee. Mr. Virvilis is also Chairman of the IDA Financial Administrators Section ("FAS") and a member of the IDA audit committee and the FAS Operations Subcommittee. He is past chair of the West Canada Redevelopment Committee and the ISM User Group.

William Whalen, 65, joined Canaccord in 1999 with the acquisition by Canaccord of the business of Whalen, Béliveau & Associates Inc., which he co-founded in 1989. Mr. Whalen is responsible for fixed income operations. With more than 30 years of experience in the securities industry, Mr. Whalen is a senior fixed income securities trader. Prior to forming Whalen, Béliveau, he was a Senior Vice-President for Lévesque Beaubien Geoffrion, where he was the head bond trader and responsible for trading and institutional bond sales in Canada and Europe. Mr. Whalen is the past secretary and the past president of the Montreal Bond Traders Association. He was also a member of the Québec Education Committee of the Canadian Securities Course.

Committees of the Board of Directors

The board of directors of the Company has an Audit Committee and a Corporate Governance and Compensation Committee.

Audit Committee

The Audit Committee assists the board of directors in fulfilling its oversight responsibilities by monitoring Canaccord's financial reporting practices and financial disclosures. Specific responsibilities and duties of the Audit Committee include: reviewing Canaccord's annual and interim consolidated financial statements, annual and interim management's discussion and analyses and press releases relating thereto prior to dissemination to the public; assessing Canaccord's accounting policies including discussing the appropriateness of such policies with management and Canaccord's external auditors; assisting management to identify Canaccord's principal business risks; reviewing the external auditor's plans for evaluating and testing Canaccord's internal financial controls; and overseeing Canaccord's external auditors including approving the external auditor's terms of engagement. Members of the Audit Committee are appointed annually by the board of directors. The members of the Audit Committee are Terrence Lyons (Chairman), William Eeuwes and Brian Harwood. Messrs. Lyons and Eeuwes are independent of management and Mr. Harwood has been appointed at the discretion of the board of directors in accordance with applicable securities legislation.

Corporate Governance and Compensation Committee

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

SECURITIES INDUSTRY OVERVIEW

Canadian Securities Industry

Introduction

Investment dealers play an essential role in the operation and development of the Canadian capital markets, offering a variety of products and services to participants in those markets, including retail (private client) and institutional investors, companies and governments. These products and services include:

- trading securities for retail and institutional clients, as well as for the dealers' own accounts
- assisting private and public companies and governments in obtaining financing through the underwriting and distribution of equity, debt and other securities
- providing research on industries, companies and securities
- providing advisory and valuation services to private and public companies in the context of mergers, acquisitions, reorganizations and restructurings

There are over 200 investment dealers that carry on business in Canada. These dealers can be divided into two general categories. The first category is composed of full service investment dealers that are generally large organizations that provide clients with a complete range of products and services. The second category is composed of specialized investment dealers that generally specialize in providing clients with a variety, but not a complete range, of products and services and many focus on one or a select number of business sectors.

Products and Services

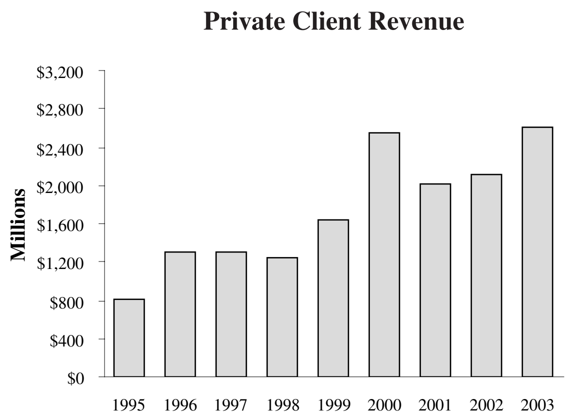
Set out below is a description of the principal products and services that investment dealers offer to their clients in Canada, which include retail and institutional clients, private and public companies and governments.

Private Client Services

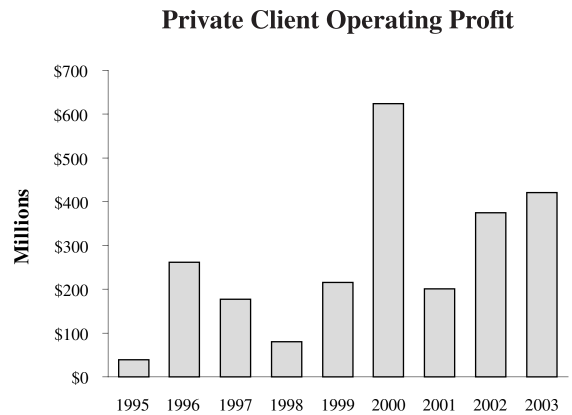
Faced with the pressures of balancing financial and retirement requirements in a universe of increasingly complex financial products, retail investors are increasingly seeking professional advice. This growing tendency to entrust private client investment advisors with the complex tasks of selecting among a wide array of investment, financial, retirement and tax products and services has led to the growth of the full service advice-focused broker channel of the private client business. At the same time, the increased availability of financial data through the internet, the growth in on-line trading and a greater focus and appreciation of equity markets have contributed to the recent rise of the self-directed retail investor, who favours the low cost and effective execution of the discount brokerage channel.

Private client revenue is primarily comprised of trading commissions, which are a function of trading volume, and management fees applied to assets under administration. Commission revenue tends to be highly correlated to overall equity market activity and, accordingly, reflects the inherent volatility in the market whereas management fee revenue is generally more stable.

Private client revenues of investment dealers in the Canadian securities industry have increased from $817.0 million in 1995 to $2.6 billion in 2003. As retail investor activity tends to be highly correlated to equity market performance, revenues decreased substantially in 2001 and 2002 from the peak revenue level of 2000. However, the private client services industry in Canada has been positively impacted by the high level of issuance and trading in retail-oriented equity products, such as income trusts, that have become an important part of the Canadian securities market. At the end of 2003, revenues to private client firms represented approximately one quarter of the total revenue of the Canadian securities industry. Due to the high level of operating leverage, operating margins have generally moved in line with revenues. Operating profits have increased from $39.0 million in 1995, reaching $421.0 million in 2003.



Source: Investment Dealers Association of Canada



Source: Investment Dealers Association of Canada

Sales and Trading

Investment dealers create markets for securities by buying and selling those securities on behalf of retail and institutional clients, as well as for their own accounts. Retail and institutional clients have become much more sophisticated in the last decade. Increasingly these clients are directing their trading business to those investment dealers that provide a complete trading service, including timely and accurate market information, value-added research and certainty of execution through services, including principal or facilitative trading. Investment dealers earn commissions for executing trades on behalf of clients and may also generate revenue or incur losses by trading securities for their own accounts.

The total volume and market value of shares traded through the Toronto Stock Exchange has increased from approximately 15.8 billion shares ($207.7 billion) in 1995 to approximately 55.6 billion shares ($648.7 billion) in 2003. Trading commissions have increased from $262.0 million to $667.0 million over the same period.

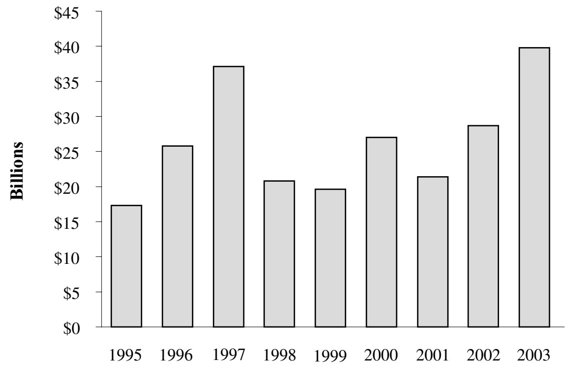
Investment Banking

Canadian investment dealers assist public and private businesses and governments in obtaining financing in the capital markets. This financing is raised through the issuance of debt, equity and derivative securities, and can be effected by an investment dealer on an underwritten or agency basis. Investment dealers generate revenue by providing these services and charging commissions. The commission rates charged in connection with individual equity offerings have generally remained stable in Canada over the past five years.

In Canada, public equity financings grew from $17.3 billion in 1995 to $39.8 billion in 2003. Over the last five years, equity issuance has been relatively stable in terms of the amount of funds raised, but has varied in terms of the form of security issued and issuers involved. Various sectors such as financial services, energy, industrials and technology have been more or less active in raising equity at various times during this period. Additionally, various types of financings (such as common shares, units consisting of common shares and warrants, debt securities and income fund units) have found greater and lesser favour at various times during this period. Unlike the U.S. market which experienced a significant drop in equity financings in 2001 and 2002, the Canadian market was buoyed by the income trust sector which has grown significantly over the past three years.

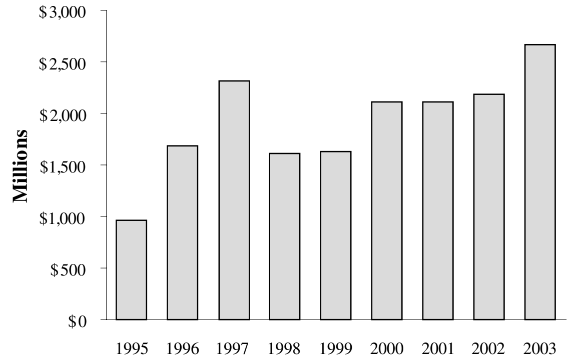
As the number of initial public offerings is generally correlated to broader economic and equity market performance, the market for initial public offerings was strong during the late 1990s and 2000. Since late 2003, there has been an increased level of initial public offerings, particularly in industries that benefit disproportionately from increased economic activity such as the financial services, technology and diversified sectors. Based on a strong income trust sector and record corporate debt financings, investment banking revenues have been able to grow steadily since 1998.

Canadian Equity Issuance



Source: Investment Dealers Association of Canada

Investment Banking Revenue



Source: Investment Dealers Association of Canada

Private Placements

Due to the nature of the Canadian capital markets and the prominence of emerging resource and technology companies in Canada, private placements have become a viable source of capital for smaller Canadian companies. Changes to private placement rules in 2001, such as reducing the hold period from 12 months to four months, significantly increased the attractiveness of private placements to investors. Private placement activity grew 45% both in value and number of deals and accounted for 20% of all common equity financings in 2002.

From an issuer's perspective, private placements are more flexible and less costly than a public offering as the expense and time of preparing and clearing a long form prospectus can be avoided. Many Canadian companies which are not eligible to complete offerings via a short form prospectus elect to complete offerings on a private placement basis.

Mergers and Acquisitions (''M&A'') Advisory Services

Investment dealers provide advisory services to private and public companies in connection with a wide variety of transactions, including mergers, acquisitions, reorganizations and restructurings. These services, in addition to strategic and general capital markets advice, can include the preparation of professional opinions. Investment dealers are generally compensated for transactional services through ''success fees'', which are only payable if the transaction is completed, and for professional opinions through fixed fees.

The total value of fees paid for M&A advisory mandates in Canada increased dramatically up until 2001 as a result of consolidation activities in many industries. In Canada, the value of M&A transactions grew from $75.3 billion in 1996 to a peak of $226.4 billion in 2000. In 2001 and 2002, the level of M&A activity declined, primarily due to the general economic slowdown, more limited access to funding from the capital markets and the uncertain business environment in the latter half of the year. This reduced level of activity continued through the first half of 2003. However, M&A activity in the second half of 2003 showed strong increases in both number and volume of transactions announced. Supported by strong equity markets and corporate earnings growth, M&A activity has continued to increase in 2004 with transaction values in the first quarter being 63% higher than the first quarter of 2003.

Industry Participants

In general terms, the investment dealers that participate in the Canadian capital markets fall into one of two broad categories: full service investment dealers and specialized investment dealers.

Following the initial acquisitions by the major Canadian chartered banks of previously independent investment dealers and the subsequent growth of those businesses through acquisitions to enhance scale, retail distribution and execution capability, there has been a decline in the number of full service investment dealers and a strategic shift toward product specialization. There are currently a limited number of independent full service investment dealers in Canada. These independent investment dealers have benefited from demand, from both retail and institutional clients, for a full suite of independent financial services. Over the past five years, these investment dealers have developed a significant presence in the Canadian capital markets through strategies that include:

- recruiting and retaining high quality investment advisors who in turn have developed excellent relationships with retail clients
- targeting small or mid-cap issuers that may be under-serviced by larger dealers and continuing to provide them with products and services as the companies grow
- providing independent advice to retail and institutional investors
- specializing in particular industries or sectors

Full Service Investment Dealers

Full service or integrated firms offer their institutional and retail clients a full range of products and services. The full service firms are generally large organizations, many of which, since the removal in 1987 of restrictions on ownership of investment dealers by financial institutions, are now owned by the largest Canadian chartered banks. These investment dealers represent a large part of the industry. However, there has been an increase in demand for the services of independent full service investment dealers over the years which has led to an increased presence by these firms in the Canadian market. Independent full service investment dealers are steadily becoming a larger part of the industry.

Specialized Investment Dealers

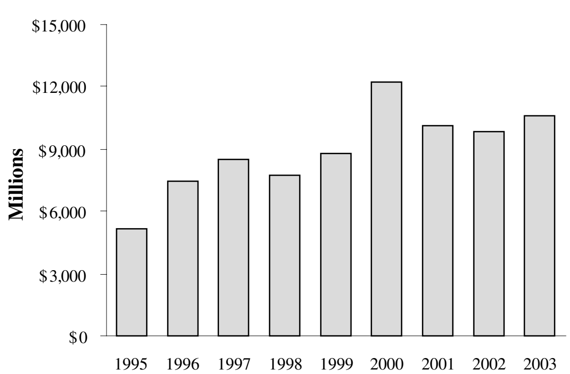
Specialized investment dealers offer a variety, although not a full range, of products and services to their clients. Most of the specialized investment dealers that participate in the Canadian market do so either by targeting selected industries or clientele. Some of these specialized investment dealers started as organizations that offered limited products and services and expanded into other products and services as the organizations grew and expanded with their clients. Others have chosen to remain focused on a specific target market.

Industry Trends

The Canadian investment dealer industry, which includes more than 200 firms today, has grown significantly over the past few years. Employment in the securities industry has also grown during the past decade to over 37,000 individuals, with approximately 23,000 individuals registered to trade securities for the benefit of their clients.

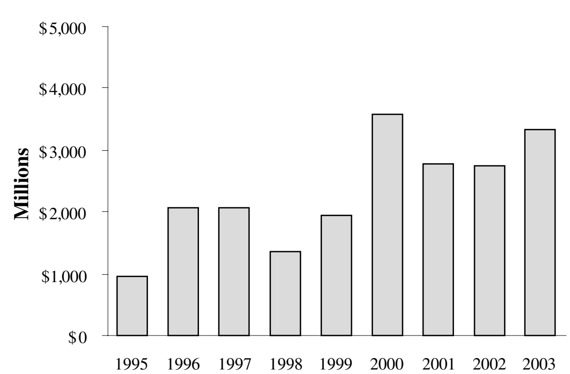
The Canadian investment dealer industry has demonstrated sustained revenue and profitability performance over the past number of years, as illustrated below.

Operating Revenue



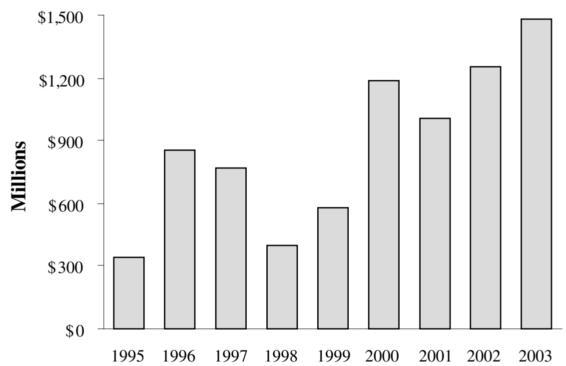
Source: Investment Dealers Association of Canada

Operating Profit



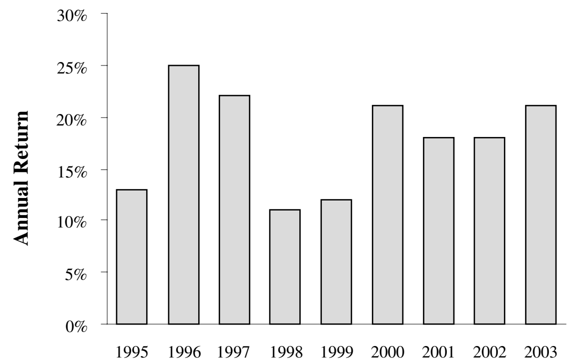
Source: Investment Dealers Association of Canada

Net Profit



Source: Investment Dealers Association of Canada

Return on Equity



Source: Investment Dealers Association of Canada

The business of investment dealers is affected by macroeconomic and market conditions and trends, both in Canada and globally. The following factors are expected to impact on the growth and profit opportunities for providers of financial services in Canada.

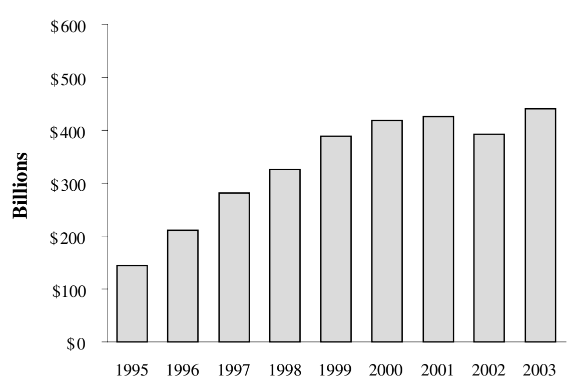
Economic Expansion and Growth

Over the past decade, the Canadian and U.S. economies have undergone one of the longest periods of post-war expansion. In spite of this expansion, inflation has generally remained within the Bank of Canada's target range of 1% to 3% since 1992. As a result, the financial services sector has thrived in a generally favourable macroeconomic environment characterized by low inflation, low and declining interest rates and strong equity markets. This economic environment has also favoured the broader corporate sector, producing a pattern of strong growth and a demand for capital.

Increase in Investment Assets

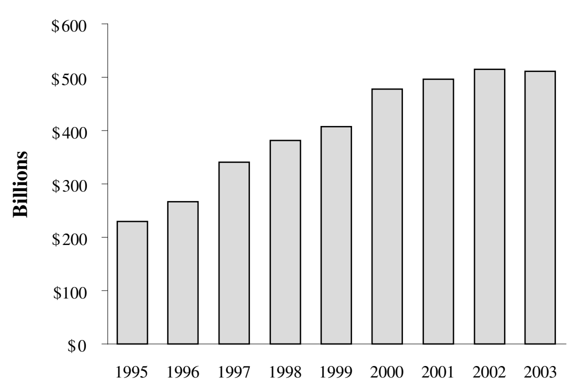
Changing demographics have increased the pool of savings available for investment and the need for increased funding of pension plans due to the ageing of the population, creating substantial demand for investment products and services. This growth has been compounded by regulations governing registered retirement savings plans that limit the portion of foreign content in a particular portfolio for purposes of tax planning, thus encouraging investment by Canadians in Canadian assets. This increased demand has produced significant growth in the wealth management sector in Canada. Growth in the mutual fund industry in Canada has been significant, with a compound annual growth rate of 20% over the period from 1991 to 2003. In addition to mutual funds, institutional money managers, pensions and high net worth managers are expected to provide continued demand for investment products and services. This increase in investment assets creates both fundamental trading activity as well as the need for new investment opportunities.

Canadian Mutual Fund Assets



Source: Investment Funds Institute of Canada

Canadian Pension Assets



Source: Benefits Canada

Market Performance

In large part due to these factors, equity markets in North America and around the world enjoyed strong growth until mid-2000 followed by a general decline from mid-2000 to early 2003. Until mid-2000, companies were more willing and able to access capital markets and pursue mergers and acquisitions, thereby increasing demand for investment dealer services. During the period of mid-2000 to early 2003, market volatility limited companies' access to the capital markets, depressed trading volumes and assets under management and restricted certain M&A activity. However, global equity markets have appreciated significantly since early 2003, with the S&P/TSX Composite Index increasing over 24% in 2003. The recent strength of North American and global equity markets has led to a resurgence in both capital markets financing and M&A activity.

U.K. Securities Industry

Introduction

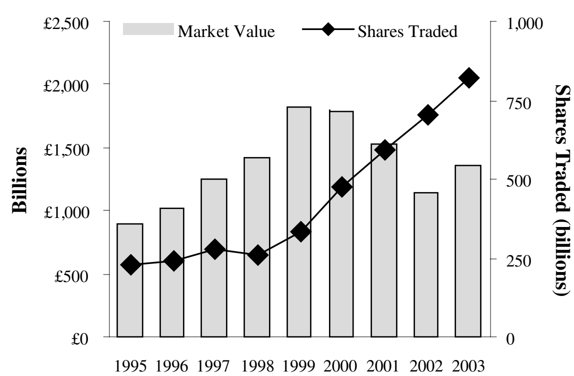
The U.K. securities industry is widely considered one of the top three global financial centres and is Europe's largest pool of capital. The U.K. market, although much larger in size, is very similar to the Canadian market. Investment dealers operating in the U.K. tend to offer similar services and products to those operating in Canada. With the exception of investment dealers owned by large international banks, the majority of investment dealers in the U.K. market are specialized and do not offer a complete range of products and services to clients.

London Stock Exchange ("LSE")

The LSE was founded approximately 200 years ago and is a leading provider of equity market services in Europe. The LSE is a major international stock exchange with approximately 2,000 listings.

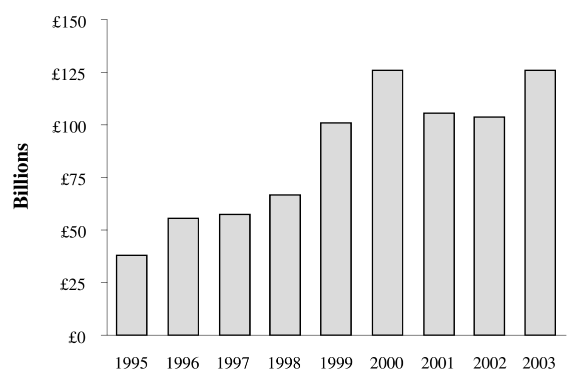
Similar to the Canadian securities industry, activity on the LSE declined in 2001 and 2002 compared to the peak year in 2000. 2003 represented a reversal of the decline in capital raising and market valuations.

U.K. Equity Market Value and Trading Activity



Source: London Stock Exchange

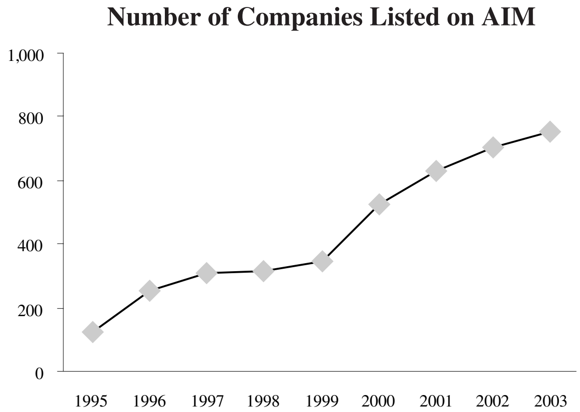
Money Raised by U.K. Companies



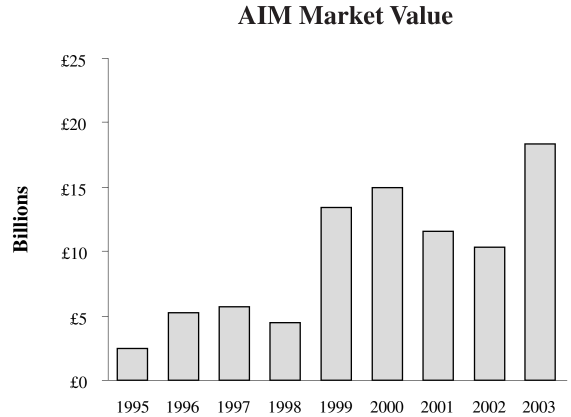
Source: London Stock Exchange

Alternative Investment Market ("AIM")

AIM is the LSE's global market for smaller, growing companies from all over the world. AIM enables these businesses to access the capital and liquidity of the London markets, the largest in Europe. Companies are attracted to AIM for a number of different reasons including using it as a means to increase their profile and to effect acquisitions efficiently or as a stepping stone to a full listing on the LSE. Since it was created in 1995, over 1,200 companies have used AIM as a vehicle for growth with more than £9 billion (US$14 billion) raised. AIM provides the benefits of being traded on a public market but also allows development within a regulatory environment which is designed for smaller companies.



Source: London Stock Exchange



Source: London Stock Exchange

To join AIM, a company must first appoint a nomad that will assess whether the company is appropriate for the market and a broker that must be a member of the LSE. A nomad is a firm or company which has been approved by the LSE as a nominated adviser for AIM. Once a company has been admitted to AIM, the nomad gives advice and guidance on a continuing basis.

Regulatory Environment

Investment dealers are subject to extensive regulation in Canada, the United States, the United Kingdom and elsewhere. As a matter of public policy, regulatory bodies in Canada and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of investors participating in those markets. Under certain circumstances, the rules may limit the ability of the Company to make capital withdrawals from its regulated affiliates including Canaccord Capital Corporation, Canaccord Capital Corporation (U.S.A.), Inc., and Canaccord Capital (Europe) Limited.

An investment dealer in Canada is subject to the securities legislation of each of the provinces and territories of Canada, the Universal Market Integrity Rules of Market Regulation Services Inc. and the general by-laws, rules and policies of the stock exchanges of which an investment dealer is a member and of the Investment Dealers Association of Canada (the ''IDA''). An investment dealer in the United States is subject to United States federal securities laws as administered by the United States Securities and Exchange Commission (the ''SEC'') and state securities laws and the rules of the National Association of Securities Dealers (the ''NASD''). An investment dealer in the United Kingdom is subject to regulation by the Financial Services Authority (the ''FSA'') and the LSE.

Investment dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among investment dealers, use and safekeeping of funds and securities, minimum capital and other financial requirements, recordkeeping, internal controls, insurance requirements, conflicts of interest and the conduct of directors, officers and employees. Investment dealers are the subject of increased regulatory scrutiny due, in part, to recent financial scandals particularly in the United States. Additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in Canada or elsewhere, whether or not as a consequence of such increased regulatory scrutiny and sensitivity, may directly affect the operations and profitability of investment dealers.

The various government agencies and self-regulatory organizations having jurisdiction over investment dealers are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of an investment dealer or its directors, officers or employees.

An investment dealer is subject to rules respecting the maintenance of minimum net capital. These rules specify the minimum level of net capital an investment dealer must maintain. Compliance with net capital requirements of these self-regulatory organizations can limit an investment dealer's operations and also restrict its ability to withdraw capital from its regulated affiliates, which in turn can limit its ability to repay debt or pay dividends on its shares.

There are certain regulatory restrictions on the ownership and holding of shares of investment dealers and their parent companies. Notably, the direct or indirect ownership or holding of an interest in an investment dealer in excess of certain threshold levels is subject to approval by the IDA, other self-regulatory organizations, stock exchanges and certain securities commissions and other regulatory authorities. For example, no member of the IDA may, without the approval of the IDA, permit an investor, alone or together with its associates and affiliates, to own voting securities carrying 10% or more of the votes carried by all voting securities in the member or its parent company, 10% or more of the outstanding participating securities of the member or its parent company or an interest of 10% or more in the total equity of the member. Such approval is based on criteria that vary as between regulators. In addition, certain self-regulatory organizations and stock exchanges require member firms to include in their constating documents certain powers to enable the member to rectify any breach of the applicable ownership restrictions. The articles of the Company contain provisions to this effect. See ''Description of Securities Distributed''.

Canaccord Capital Corporation is a member of the Toronto Stock Exchange, the TSX Venture Exchange, the Bourse de Montréal, the Winnipeg Stock Exchange and the IDA. It is also registered in every province and territory of Canada as a broker, investment dealer or underwriter.

Canaccord Capital Corporation (U.S.A.) Inc., is registered as a broker dealer with the NASD. Canaccord Capital (Europe) Limited is regulated in the conduct of its business by the FSA in the United Kingdom and is a member of the LSE and a nominated adviser on AIM (which is owned, operated and regulated by the LSE). Canaccord International Ltd. is a bank under the banking laws of Barbados and is regulated by the Central Bank of Barbados.

USE OF PROCEEDS

After deduction of the Underwriters' fee and the estimated expenses of the Offering, the Company will receive net proceeds from the Offering of approximately $64.0 million. Canaccord intends to use the net proceeds to support increased levels of activity in its private client operations, expand its capital markets capability by providing capital to support increased investment banking activity, expand its on-line trading capability and correspondent brokerage services operations and for general working capital. Canaccord will also repay subordinated debt of $10 million and pursue strategic initiatives such as acquisitions if and as such opportunities became available and are developed. Canaccord has no present agreements or commitments with respect to any acquisition and it may not successfully complete any future acquisitions.

The Company will not receive any proceeds from the sale of the Common Shares offered by the Selling Shareholders in the Offering.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The selected consolidated financial information set out below for each of the years in the five year period ended March 31, 2004 includes information derived from the Company's audited consolidated financial statements appearing elsewhere in this prospectus. The following information should be read in conjunction with those statements and the related notes and with "Management's Discussion and Analysis". The consolidated financial statements have been prepared in accordance with GAAP.

	Year Ended March 31				
	2000	2001	2002	2003	2004
	(in thousands of dollars)[1]				
Income Statement Data:					
Revenue	294,676	218,769	170,433	199,206	402,157
Comprised of:					
Private client services	169,892	140,251	90,534	97,784	175,983
Capital markets	110,484	66,288	72,264	91,629	211,758
Other	14,300	12,230	7,635	9,793	14,416
Operating income before other items[2] [3]	56,596	13,342	3,680	6,741	74,677
Net income (loss)	27,350	3,318	(18,080)	(5,053)	40,429
Balance Sheet Data:					
Total assets	909,440	512,303	783,221	830,737	1,508,366
Total liabilities	818,204	425,803	704,739	746,809	1,379,302
Capital employed[3][4]	63,619	66,500	61,482	73,928	119,064
Other Data (unaudited):					
Return on capital employed[3][5]	110.7%	5.2%	negative	negative	54.7%
Pro forma the Reorganization:[6]					
Number of Common Shares outstanding					39,300,000
Capital employed per share[7]					$3.03
Net income per share[8]					$1.03
Pro forma the Reorganization and the Offering:[9]					
Number of Common Shares outstanding					46,129,268
Capital employed per share[7]					$3.97
Net income per share[8]					$0.88

(1) Except for per share amounts, Common Shares outstanding and percentages.

(2) Other items include amortization, discretionary payouts to key employees, gains on disposal of investments and claims, development costs and restructuring and other costs.

(3) This data is considered to be non-GAAP. See "Management's Discussion and Analysis — Non-GAAP Measures".

(4) Capital employed is the aggregate of convertible debentures, share capital, cumulative foreign currency translation adjustment and retained earnings. The convertible debentures will be converted into share capital under the Reorganization.

(5) Return on capital employed is net income (loss) divided by capital employed at the beginning of the period.

(6) This pro forma information is presented as if the Reorganization had been completed as of March 31, 2004.

(7) Capital employed per share is capital employed divided by the applicable pro forma number of shares outstanding.

(8) Net income per share is net income divided by the applicable pro forma number of shares outstanding.

(9) This pro forma information is presented as if the Reorganization had been completed and the net proceeds from the Offering had been received as of March 31, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion of the financial condition and results of operations of the Company for the periods indicated and of certain factors that may affect Canaccord's continuing financial condition, cash flows and results of operations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto as at March 31, 2004 and for each of the years in the five year period ended March 31, 2004 appearing elsewhere in this prospectus. See "Risk Factors" for a discussion of the risks inherent in Canaccord's business which may also affect the Company's continuing financial condition, cash flows and results of operations.

Overview

Canaccord is a leading independent full service investment dealer. Canaccord has substantial operations in each of the two principal segments of the securities industry: private client services and capital markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to Canaccord's retail, institutional and corporate clients.

Private Client Services

Canaccord's private clients are primarily individuals and high net worth accounts. Canaccord provides a broad range of financial services and investment products to its private clients, including both third party and proprietary products. Revenue from private client services is generated through traditional commission-based brokerage services, the sale of fee-based products and services and through fees and commissions earned by private client investment advisors in respect of corporate finance and venture capital transactions.

Capital Markets

Canaccord's capital markets group operates as an integrated unit to provide comprehensive high quality service to its corporate and institutional clients through the provision of products and services in the areas of investment banking, venture capital, research, institutional sales and trading, international and principal trading and fixed income trading.

With respect to its investment banking activity Canaccord arranges, manages and participates in a broad range of public offerings and private placements principally in equity securities or convertible instruments of public companies or companies going public through an initial public offering. Canaccord earns revenue from this activity through underwriting fees, management fees and commissions. Fees and commissions can be received in the form of cash, stock or share purchase warrants or a combination. A major portion of Canaccord's investment banking activity is within the areas of mining and metals, energy, technology and biotechnology, royalty/income trusts, diversified industries, financial services and real estate/REITs. Canaccord also earns revenue from providing services and advice in connection with mergers and acquisitions.

Canaccord's venture capital group is an integral component of Canaccord's ability to serve its smaller corporate clients. This group works with smaller companies and emerging growth companies to provide services related to public offerings, private placements, mergers and acquisitions and other corporate finance advisory services. Revenue in the form of cash, stock or share purchase warrants is earned as these financing transactions are completed and advisory services are provided.

Canaccord's institutional sales and trading group and research team provides services in connection with market information, advice and trade execution to institutional accounts. Revenue from this group is generated through commissions from acting as agent for the purchase and sale of securities on behalf of institutional clients. Canaccord may, to a limited extent, use its own capital to buy and sell securities on behalf of institutional clients if an offsetting purchaser or seller is not immediately available. Any losses realized as a result of this principal trading are considered a cost associated with earning and generating commission revenue.

Canaccord's international trading group deals principally with U.S. brokerage firms executing orders on their behalf in Canadian listed equities and trading in U.S. equities on behalf of Canadian clients. Revenue is generated through this trading activity.

Canaccord's principal and registered trading activity operates by taking positions, trading and making markets in equity securities including securities of companies with small to medium sized market capitalizations. Revenue is generated through inventory trading gains and losses.

Canaccord also trades in fixed income securities generating revenue through interest income and trading gains and losses. Canaccord's activity in this area is generally limited to higher grade corporate and government debt instruments.

Risks

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on the Company's profitability. Revenue from private client service activity is dependent on trading volumes and, as such, it is dependent on the level of market activity and investor confidence. Revenue from capital markets activity 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 the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. These factors are beyond Canaccord's control and, accordingly, revenue and net income will fluctuate, as it has historically. See "Risk Factors".

Outlook

Changing demographics over the last decade and changes in the financial services sector in Canada have resulted in increased investor interest in managed products, retirement planning, wealth management and financial security. The financial services sector has responded by creating and making available, through a variety of distribution channels, a number of products and services to meet these needs. These products and services have not only increased in number and type but they have also become increasingly complex as clients become more sophisticated and have access to more information.

With the development of Canaccord's infrastructure to support the diverse needs of clients and investment advisors, the expansion of Canaccord's product mix through the addition of in-house products, third party products and other managed products and services and a proactive recruitment program underway to increase assets under administration and diversification among Canaccord's investment advisors, Canaccord believes that it is positioned to meet the needs of a variety of clients in a variety of market environments. This positioning is expected to provide a balance between those revenue sources that are transaction-based and, as such, are highly dependent on market activity and those revenue sources that are fee-based through the sale of managed products and the provision of wealth management services that are less dependent on market activity. Canaccord's capital markets activity also adds to the diversification of its revenue sources. Capital markets activity is spread among a number of different industries and sectors, deal sizes, and geographic areas with coverage between North America and Europe. This capital markets diversity also improves Canaccord's ability to manage effectively within different market conditions.

Even though recent economic conditions have been generally favourable there continues to be latent uncertainty with respect to the outlook for stock market performance arising from geopolitical concerns, regulation, economic uncertainty and upward pressure on interest rates. Canaccord believes that investors will continue to seek professional advice and services in this environment and that as a full service investment dealer with a diversified service platform and product mix it is well positioned to service the needs of its clients, attract new clients and continue its strategy of growth.

Although Canaccord believes that demand for its products and services will continue, and in particular that its target market sectors in Europe are growing and currently under-served and, as such, represent significant potential for future growth, there can be no assurance that the level of revenue, including U.K. and European investment banking revenue, realized in fiscal 2004 will be achieved in subsequent years. See "Risk Factors".

Non-GAAP Measures

Certain non-GAAP measures are utilized by the Company 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.

Operating income before other items is a non-GAAP performance measure which is calculated as income (loss) before income taxes before amortization, discretionary payouts, gains on disposal of investments and claims, development costs and restructuring and other costs. A reconciliation between operating income before other items and income (loss) before income taxes is included in the consolidated statements of operations and retained earnings in the consolidated financial statements of the Company. Management uses operating income before other items as a measure of financial performance.

Capital employed is a non-GAAP measure of capital. Capital employed is capital in the business excluding subordinated debt. Subordinated debt is included as a component of capital in the business as presented in the consolidated financial statements of the Company. In addition to subordinated debt, capital in the business includes convertible debentures, share capital, cumulative foreign currency translation adjustments and retained earnings. Upon completion of the Reorganization the convertible debentures will be converted to share capital and after the closing of the Offering the subordinated debt will be repaid.

Return on capital employed is net income (loss) divided by capital employed at the beginning of the period expressed as a percentage. Management uses this measure to assess the Company's financial performance relative to capital employed.

Five Year Trends

Revenue

The following table summarizes the revenue generated from Canaccord's two principal business activities over the last five years:

	Revenue for the Year Ended March 31									
	2000		**2001**		**2002**		**2003**		**2004**	
	(in millions of dollars)									
Private client services	169.9	(58%)	140.3	(64%)	90.5	(53%)	97.8	(49%)	176.0	(44%)
Capital markets	110.5	(37%)	66.3	(30%)	72.3	(42%)	91.6	(46%)	211.8	(53%)
Other	14.3	(5%)	12.2	(6%)	7.6	(5%)	9.8	(5%)	14.4	(3%)
Total	294.7		218.8		170.4		199.2		402.2	

As a brokerage firm deriving its revenue primarily from sales commissions, underwriting and advisory fees and inventory trading activity, Canaccord's business is materially affected by conditions in the financial marketplace and economic conditions generally. The revenue earned by Canaccord during the fiscal years 2000 to 2004 reflects a challenging environment in which the equity markets declined from record highs in early 2000 to substantially reduced levels of corporate activity and investor confidence in late 2000 which lasted through 2002. Investor confidence during this period was shaken by corporate and financial scandals, terrorist activity, military conflicts and political uncertainty. Canaccord's operating activity and revenue levels during this period were significantly affected by these external factors. In 2003 the business environment improved as the economy showed signs of recovery, investor confidence strengthened and corporate activity increased. Augmented by these economic factors and conditions, Canaccord's business development initiatives and infrastructure development prior to this period laid the foundation for Canaccord's growth in revenue from fiscal 2002 to fiscal 2004.

Revenue from Private Client Services

Private client services revenue is principally derived from trading commissions generated from a diverse client base of individuals and high net worth accounts. Client activity and, accordingly, revenue derived therefrom is very closely tied to general stock market performance and trading activity. The decline in revenue during the period from fiscal 2000 to fiscal 2003 reflects the general declines in the financial markets and reduced investor confidence as described above. In fiscal 2003 and fiscal 2004 investor confidence improved and retail trading activity levels increased resulting in increased revenue from private client services.

The increased revenue levels in fiscal 2003 and fiscal 2004 also reflect the improved infrastructure Canaccord developed between fiscal 2001 and fiscal 2003 and the change in the mix of investment advisors within Canaccord. As a result of an active recruitment program during that period many highly motivated investment advisors with substantial assets under administration joined Canaccord.

Revenue from Capital Markets

Capital markets revenue is generated from commissions and fees, including broker warrants, earned in connection with corporate finance and underwriting transactions as well as net trading gains and losses from Canaccord's principal and international trading operations. Accordingly, this revenue is directly affected by levels of corporate activity and economic and business conditions. However, even with declining markets and a weak business environment from fiscal 2001 to fiscal 2003, Canaccord's capital markets revenue increased from $66.3 million in fiscal 2001 to $211.8 million in fiscal 2004. Capital markets revenue, as a percentage of total revenue, increased from 37% in fiscal 2000 to 53% in fiscal 2004. This revenue trend, both in terms of contribution to total revenue and in terms of absolute dollars, reflects the resources Canaccord has devoted to expanding its operations and capabilities in the capital markets area which enabled Canaccord to lead larger transactions and increase its syndicate participation. In addition, improvements in business conditions in fiscal 2004, including increases in the prices of commodities and precious metals which created a favourable investment climate for mining companies, contributed to the revenue growth in fiscal 2004.

Canaccord's increasing capital markets capability has been achieved in both Canada and the U.K. and Europe, as can be seen from the parallel growth in revenue in Canada and the U.K. and Europe as summarized in the table below:

	Capital Markets Revenue for the Year Ended March 31									
	2000		2001		2002		2003		2004	
	(in millions of dollars)									
Canada	87.9	(80%)	47.4	(71%)	47.0	(65%)	63.1	(69%)	127.3	(60%)
U.K. and Europe	22.6	(20%)	18.9	(29%)	25.3	(35%)	28.5	(31%)	84.5	(40%)
Total	110.5		66.3		72.3		91.6		211.8	

Expenses and Expenses as a Percentage of Revenue

The table below details the breakdown of expenses between incentive compensation, salaries and benefits and other overhead expenses for the five years ended March 31, 2004 and their respective percentage of revenue for the applicable year.

	Expenses and Expenses as a Percentage of Revenue for the Year Ended March 31									
	2000		2001		2002		2003		2004	
	(in millions of dollars)									
Incentive compensation	154.4	(52%)	100.7	(46%)	78.4	(46%)	92.6	(47%)	218.8	(54%)
Salaries and benefits	27.8	(9%)	34.4	(16%)	32.1	(19%)	35.7	(18%)	37.2	(9%)
Other overhead expenses(1)	55.9	(19%)	70.3	(32%)	56.3	(33%)	64.2	(32%)	71.5	(18%)
Total	238.1		205.4		166.8		192.5		327.5	

(1) Consists of trading costs, premises and equipment, communications and technology, interest and general and administrative expenses.

Incentive Compensation

The higher percentages for incentive compensation as a percentage of revenue in fiscal 2000 and in fiscal 2004 (52% and 54% respectively) are primarily due to the allocation of employee profit sharing plans and timing differences relating to the sale of shares, or shares acquired on exercise of share purchase warrants, received by Canaccord in respect of certain investment banking transactions. Timing differences from the sale of such shares arise because at the time shares and share purchase warrants are received by Canaccord as fees, such shares and share purchase warrants are divided between accounts for the benefit of the firm and employee incentive compensation accounts for the benefit of employees. The timing for the sale of shares and share purchase warrants in the accounts for the benefit of the firm is generally decided by management. The timing for the sale of shares and share purchase warrants in the employee incentive compensation accounts is generally decided by the employee for whose benefit the shares are held. Therefore, sales take place at different times with the result that the net proceeds received and paid out as incentive compensation is different than the net proceeds retained for the benefit of the firm. Until these securities are sold they are recorded at market value with adjustments to revenue made as required to reflect any changes in market value (for a description of Canaccord's market valuation policy see "Critical Accounting Estimates — Revenue Recognition and Valuation of Securities"). In addition to these timing differences, capital markets allocations in fiscal 2004 reflect the fact that certain revenue targets were exceeded and, as such, certain higher incentive compensation payout percentages were in effect.

Salaries and Benefits and Other Overhead Expenses

Salaries and benefits and other overhead expenses expressed as a percentage of revenue declined from 18% and 32% in fiscal 2003 to 9% and 18% respectively in fiscal 2004. These percentage declines reflect the operating leverage which Canaccord has established with the building of its infrastructure base to support the revenue generating activities of the private client services group and the capital markets group. Salaries and benefits increased by $1.5 million (or 4%) from $35.7 million in fiscal 2003 to $37.2 million in fiscal 2004 and other overhead expenses increased by $7.3 million (or 11%) from $64.2 million in fiscal 2003 to $71.5 million in fiscal 2004. The effect of this operating leverage also contributed to the lower percentages for salaries and benefits and other overhead expenses in fiscal 2000 (9% and 19% respectively) compared to fiscal 2001 (16% and 32% respectively).

Operating Income Before Other Items

Canaccord's operating income before other items reflects the same factors that directly affected revenue levels as described above. With market conditions deteriorating substantially after fiscal 2000, operating income before other items declined to its lowest point in the five year period in fiscal 2002. A substantial portion of Canaccord's activity which gave rise to the increase in revenue from $199.2 million in fiscal 2003 to $402.2 million in fiscal 2004 did not require a proportionate increase in expenses and, accordingly, operating income before other items increased to $74.7 million in fiscal 2004 from $6.7 million in fiscal 2003. This reflects the infrastructure base which Canaccord has developed and its leverage potential. Even with the weakened market conditions which existed within this five year period operating income before other items was positive throughout this period.

Other Items

Believing that the weak markets from fiscal 2001 to fiscal 2003 were to be temporary in nature, Canaccord continued investing in its business by making expenditures as required to ensure that it was positioned to take advantage of the opportunities which would become available when markets recovered and to firmly establish itself as a leading independent investment dealer within the financial community in Canada. These expenditures principally related to developing and upgrading Canaccord's information technology platform, incentive payments to new hires and restructuring costs.

These expenditures are as follows:

	Other Items for the Year Ended March 31				
	2000	2001	2002	2003	2004
	(in thousands of dollars)				
Restructuring and other costs	1,534	1,906	22,753	8,505	315
Development costs	4,157	4,770	4,443	4,137	8,240
Discretionary payouts	3,429	5,920	1,597	—	—
Amortization	1,580	2,794	3,982	3,898	3,565
Gain on disposal of investments and claims	(1,400)	(4,465)	—	(4,261)	—
Total	9,300	10,925	32,775	12,279	12,120

Restructuring and Other Costs

During the period from fiscal 1999 to fiscal 2001 there were three unique situations which gave rise to losses that were realized and recorded in subsequent periods after the market correction in 2001. These situations arose in the context of the exceptional market and trading activity which preceded the correction and two of these situations were the result of activities by former senior employees which were either illegal or based on misrepresentations. The three situations were: unauthorized trading by former employees, misrepresentations in respect of a debenture purchased by Canaccord in a private company and settlement of an outstanding class action lawsuit. As a result of these matters, Canaccord has improved certain risk management practices and established additional controls and procedures designed to either prevent the recurrence of similar events or enhance certain monitoring practices to limit losses to amounts that would not be material.

In fiscal 2002 and fiscal 2003 bad debt reserves in the amounts of $8.4 million and $3.6 million respectively were recorded in connection with unauthorized trading by former employees which included an investment advisor and a small number of registered traders. In the case of the unauthorized trading by the investment advisor, Canaccord investigated the unauthorized trading internally and found that in many cases the unauthorized trading was being done by the employee to facilitate a fraud on Canaccord. Canaccord settled with all clients of the former investment advisor whose accounts had been innocently used for the unauthorized trading. Settlements were not reached with respect to a small number of accounts which are the subject of outstanding legal actions (see "Legal Proceedings") including counterclaims by Canaccord alleging that certain clients were participants in illegal activity by the former investment advisor. In the case of the registered traders, the unauthorized trading was discretionary in nature and exceeded Canaccord's trading limits. There were no client accounts involved with the trading by the registered traders.

In fiscal 2002 a reserve in the amount of $4.5 million was recorded in connection with the impairment in the value of a debenture which Canaccord had purchased in a private company. It was subsequently determined that there were certain misrepresentations made at the time of the purchase. Although the investment in the debenture was substantially more than other such investments by Canaccord, additional policies have since been established that would not permit such investments in the future.

In fiscal 2003 Canaccord entered into a settlement arrangement in the amount of $3.5 million in connection with an outstanding class action lawsuit arising from the activities of an individual who referred clients to Canaccord. Legal costs associated with this action were recorded in 2003 (approximately $1.0 million).

In addition, during fiscal 2002, Canaccord restructured certain components of its capital markets and registered trader groups. In connection with this restructuring, severance costs in the amount of $2.4 million were incurred to reduce overhead levels following the market correction in 2001 and a reserve in the amount of $4.8 million was established to record the accelerated amortization of the unvested portion of certain unsecured incentive loans made to employees.

Legal costs incurred with respect to the matters described above have also been recorded in the years incurred.

Development Costs

Development costs include hiring incentives and systems development costs. Hiring incentives are often incurred when Canaccord hires new investment advisors or capital markets professionals. A critical factor in Canaccord's growth and development has been its hiring program of experienced securities industry professionals and advisors. In accordance with industry practice and due to the competitive nature of the securities industry, hiring incentives are often required to recruit such individuals. These incentives are usually in the form of forgivable or interest free loans to purchase shares in Canaccord which typically vest over a three year period. With its competitive strengths Canaccord believes that it has been able to successfully recruit individuals which it considers to be important to the development of its business with hiring incentives which management believes are less than general industry standards. The level of hiring incentives varies depending on the market environment and market conditions.

Systems development costs are expenditures which Canaccord has made in connection with the development of its information technology platform. The primary development projects since fiscal 2000 include: improvements to Canaccord's network system and architecture and software system upgrades to improve redundancy, expand capacity, add scalability, expand systems support, add U.S. trading gateways, add remote access and improve functionality and security; enhancements to client service through the addition of value-added information processing applications; and improvements to control systems, information processing systems and management information reporting thereby increasing the effectiveness of Canaccord's systems for financial analysis, executive reporting, risk management, regulatory reporting and performance measurement.

The following table details the breakdown between hiring incentives and systems development costs.

	Development Costs for the Year Ended March 31				
	2000	**2001**	**2002**	**2003**	**2004**
	(in thousands of dollars)				
Hiring incentives	2,786	2,286	1,803	1,138	3,442
Systems development	1,371	2,484	2,640	2,999	4,798
Total	4,157	4,770	4,443	4,137	8,240

As a public company, Canaccord will have the ability to implement equity based incentive plans.

Canaccord expects that it will continue to incur ongoing systems development costs in the future as part of maintaining and further developing its leading information technology platform.

Discretionary Payouts

Discretionary payouts represent payments and bonuses paid to key employees who in the opinion of management were instrumental to the success of their respective business units during the year. This program was discontinued in fiscal 2003 and, accordingly, no such payments were made in fiscal 2003 and fiscal 2004. However, in accordance with industry practice, Canaccord continued to provide for variable based compensation based on a formula dependant upon individual production.

Amortization

Amortization expense relates to the amortization of equipment and leasehold improvements.

Gain on Disposal of Investments and Claims

In fiscal 2003 Canaccord disposed of its shares in the Toronto Stock Exchange Inc. for a net gain of $4.3 million and in fiscal 2001 Canaccord disposed of its shares in the London Stock Exchange for a net gain of $4.5 million. In fiscal 2000 Canaccord received $1.4 million in respect of a damage claim it had made against a financial intermediary which had resulted in a loss to Canaccord in a prior period.

Net Income (Loss)

Canaccord's net income (loss) reflects the same factors that directly affected revenue and operating income before other items. With the weak market conditions beginning in fiscal 2001 and continuing through fiscal 2003 Canaccord was in a loss position in fiscal 2002 and fiscal 2003.

Results from Operations

Comparison of Years Ended March 31, 2004 and 2003

Revenue

Revenue increased from $199.2 million in fiscal 2003 to $402.2 million in fiscal 2004 representing an increase of $203.0 million or 102%. This increase in revenue was primarily due to an increase in private client services revenue from $97.8 million in fiscal 2003 to $176.0 million in fiscal 2004, an increase of $78.2 million or 80% and an increase in capital markets revenue from $91.6 million in fiscal 2003 to $211.8 million in fiscal 2004, an increase of $120.2 million or 131%. The largest contributors to the change in capital markets revenue were underwriting and corporate finance fees and institutional sales which increased from $64.1 million in fiscal 2003 to $173.2 million in fiscal 2004, an increase of $109.1 million or 170% and an increase of $10.4 million or 58% in net revenue from international and principal trading operations ($18.0 million in fiscal 2003 compared to $28.4 million in fiscal 2004). Revenue from fixed income inventory trading increased from $9.5 million in fiscal 2003 to $10.2 million in fiscal 2004.

Commission revenue is principally generated from retail trading activity. The increase from fiscal 2003 to fiscal 2004 reflects the improved market and economic conditions which were reflected in increased trading activities generally. By way of example, trading value on the TSX increased from $609.3 billion for the year ended March 31, 2003 to $744.3 billion for the year ended March 31, 2004 representing an increase of 22%.

The increase in capital markets revenue reflected the increased financing activity by corporate issuers and the increased capability of Canaccord's capital markets group. Canaccord's capital markets group participated in 353 investment banking transactions in fiscal 2003 with an aggregate deal value of $8.8 billion and 544 investment banking transactions in fiscal 2004 with an aggregate deal value of $16.4 billion.

Expenses

Expenses were $327.5 million in fiscal 2004 and $192.5 million in fiscal 2003 representing an increase of $135.0 million or 70%. The largest component of expenses is incentive compensation which represents payments made to investment advisors and capital markets professionals in connection with variable transaction-based fees and commissions earned primarily in connection with trading and investment banking activities. Incentive compensation increased from $92.6 million in fiscal 2003 to $218.8 million in fiscal 2004 representing an increase of $126.2 million or 136%. Revenue increased by 102% from fiscal 2003 to fiscal 2004. Incentive compensation as a percentage of revenue increased from 47% in fiscal 2003 to 54% in fiscal 2004.

The balance of expenses represent overhead expenses and are largely fixed in nature. These expenses are comprised of salaries and benefits ($37.2 million in fiscal 2004 compared to $35.7 million in fiscal 2003, an increase of 4%), trading costs ($17.3 million in fiscal 2004 compared to $15.3 million in fiscal 2003, an increase of 13%), premises and equipment ($13.0 million in fiscal 2004 compared to $12.1 million in fiscal 2003, an increase of 7%), communication and technology ($12.3 million in fiscal 2004 compared to $13.0 million in fiscal 2003, a decrease of

5%) and general and administrative expenses ($24.9 million in fiscal 2004 compared to $20.6 million in fiscal 2003, an increase of 21%).

Operating Income Before Other Items

Operating income before other items increased from $6.7 million in fiscal 2003 to $74.7 million in fiscal 2004 representing an increase of $68.0 million. This increase reflects the fact that revenue increased by 102% from fiscal 2003 to fiscal 2004 while expenses only increased by 70% from fiscal 2003 to fiscal 2004.

Other Items

Other items decreased from $12.3 million in fiscal 2003 to $12.1 million in fiscal 2004, a net decrease of 2%. Other items include costs and expenses related to non-cash amortization expenses, restructuring and other costs which include business activities, events or conduct which are outside the normal course of business, gains on disposal of investments and claims and development costs which include hiring incentives and systems development expenditures not required for normal day-to-day operations. In fiscal 2004 and fiscal 2003 other items were: amortization which decreased from $3.9 million in fiscal 2003 to $3.6 million in fiscal 2004; development costs which increased from $4.1 million in fiscal 2003 to $8.2 million in fiscal 2004 because of an increase in hiring incentives from $1.1 million in fiscal 2003 to $3.4 million in fiscal 2004 and an increase in systems development costs from $3.0 million in fiscal 2003 to $4.8 million in fiscal 2004 (see ''Five Year Trend Analysis — Other Items — Development Costs''); restructuring and other costs which decreased from $8.5 million in fiscal 2003 to $0.3 million in fiscal 2004 (see ''Five Year Trend Analysis — Other Items — Restructuring and Other Costs''); and gains on disposal of investments which was nil in fiscal 2004 and $4.3 million in fiscal 2003 as a result of the sale of shares Canaccord held in the Toronto Stock Exchange Inc.

Net Income (Loss)

Net income increased from a net loss of $5.1 million in fiscal 2003 to net income of $40.4 million in fiscal 2004 representing an increase of $45.5 million. This increase reflects an increase of $68.0 million in operating income before other items from fiscal 2003 to fiscal 2004 which was offset by an increase of $22.6 million in income tax expense from fiscal 2003 to fiscal 2004. Other items was effectively unchanged from fiscal 2003 to fiscal 2004.

Comparison of Years Ended March 31, 2003 and 2002

Revenue

Revenue increased from $170.4 million in fiscal 2002 to $199.2 million in fiscal 2003 representing an increase of $28.8 million or 17%. This increase in revenue was primarily due to an increase in private client services revenue from $90.5 million in fiscal 2002 to $97.8 million in fiscal 2003, an increase of $7.3 million or 8%, and an increase in capital markets revenue from $72.3 million in fiscal 2002 to $91.6 million in fiscal 2003, an increase of $19.3 million or 27%. The largest contributors to the change in capital markets revenue were underwriting and corporate finance fees and institutional sales which increased from $48.7 million in fiscal 2002 to $64.1 million in fiscal 2003, an increase of $15.4 million or 32%, and an increase of $3.9 million or 28% in net revenue from international and principal trading operations ($14.1 million in fiscal 2002 compared to $18.0 million in fiscal 2003). Revenue from fixed income inventory trading was constant at $9.5 million in fiscal 2002 and fiscal 2003.

Commission revenue is principally generated from retail trading activity. Private client services revenue was generally unchanged from fiscal 2002 to fiscal 2003 reflecting general market and economic conditions. By way of example, trading value on the TSX decreased slightly from $676.8 billion for the year ended March 31, 2002 to $609.3 billion for the year ended March 31, 2003 representing a decrease of 10%.

The increase in capital markets revenue reflected increased financing activity by corporate issuers and the increased capability of Canaccord's capital markets group from fiscal 2002 to fiscal 2003.

Expenses

Expenses were $192.5 million in fiscal 2003 and $166.8 million in fiscal 2002 representing an increase of $25.7 million or 15%. The largest component of expenses is incentive compensation which represents payments made to investment advisors and capital markets professionals in connection with variable transaction-based fees and commissions earned primarily in connection with trading and investment banking activities. Incentive compensation increased from $78.4 million in fiscal 2002 to $92.6 million in fiscal 2003 representing an increase of $14.2 million or

18%. Revenue increased by 17% from fiscal 2002 to fiscal 2003. Incentive compensation as a percentage of revenue increased slightly from 46% in fiscal 2002 to 47% in fiscal 2003.

The balance of expenses represent overhead expenses and are largely fixed in nature. These expenses are comprised of salaries and benefits ($35.7 million in fiscal 2003 compared to $32.1 million in fiscal 2002, an increase of 11%), trading costs ($15.3 million in fiscal 2003 compared to $9.6 million in fiscal 2002, an increase of 59% reflecting substantially increased trading volumes), premises and equipment ($12.1 million in fiscal 2003 compared to $12.6 million in fiscal 2002, a decrease of 4%), communication and technology ($13.0 million in fiscal 2003 compared to $11.7 million in fiscal 2002, an increase of 11%) and general and administrative expenses ($20.6 million in fiscal 2003 compared to $18.2 million in fiscal 2002, an increase of 13%).

Operating Income Before Other Items

Operating income before other items increased from $3.7 million in fiscal 2002 to $6.7 million in fiscal 2003 representing an increase of $3 million. This increase reflects the fact that revenue increased by 17% from fiscal 2002 to fiscal 2003 whereas expenses only increased by 15% from fiscal 2002 to fiscal 2003.

Other Items

Other items decreased from $32.8 million in fiscal 2002 to $12.3 million in fiscal 2003, a net decrease of 63%. Other items include costs and expenses related to non-cash amortization expenses, restructuring and other costs which include business activities, events or conduct which are outside the normal course of business, discretionary payouts, gains on disposal of investments and claims and development costs which include hiring incentives and systems development expenditures not required for normal day-to-day operations. In fiscal 2003 and fiscal 2002 other items were: amortization which decreased slightly from $4.0 million in fiscal 2002 to $3.9 million in fiscal 2003; development costs which decreased from $4.4 million in fiscal 2002 to $4.1 million in fiscal 2003 because of a decrease in hiring incentives from $1.8 million in fiscal 2002 to $1.1 million in fiscal 2003 and an increase in systems development costs from $2.6 million in fiscal 2002 to $3.0 million in fiscal 2003 (see "Five Year Trend Analysis — Other Items — Development Costs"); restructuring and other costs which decreased from $22.8 million in fiscal 2002 to $8.5 million in fiscal 2003 (see "Five Year Trend Analysis — Other Items — Restructuring and Other Costs"); gains on disposal of investments which was nil in fiscal 2002 and $4.3 million in fiscal 2003 as a result of the sale of shares Canaccord held in the Toronto Stock Exchange Inc. in fiscal 2003; and discretionary payouts decreased from $1.6 million in fiscal 2002 to nil in fiscal 2003 because the program was discontinued.

Net Loss

Net loss decreased from $18.1 million in fiscal 2002 to $5.1 million in fiscal 2003 representing a decrease of $13 million. This decrease reflects an increase in operating income before other items of $3.0 million, a decrease of $20.5 million in other items and a decrease in income tax recovery of $10.5 million.

Comparison of Years Ended March 31, 2002 and 2001

Revenue

Revenue decreased from $218.8 million in fiscal 2001 to $170.4 million in fiscal 2002 representing a decrease of $48.4 million or 22%. This decrease in revenue was primarily due to a decrease in private client services revenue from $140.3 million in fiscal 2001 to $90.5 million in fiscal 2002 for a decrease of $49.8 million or 35% which was slightly offset by a small increase in capital markets revenue from $66.3 million in fiscal 2001 to $72.3 million in fiscal 2002, an increase of $6.0 million or 9%. The largest contributors to the change in capital markets revenue were underwriting and corporate finance fees and institutional sales which increased from $45.0 million in fiscal 2001 to $48.7 million in fiscal 2002, an increase of $3.7 million or 8% which was slightly offset by a decrease of $1.6 million or 10% in net revenue from international and principal trading operations ($15.7 million in fiscal 2001 compared to $14.1 million in fiscal 2002). Revenue from fixed income inventory trading increased by $3.9 million from $5.6 million in fiscal 2001 to $9.5 million in fiscal 2002.

Commission revenue is principally generated from retail trading activity. The decrease from fiscal 2001 to fiscal 2002 reflects declining market and economic conditions which were reflected in reduced trading values generally. By way of example, trading value on the TSX decreased from $894.2 billion for the year ended March 31, 2001 to $676.8 billion for the year ended March 31, 2002 representing a decrease of 24%.

The increase in capital markets revenue from fiscal 2001 to fiscal 2002 reflected the increased capability of Canaccord's capital markets group as Canaccord continued to allocate resources to this area in preparation for a return to more stable economic conditions and issuer activity.

Expenses

Expenses were $166.8 million in fiscal 2002 and $205.4 million in fiscal 2001 representing a decrease of $38.6 million or 19%. The largest component of expenses is incentive compensation which represents payments made to investment advisors and capital markets professionals in connection with variable transaction-based fees and commissions earned primarily in connection with trading and investment banking activities. Incentive compensation decreased from $100.7 million in fiscal 2001 to $78.4 million in fiscal 2002 representing a decrease of $22.3 million or 22%. Revenue also decreased by 22% from fiscal 2001 to fiscal 2002. Incentive compensation as a percentage of revenue was constant at 46% in each of fiscal 2001 and fiscal 2002.

The balance of expenses represent overhead expenses and are largely fixed in nature. These expenses are comprised of salaries and benefits ($32.1 million in fiscal 2002 compared to $34.4 million in fiscal 2001, a decrease of 7%), trading costs ($9.6 million in fiscal 2002 compared to $13.7 million in fiscal 2001, a decrease of 30%), premises and equipment ($12.6 million in fiscal 2002 compared to $13.3 million in fiscal 2001, a decrease of 5%), communication and technology ($11.7 million in fiscal 2002 compared to $12.2 million in fiscal 2001, a decrease of 4%) and general and administrative expenses ($18.2 million in fiscal 2002 compared to $24.5 million in fiscal 2001, a decrease of 26%).

Operating Income Before Other Items

Operating income before other items decreased from $13.3 million in fiscal 2001 to $3.7 million in fiscal 2002 representing a decrease of $9.6 million. This decrease reflects the fact that revenue decreased by 22% from fiscal 2001 to fiscal 2002 whereas expenses only decreased by 19% from fiscal 2001 to fiscal 2002.

Other Items

Other items increased from $10.9 million in fiscal 2001 to $32.8 million in fiscal 2002, an increase of $21.9 million. Other items include costs and expenses related to non-cash amortization expenses, restructuring and other costs which include business activities, events or conduct which are outside the normal course of business, discretionary payouts, gains on disposal of investments and claims and development costs which include hiring incentives and systems development expenditures not required for normal day-to-day operations. In fiscal 2002 and fiscal 2001 other items were: amortization which increased from $2.8 million in fiscal 2001 to $4.0 million in fiscal 2002; development costs which decreased from $4.8 million in fiscal 2001 to $4.4 million in fiscal 2002 because of a decrease in hiring incentives from $2.3 million in fiscal 2001 to $1.8 million in fiscal 2002 and a small increase in systems development costs from $2.5 million in fiscal 2001 to $2.6 million in fiscal 2002 (see "Five Year Trend Analysis — Other Items — Development Costs"); restructuring and other costs which increased substantially from $1.9 million in fiscal 2001 to $22.8 million in fiscal 2002 (see "Five Year Trend Analysis — Other Items — Restructuring and Other Costs"); gains on disposal of investments which were nil in fiscal 2002 and $4.5 million in fiscal 2001 as a result of the sale of shares Canaccord held in the London Stock Exchange Inc. in fiscal 2001; and because of reduced revenue levels and a substantial increase in other items, discretionary payouts decreased from $5.9 million in fiscal 2001 to $1.6 million in fiscal 2002.

Net Income (Loss)

Net income decreased from net income of $3.3 million in fiscal 2001 to a net loss of $18.1 million in fiscal 2002 representing a decrease of $21.4 million. This decrease reflects a decrease of $9.6 million in operating income before other items, an increase of $21.9 million in other items from fiscal 2001 to fiscal 2002 and an increase in income tax recovery of $10.1 million.

Quarterly Information

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2004. 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.

	Fiscal 2003				Fiscal 2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(in thousands of dollars)				(in thousands of dollars)			
Revenue	56,026	39,788	48,109	55,283	52,384	82,545	119,484	147,744
Net income (loss)	948	(3,987)	(622)	(1,392)	(431)	8,601	11,267	20,992

Liquidity and Capital Resources

Canaccord's capital in the business has historically been provided through retained earnings and the sale of equity securities and convertible debentures and subordinated debt in the form of a bank loan. After the closing of the Offering the net proceeds from the Offering will be added to share capital.

Liquidity

As at March 31, 2004 total cash and cash equivalents was $92.0 million compared to $100.0 million as of March 31, 2003. Operating activities used cash in the amount of $10.9 million which was primarily due to net changes in non-cash working capital items offsetting net income and items not involving cash. Financing activities provided cash in the amount of $15.9 million which was primarily due to a net issuance of share capital and an increase in notes payable. Investing activities used cash in the amount of $15.6 million which was primarily due to the purchase of equipment and leasehold improvements and an increase in notes receivable. The increases in notes payable and notes receivable correspond to each other and are in connection with Canaccord's Québec immigrant investor program. See "Notes Payable and Notes Receivable".

Canaccord's business requires capital for operating and regulatory purposes. The current assets reflected on Canaccord's balance sheet are highly liquid. The majority of the positions held as securities owned are readily marketable and are recorded at their market value. The market value of these securities fluctuates daily as factors (including changes in market conditions, economic conditions and investor outlook) affect market prices. Margin receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectibility. Receivables and payables from or to brokers and dealers represent either current open transactions which normally settle within the normal three day settlement cycle or collateralized securities that are borrowed and/or loaned in transactions that can be closed within a few days on demand.

Canaccord has arranged credit facilities with Canadian and U.K. banks in an aggregate amount of $308 million to facilitate the settlement process. These call loan, letter of credit and daylight overdraft facilities (a credit facility available only for the duration of a business day) are collateralized by either unpaid securities and/or securities owned by Canaccord. Amounts drawn on these facilities vary from day to day.

The following table summarizes Canaccord's long-term contractual obligations as at March 31, 2004:

	Contractual Obligations Payments Due By Period				
	Total	Less Than One Year	1 - 3 Years	4 - 5 Years	After 5 Years
	(in thousands of dollars)				
Notes payable	28,765	—	6,385	22,380	—
Premises and equipment operating leases	46,691	9,522	16,929	12,505	7,735
Total	75,456	9,522	23,314	34,885	7,735

Management believes that the net proceeds from the Offering together with Canaccord's existing capital will provide Canaccord with a sufficient and an appropriate level of capital for both operating and regulatory financial compliance purposes as well as capital for expansion and acquisitions.

Notes Payable and Notes Receivable

Notes payable in the amount of $28.8 million as of March 31, 2004 (2003 — $17.4 million) are non-recourse to Canaccord and correspond to the notes receivable in the same amount. These notes relate to Canaccord's Québec immigrant investor program. Under this program immigrant investors borrow, through a credit facility arranged by Canaccord, the requisite funds for making a qualifying investment for immigration purposes. Canaccord borrows the investment funds through a non-recourse bank facility, loans the borrowed funds to the immigrant investor by way of a promissory note and then pledges the note to the lending bank as collateral for the original loan. The lending bank has no recourse to Canaccord beyond the notes receivable that are pledged as security.

Reorganization

After the Reorganization described under "Reorganization" the convertible debentures in the principal amount of $20.4 million will have been converted to share capital and after the closing of the Offering the subordinated bank loan in the principal amount of $10.0 million will be repaid from the net proceeds of the Offering. Interest savings arising as a result of this reduction in debt will be approximately $1.9 million per year based on the principal amount of the debt outstanding as of March 31, 2004 and prevailing interest rates.

International Financial Centre

Canaccord is a member of the International Financial Centre Vancouver which provides certain tax and financial benefits pursuant to the *International Financial Business (Tax Refund) Act* of British Columbia. As such, 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. As of March 31, 2004 forward contracts outstanding to sell U.S. dollars had a notional amount of US$22.8 million (2003 — US$6.0 million) and forward contracts outstanding to buy U.S. dollars had a notional amount of US$20.8 million (2003 — US$3.5 million). The fair value of these contracts was nominal. Certain of Canaccord's operations in London, England are conducted in U.K. pounds sterling, however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in U.K. pounds sterling.

Critical Accounting Estimates

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with GAAP and are described in note 1 to the consolidated financial statements appearing elsewhere in this prospectus. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgement based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue Recognition and Valuation of Securities

Securities held, including share purchase warrants and options, are recorded at market value and, accordingly, the consolidated financial statements of the Company reflect unrealized gains and losses associated with such securities. In the case of publicly traded securities market value is determined on the basis of market prices from independent sources such as listed exchange prices or dealer price quotations. Adjustments to market prices are made for liquidity relative to the size of the position and holding periods and other resale restrictions, if applicable. Investments in illiquid or non-publicly traded securities are valued on a basis determined by management using information available and prevailing market prices of securities with similar qualities and characteristics if known.

There is inherent uncertainty and imprecision in estimating the factors which can affect value and in estimating values generally. The extent to which valuation estimates differ from actual results will affect the amount of revenue or loss recorded for a particular security position in any particular period. With Canaccord's security holdings consisting primarily of publicly traded securities, its procedures for obtaining market prices from independent sources, the validation of estimates through actual settlement of transactions and the consistent application of its approach from period to period, Canaccord believes that the estimates of market value recorded are reasonable.

Provisions

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

Tax

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Canaccord operates within different tax jurisdictions and is subject to assessment in these different jurisdictions. Tax filings can involve complex issues which may require an extended period of time to resolve in the event of a dispute or re-assessment by tax authorities. Canaccord believes that adequate provisions for income taxes have been made for all years.

Recent Accounting Pronouncements

In October 2003 the Canadian Institute of Chartered Accountants (''CICA'') released amendments to section 3870 of the CICA Handbook, ''Stock Based Compensation'' which are effective for years beginning on or after January 1, 2004. These amendments require that stock options must be accounted for at fair market value and expensed in the financial statements over their vesting period. The Company had no stock options issued or outstanding during the five years ended March 31, 2004. In the event that the Company issues stock options in the future (see ''Options to Purchase Securities'') then at the time such options are granted an estimate of their value will be made and such options will be expensed over the vesting period.

CICA Handbook section 1100, ''Generally Accepted Accounting Principles'' (GAAP), establishes standards for financial reporting in accordance with GAAP and describes what constitutes Canadian GAAP and its sources. This section is effective for fiscal years beginning on or after October 1, 2003. The implication of this section is that industry practice will no longer be considered a source for GAAP. The Company is currently evaluating the impact of the new accounting standard in section 1100 on its consolidated financial statements in fiscal 2005.

Related Party Transactions

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

DIVIDEND POLICY

The Company intends to pay dividends on the outstanding Common Shares equal to approximately 25% of the Company's net income. Although dividends are expected to be declared and paid quarterly, the board of directors, in its sole discretion, will determine the amount and timing of any dividends. Such determination will depend on general business conditions and the Company's financial condition, results of operations and capital requirements and such other factors as the board determines to be relevant.

DESCRIPTION OF SECURITIES DISTRIBUTED

The Offering consists of Common Shares in the capital of the Company. The Common Shares are without par value and rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the Common Shares are entitled to receive notice of all meetings of shareholders and to attend and vote at the meetings. Each of the Common Shares carries with it the right to one vote. There are no pre-emptive rights, exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital attached to the Common Shares. There are no conversion rights attached to the Common Shares.

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets, the holders of the Common Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Company has paid out its liabilities. Distributions in the form of dividends, if any, on any class of shares will be set by the board of directors. See ''Dividend Policy''.

Provisions as to the modification, amendment or variation of the rights attached to the Common Shares are contained in the articles of the Company and the *Business Corporations Act* (British Columbia). Generally, substantive changes to the share structure of the Company require the approval of the shareholders by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of the Common Shares.

Restrictions on Ownership and Transfer of Shares of the Company

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

The Company may require a proposed subscriber or transferee of shares to submit a declaration with respect to the holding of shares of the Company as beneficial owner and any other matter that the directors consider relevant to determine if the registration of the subscription or transfer would result in a violation of the articles or applicable legislative or regulatory requirements. The Company also may require a declaration at any time if proxies are solicited from shareholders at any meeting of shareholders or before such a meeting or when, in the opinion of the directors, the holding of shares by any person could violate the articles or applicable legislative or regulatory requirements.

The Company has the power to refuse to issue or record a transfer, and to withdraw the voting rights, of any share of any class if:

(a) following the issue or recording of the transfer, the shareholder (along with his or her associates and affiliates) would beneficially own or control, directly or indirectly, a ''significant equity interest'' in the Company, unless the required approvals from all relevant securities regulatory authorities have been obtained; or

(b) the person requesting the issue or recording of the transfer refuses to sign and deliver a declaration with respect to his or her beneficial ownership of shares of the Company.

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

(a) in respect of the applicable rules of the IDA and the TSX Venture Exchange Inc., the holding of: (i) voting securities carrying 10% or more of the votes carried by all voting securities of the Company, (ii) 10% or more of the outstanding participating securities of the Company or (iii) an interest of 10% or more of the total equity in Canaccord Capital Corporation;

(b) in respect of the applicable rules of the Toronto Stock Exchange, the holding, directly or indirectly and alone or in combination with any other person, of securities: (i) carrying 20% or more of the votes carried by all voting securities, (ii) carrying the right to receive 20% or more of any distribution of earnings and (iii) accounting for 20% or more of the total capital or equity of the Company;

(c) in respect of the applicable rules of the Bourse de Montréal Inc. (the ''Bourse'') (where a significant equity interest is referred to as a ''major position''), having the power to direct or cause the direction of the management or policies of Canaccord Capital Corporation whether through ownership of securities, by contract or otherwise, and a person is considered to hold a major position in the capital of the Company pursuant to the rules of the Bourse if such person, directly or indirectly: (i) has the right to vote 10% or more of the voting securities or (ii) is entitled to receive 10% or more of the net profits of the Company;

(d) in respect of the applicable rules of the Autorité des marchés financiers in Québec, the direct or indirect ownership or holding of more than 10% of the voting rights attached to securities issued by the Company; and

(e) in respect of the applicable rules of the National Association of Securities Dealers in the United States, a change in the equity ownership of the Company that results in one person or entity directly or indirectly owning or controlling 25% or more of the equity.

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

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

The board of directors of the Company has the power to establish the rules and procedures that it considers necessary and appropriate to implement these provisions.

The *Financial Services and Markets Act 2000* (U.K.) places an obligation on controllers and proposed controllers of Canaccord Capital (Europe) Limited to obtain the approval of the Financial Services Authority before becoming a controller or increasing the level of control held (in certain circumstances). Failure to obtain approval is an offence under section 191(3) of the *Financial Services and Markets Act 2000* (U.K.). The Financial Services Authority has up to three months to consider whether to approve such a change in control. A controller or proposed controller should take this period into account when deciding when to give their notification. A ''controller'' in the context of Canaccord Capital (Europe) Limited is a person who (along with his or her associates) holds 10% or more of the shares in the Company or is able to exercise significant influence over the management of the Company through his or her shareholding in the Company.

These restrictions on the ownership and transfer of the Common Shares may have an effect on the marketability and liquidity of the Common Shares. See ''Risk Factors''.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth, to the best of the knowledge of the directors and senior officers of the Company, as of the date of this prospectus, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding Common Shares and the Selling Shareholders participating in the secondary offering.

Shareholder	Ownership Before the Offering(1)		Number of Common Shares to be Sold(2)	Ownership After the Offering(1)(2)		Number of Common Shares to be Sold on Exercise of Over-Allotment Option(3)	Ownership After the Offering and Exercise of Over-Allotment Option(1)(3)	
	Shares	Percentage		Shares	Percentage		Shares	Percentage
The Manufacturers Life Insurance Company(4)(6)	7,687,557	19.56%	1,659,188	6,028,369	13.07%	841,275	5,187,094	11.24%
Peter Brown	2,318,926	5.90%	115,947	2,202,979	4.78%	57,974	2,145,005	4.65%
Michael Greenwood	1,800,045	4.58%	90,003	1,710,042	3.71%	45,002	1,665,040	3.61%
Dennis Burdett	1,296,579	3.30%	64,829	1,231,750	2.67%	32,415	1,199,335	2.60%
James Pattison	637,566	1.62%	31,879	605,687	1.31%	15,940	589,747	1.28%
Other Selling Shareholders as a group(5)(6)	19,298,976	49.11%	964,984	18,333,992	39.74%	470,809	17,863,183	38.72%

(1) The percentage is the percentage of the issued and outstanding Common Shares of the Company.

(2) Before giving effect to the exercise of the Over-Allotment Option.

(3) After giving effect to the exercise of the Over-Allotment Option and assuming it is exercised in full.

(4) A subsidiary of Manulife.

(5) A total of 91 employees none of whom are directors or officers of the Company.

(6) The securities exchanged in the Reorganization for the Common Shares being sold by Manulife were all purchased by Manulife on July 10, 2002. Of the Common Shares being sold by "Other Selling Shareholders", the equivalent of 65,953 Common Shares were purchased on various dates in the 12 months preceding the date of this prospectus at an aggregate cost of $204,588 for an average cost equivalent to $3.10 per Common Share and the equivalent of 42,689 Common Shares were purchased on various dates between June 23, 2002, and June 22, 2003 at an aggregate cost of $65,953. All other Common Shares being sold were either acquired on the conversion of 2006 Debentures pursuant to the Reorganization or were acquired before June 23, 2002. See "Reorganization".

CONSOLIDATED CAPITALIZATION AND INDEBTEDNESS

The following table sets out the consolidated capitalization of the Company after giving effect to (i) the Reorganization and (ii) the Reorganization and the Offering. For details of the consolidated capitalization of the Company before the Reorganization, see "Reorganization".

Designation of Security	Amount Authorized	Outstanding After the Reorganization	Outstanding After the Reorganization and the Offering
Common shares	Unlimited	$ 86,709,000 (39,300,000 shares)	$ 150,684,000(1) (46,129,268 shares)
Preferred shares	Unlimited	$ — (nil shares)	$ — (nil shares)

(1) Net of 5.75% fee paid to the Underwriters and expenses of the Offering.

Canaccord borrows money from time to time primarily to facilitate the securities settlement process. To this end, Canaccord has arranged various credit facilities with Canadian and U.K. banks in an aggregate maximum amount of $308 million. These call loan, letter of credit and daylight overdraft facilities are collateralized by either unpaid securities and/or securities owned by Canaccord. Amounts drawn down on these credit facilities vary from day to day.

A subordinated loan facility provided to Canaccord by a Canadian chartered bank in the amount of $10 million will be repaid from the net proceeds of the Offering. See "Use of Proceeds".

Convertible debentures issued and outstanding in the amount of $20.4 million will be converted to share capital as part of the Reorganization which will be completed prior to the closing of the Offering. See ''Reorganization''.

Notes payable in the amount of $28.8 million are non-recourse to Canaccord and correspond to the notes receivable in the same amount that are pledged as security for the notes payable. See ''Management's Discussion and Analysis — Liquidity and Capital Resources — Notes Payable and Notes Receivable.''

OPTIONS TO PURCHASE SECURITIES

The Company has a share option plan (the ''Share Option Plan'') whereby it may grant options to purchase Common Shares to directors, officers, employees and consultants of Canaccord. The Share Option Plan is designed to advance the interests of Canaccord by encouraging directors, officers, employees and consultants to have equity participation in the Company through the acquisition of Common Shares. Options to purchase Common Shares may be granted from time to time by the board of directors at an exercise price determined by them, which in no case would be less than that required by any applicable regulatory authority.

The number of Common Shares issuable pursuant to options granted under the Share Option Plan will, on closing of the Offering, be fixed at 4,612,927 Common Shares, being equal to 10% of the Common Shares outstanding after giving effect to the Offering. The maximum number of Common Shares available for issuance to any one person under the Share Option Plan is 5% of the Common Shares outstanding at the time of the grant. Options granted under the Share Option Plan are non-transferable other than in accordance with the Share Option Plan and must be exercised no later than ten years after the date of the grant or a lesser period as determined by the board of directors and approved by any applicable regulatory authority.

There are no outstanding options to purchase securities of the Company, and the Company does not intend to grant any options on or before the closing of the Offering.

The Share Option Plan also provides for share appreciation rights subject to activation of such provisions by the board of directors. If such rights are activated, an optionee would be entitled to elect to terminate his or her option, in whole or in part, and, in lieu of purchasing the Common Shares to which the terminated option relates, receive that number of Common Shares which, when multiplied by the value per share of the Common Shares, has a total value equal to the product of the number of such Common Shares multiplied by the difference between the value per share and the exercise price per share of such Common Shares.

PRIOR SALES

In the 12 months preceding the date of this prospectus, the Company has not sold any Common Shares. However, in the period from April 1, 2003, to the date of this prospectus, the Company has allotted or sold from treasury Class ''B'' Common shares which are equivalent (after the Reorganization) to 2,055,616 Common Shares at an average price of $3.66 per Common Share. The sale of Class ''B'' Common shares from treasury excludes Class ''B'' Common shares returned to the Company by withdrawing shareholders and subsequently acquired by employees of the Company.

ESCROWED SECURITIES

The terms of the plan of arrangement referred to under ''Reorganization'' impose an escrow on all Common Shares issued before the closing of the Offering:

- in respect of the Common Shares held by any shareholder (other than Manulife) who holds immediately before the closing of the Offering 50,000 or more Common Shares, the shares not sold in the secondary offering will be held in escrow and (subject to earlier release in limited circumstances with the consent of the directors of the Company) released as to 25% of the shares on the first, second, third and fourth anniversaries of the closing of the Offering
- in respect of the Common Shares held by any shareholder who holds immediately before the closing of the Offering less than 50,000 Common Shares, these shares will be held in escrow and released 180 days following the closing of the Offering subject to earlier release in limited circumstances
- in respect of the Common Shares held by Manulife after the closing of the Offering, the shares not sold in the secondary offering will be held in escrow and released 180 days following the closing of the Offering subject to earlier release in limited circumstances

The certificates representing the Common Shares held in escrow will be held by Computershare Investor Services Inc.

On the closing of the Offering (and assuming that the Over-Allotment Option is not exercised), Common Shares will be held in each escrow category as follows:

	Number of Common Shares
Holders of 50,000 or more shares	26,211,664
Holders of less than 50,000 shares	4,133,137
Manulife	6,028,369

EXECUTIVE COMPENSATION

The following table discloses information on compensation of the "Named Executive Officers". "Named Executive Officers" means the chief executive officer of the Company and each of the four most highly compensated executive officers (other than the chief executive officer) of the Canaccord group if such executive officers received a salary (on an annual basis), together with any bonus or variable compensation, in excess of $100,000 during the four years ended March 31, 2004.

Summary Compensation Table

		Annual Compensation			
	Year	Salary $	Variable Compensation(1) $	Other Annual Compensation $	All Other Compensation $
Peter Brown	2004	210,000	3,390,843	—	—
Chairman and Chief Executive Officer	2003	94,500	537,096	—	—
of the Company	2002	149,188	507,179	—	—
	2001	210,000	1,546,343	—	—
Michael Greenwood	2004	210,000	3,249,197	—	—
President and Chief Operating Officer	2003	170,000	352,253	—	—
of the Company	2002	183,792	385,557	—	—
	2001	210,000	1,250,481	—	—
Jens Mayer	2004	—	3,083,500		
Executive Vice-President of Canaccord	2003	—	920,588	—	—
Capital Corporation	2002	—	407,372	—	—
	2001	—	344,243	—	—
Timothy Hoare	2004	168,000	8,260,124	—	—
Chairman and Chief Executive Officer	2003	167,776	1,472,359	—	—
of Canaccord Capital (Europe) Limited	2002	156,989	2,176,641	—	—
	2001	155,722	2,464,000	—	—
Paul Reynolds	2004	168,000	8,458,802	—	—
President and Chief Operating Officer	2003	167,776	1,583,255	—	—
of Canaccord Capital (Europe) Limited	2002	156,989	2,093,205	—	—
	2001	155,722	2,703,627	—	—

(1) These amounts represent variable and incentive-based compensation.

Compensation of Directors

Non-executive directors are paid an annual fee of $25,000. In addition, non-executive directors are paid a fee of $1,000 for each directors' meeting or committee meeting attended. Any lead non-executive director will be paid an additional $25,000 per annum. The chairman of the audit committee is paid $10,000 per annum and other committee chairmen are paid $5,000 per annum.

Insurance Coverage and Indemnification

The Company's directors and officers and the directors and officers of its affiliate entities are covered under a directors and officers insurance policy providing an aggregate limit of liability to the insured directors and officers of $25 million.

The Company's articles also provide for mandatory indemnification of its directors and former directors from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties or office, either for the Company or any affiliated entity, subject to certain customary limitations.

PLAN OF DISTRIBUTION

The Company, the Selling Shareholders and the Underwriters have entered into an underwriting agreement (the "Underwriting Agreement") dated June 23, 2004. Pursuant to the Underwriting Agreement and subject to its terms and conditions, each of the Company and the Selling Shareholders have agreed to sell and the Underwriters have agreed to purchase on the closing of the Offering, all but not less than all of the offered Common Shares, at a price of $10.25 per Common Share, for aggregate consideration to the Company of $69,999,997 and to the Selling Shareholders of $30,000,008, payable against delivery of the Common Shares. In consideration for their services in connection with the Offering, the Company and the Selling Shareholders have agreed to pay the Underwriters a fee of $0.59 per Common Share sold. The offering price of the Common Shares was determined by negotiation among the Company, the Selling Shareholders and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all Common Shares if they purchase any of the Common Shares under the Underwriting Agreement.

Subscriptions for the Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Selling Shareholders have granted the Underwriters the Over-Allotment Option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to an aggregate of 1,463,415 additional Common Shares, at a price of $10.25 per Common Share, payable in cash against delivery of additional Common Shares, and representing up to 15% of the Common Shares sold pursuant to the Offering. The Over-Allotment Option is exercisable in whole or in part only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering and for market stabilization purposes. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares upon its exercise. The Underwriters will receive a fee of $0.59 per additional Common Share purchased pursuant to the Over-Allotment Option.

During the period ending on the 180th day after the closing of the Offering, the Company will not, and will cause its subsidiaries not to, without the prior written consent of CIBC World Markets Inc., on behalf of the Underwriters, which consent will not be unreasonably withheld, offer, issue, authorize the offering or issuance of or agree to issue or offer any shares in its capital or securities convertible into, or exchangeable for, shares in its capital, except for the issue of Common Shares, stock options or other rights pursuant to the Company's option plan. Under the terms of the plan of arrangement referred to under "Reorganization", the Common Shares issued to existing shareholders are subject to escrow restrictions. The Company has also agreed that it will not consent to any of its existing shareholders, including the Selling Shareholders, selling or agreeing to sell any equity security of the Company or other securities convertible into equity securities held by them, without the prior consent of CIBC World Markets Inc., on behalf of the Underwriters, for a period of 180 days following the closing of the Offering. See "Escrowed Securities".

The Common Shares have not been and will not be registered under the *United States Securities Act of 1933* (the "1933 Act") or any state securities laws. Accordingly, the Common Shares may not be offered or sold within the United States (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act. The Underwriting Agreement, however, permits the Underwriters to reoffer and resell Common Shares purchased by them pursuant to that agreement to certain qualified institutional buyers in the United States, provided that reoffers and resales are made only in accordance with Rule 144A under the 1933 Act. All sales of the Common Shares in the United States will be made by U.S. registered broker/dealers. The Underwriting Agreement provides further that the Underwriters will not take any action that would make the safe harbour provided under Regulation S of the United States federal securities laws unavailable in connection with the offering and sale of the Common Shares. Regulation S provides an exemption from the registration requirements of United States federal securities laws in connection with the initial offer and sale of such shares. In addition, until 40 days after the commencement of the Offering, any offer or sale of Common Shares within the United States by any dealer (whether or not participating in the distribution hereunder) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an available exemption under the 1933 Act.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers in Québec, the Underwriters may not, throughout the period of distribution, bid for or purchase the Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules relating to market stabilization and passive market-making activities and bids or purchases made for and on behalf of a customer in which the order was not solicited during the period of distribution. Under the first exception, in connection with the Offering, the Underwriters may over-allot or effect transactions, which stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell the Common Shares purchased under this prospectus. The TSX has conditionally approved the listing of the Common Shares under the symbol ''CCI''. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before September 15, 2004, including distribution of the Common Shares to a minimum number of public shareholders.

RISK FACTORS

An investment in the Common Shares involves a number of risks, some of which, including market, liquidity, credit, operational, legal and regulatory risks, could be substantial and are inherent in Canaccord's business. Prospective purchasers should carefully consider the following information about these risks, together with the other information in this prospectus, before buying Common Shares.

Risks Associated with the Securities Business Generally

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

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

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

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

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

Risk of Changes in Foreign Currency Exchange Rates

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

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

Canaccord's revenue may decrease in the event of a decline in market volume, prices or liquidity. Declines in the volume of securities transactions and in market liquidity generally result in lower revenue from trading activities and commissions. Lower price levels of securities may also result in a reduced volume of underwriting transactions and could cause a reduction in revenue from corporate finance activities as well as losses from declines in the market value of securities held in trading, investment and underwriting positions, reduced private client fees and withdrawals of funds under management. Sudden sharp declines in market values of securities can result in illiquid markets and the failure of issuers and counterparties to perform their obligations as well as increases in claims and litigation. In such markets, Canaccord may incur reduced revenue or losses in its principal trading and market-making activities.

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

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

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

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

Risks of Underwriting Activities

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

Dependence on Ability to Retain and Recruit Personnel

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

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

Canaccord expects further growth in the number of its personnel. Competition for employees with the qualifications desired is intense, especially with respect to investment banking and research professionals with expertise in industries in which corporate finance or advisory activity is robust. Competition for the recruiting and retention of employees has recently increased compensation costs, and Canaccord expects that continuing competition will cause compensation costs to continue to increase. There can be no assurance that Canaccord will be able to recruit a sufficient number of new employees with the desired qualifications, in a timely manner and on financial terms that are acceptable to Canaccord. The failure to recruit new employees could materially and adversely affect future operating results.

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

Litigation and Potential Securities Laws Liability

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

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

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

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

Dependence Upon Availability of Capital

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

Credit Risk and Exposure to Losses

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

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

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

Significant Fluctuations in Quarterly Results

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

Significant Competition

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

Regulation

The securities business is subject to extensive regulation in Canada, the United States, the United Kingdom and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with an applicable regulation, securities regulators, the IDA and other authorities may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension, loss of status as a nomad or adviser, suspension or disqualification of the investment dealer's officers or employees or other adverse consequences. The imposition of any such penalties or orders on Canaccord could have a material adverse effect on its operating results and financial condition.

The regulatory environment in which Canaccord operates is subject to change. Currently, investment dealers are the subject of increased regulatory scrutiny that has led, for example, to increased sensitivity to the interaction between research analysts and investment banking departments of investment dealers. As a consequence, regulators have changed or proposed to change requirements with respect to research matters. Canaccord may be adversely affected as a result of new or revised legislation, regulations or policies imposed by the securities legislation of Canada, the United Kingdom and the United States.

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

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

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

Management of Growth

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

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

Dependence on Systems

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

Risk Management Policies and Procedures

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

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

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

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

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

Employee Misconduct

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

Restrictions on Ownership and Transfer of Common Shares

Restrictions on ownership and transfer of Common Shares in the articles of the Company to prevent unauthorized change in control without regulatory approval, in certain cases, could affect the marketability and liquidity of the Common Shares.

Control Risks

Upon the closing of the Offering existing employee and director shareholders will collectively own 65.78% of the Common Shares (64.43% if the Over-Allotment Option is exercised in full). If sufficient of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its other shareholders. Also, third parties could be discouraged from making a tender offer or take-over bid to acquire any or all of the outstanding Common Shares of the Company. In addition, the single largest shareholder will be The Manufacturers Life Insurance Company with 13.07% of the Common Shares (11.24% if the Over-Allotment Option is exercised in full). Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others, of the Common Shares in the public market or by way of private transactions could result in a change of control that may result in changes in business focus or practices that may affect the profitability of Canaccord's business.

Common Shares Eligible for Future Sale

Sales of a substantial number of the Common Shares in the public market, whether by purchasers in the Offering or other shareholders, could adversely affect the prevailing market price of the Common Shares, and could impair the Company's future ability to raise capital through an offering of its equity securities.

There will be 46,129,268 Common Shares outstanding immediately after the closing of the Offering, of which 9,756,098 will be freely tradable in the public markets. All of the Common Shares outstanding immediately prior to the closing of the Offering, other than the Common Shares to be distributed in the secondary offering and as part of the Over-Allotment Option, will be subject to escrow restrictions. See "Escrowed Securities".

Potential Conflicts of Interest

Executive officers, directors and employees of Canaccord from time to time may invest in securities of private or public companies or investment funds in which Canaccord, or an affiliate of Canaccord, is an investor or for which Canaccord carries out investment banking assignments, publishes research or acts as a market maker. There are certain risks that, as a result of such investment, a director, officer or employee may take actions which would conflict with the best interests of Canaccord.

In addition, certain of the directors of Canaccord also serve as directors of other companies involved in a wide range of industry sectors; consequently, there exists the possibility for such directors to be in a conflict of interest.

Absence of Prior Market for Common Shares and Fluctuations in Market Price

Prior to the Offering, there has been no public market for the Company's Common Shares, and there can be no assurance that an active public market will develop or, if developed, will be sustained following the closing of the Offering. The initial public offering price of its Common Shares has been determined through negotiation among the Company, the Selling Shareholders and the Underwriters, based upon several factors. Certain factors, such as sales of Common Shares into the market by existing shareholders, fluctuations in Canaccord's operating results or those of its competitors, market conditions for similar securities and market conditions generally for other companies in the investment banking industry or in the industries that Canaccord focuses on could cause the market price of the Common Shares to fluctuate substantially. In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Common Shares may decline even if Canaccord's operating results or prospects have not changed.

LEGAL PROCEEDINGS

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

Jitec Class Actions

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

One of the Jitec actions has been certified as a class action. A petition for certification has been filed in the second action but certification has not yet been granted. The extent of the classes and the quantification of damages are yet to be determined. Canaccord has denied the allegations and intends to continue to vigorously defend itself against these claims.

Coastline Corporation Action

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

Pryde Actions

John Pryde is a former investment advisor who was employed by Canaccord from 1998 until 2001. Mr. Pryde allegedly made unauthorized and unsuitable trades for the accounts of many of his clients during that period. A substantial number of Mr. Pryde's clients have made claims against Mr. Pryde and Canaccord for losses resulting from these alleged actions. Canaccord has conducted a full investigation of Mr. Pryde's activities and has settled, without litigation, the majority of the claims by clients who were not associates of Mr. Pryde.

Since 2002, six actions were commenced in the Supreme Court of British Columbia against Canaccord by certain former clients of Mr. Pryde. These plaintiffs are claiming damages for loss of capital in the approximate amount of $1.2 million and unquantified amounts for aggravated damages, punitive damages, restitution for commissions paid to Mr. Pryde, interest and costs. Canaccord has denied the allegations against it and intends to continue to vigorously defend itself against these claims. In addition, Canaccord has made a counterclaim against some of the plaintiffs alleging that these plaintiffs knew of Mr. Pryde's activities and participated with him for their mutual financial benefit to the detriment of Canaccord.

Former Employee Claim

A former officer, director and shareholder who was also an employee (the ''Former Employee'') of Canaccord has claimed against Canaccord. At the time his employment with Canaccord ceased, in July 2001, the Former Employee owned, directly and indirectly, certain shares of the Company (the ''Shares''). The Shares were repurchased in October 2001 for approximately $2.7 million, payable with interest in three instalments, two of which have been paid and the final one of which is not yet due. In December 2001, the Former Employee commenced litigation in the Ontario Superior Court of Justice against Canaccord seeking, among other things, damages for wrongful dismissal of $2.0 million, an order requiring Canaccord to repurchase his shares for approximately $4.3 million and other damages and amounts in the aggregate amount of an additional $2.75 million. Canaccord has denied these allegations and will continue to vigorously defend itself against these claims.

In correspondence sent after the preliminary prospectus in respect of the Offering was filed, the Former Employee has indicated that he now intends to seek damages for wrongful dismissal of $4.5 million (an increase of $2.5 million over his original claim) and a declaration from the court that he continues to own the Shares or, in the alternative, an order requiring Canaccord to repurchase the Shares at a fair market value in an unspecified amount in excess of the amount already claimed. The Former Employee made no claim to continued ownership of the Shares or an interest in the Company or its subsidiaries until after the preliminary prospectus was filed. Canaccord considers the Former Employee's new claims to be vexatious and will oppose any motion to amend his pleadings.

Canaccord counterclaimed against the Former Employee in February 2002 for losses now quantified at $4.5 million plus interest in connection with a debenture in a private company which Canaccord alleges it purchased on the basis of false representations made by the Former Employee. See ''Management's Discussion and Analysis — Five Year Trends — Other Items — Restructuring and Other Costs''.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors, officers or principal shareholders of the Company, nor any associate or affiliate of those directors, officers or principal shareholders, has had any direct or indirect material interest in any transaction or proposed transaction which has materially affected or would materially affect Canaccord during the three years prior to the date of this prospectus.

RELATIONSHIPS BETWEEN THE COMPANY AND CERTAIN OF THE UNDERWRITERS

In connection with the Offering, the Company is a ''related issuer'' and ''connected issuer'' of Canaccord Capital Corporation under applicable securities laws.

The decision to undertake the Offering, including the terms, structuring and pricing of the Offering, was determined by negotiation among the Company, the Selling Shareholders and the Underwriters, with CIBC World Markets Inc. taking a lead role in such negotiations and Canaccord Capital Corporation not playing an active role in its capacity as an underwriter. CIBC World Markets Inc. has acted as an ''independent underwriter'' for the purposes of applicable securities laws in connection with the Offering and has actively participated in the structuring and pricing of the Offering and led the related due diligence activities performed by the Underwriters.

BMO Nesbitt Burns Inc., one of the Underwriters, is a subsidiary of a Canadian chartered bank, that has made certain loan facilities available to Canaccord. Accordingly, in connection with the Offering, the Company may be considered to be a ''connected issuer'' of BMO Nesbitt Burns Inc. under applicable securities laws. As of June 18, 2004, the amount outstanding to this chartered bank under these loan facilities was $10.0 million in respect of a subordinated loan and an aggregate amount of $21.7 million under certain overnight call loan, letter of credit and foreign exchange contract facilities which have been made available to Canaccord by this chartered bank. As at the date of this prospectus, Canaccord is in compliance with the terms and conditions of the loan facilities. The Company will use a portion of the net proceeds it receives in connection with the Offering to repay the subordinated loan facility provided by this chartered bank. See ''Consolidated Capitalization and Indebtedness''.

RBC Dominion Securities Inc., one of the Underwriters, is a subsidiary of a Canadian chartered bank, that has made certain loan facilities available to Canaccord. Accordingly, in connection with the Offering, the Company may be considered to be a ''connected issuer'' of RBC Dominion Securities Inc. under applicable securities laws. As of June 18, 2004 the amount outstanding to this chartered bank under the loan facilities was an aggregate amount of $82.0 million under certain overnight call loan and foreign exchange contract facilities which have been made available to Canaccord by this chartered bank. As at the date of this prospectus, Canaccord is in compliance with the terms and conditions of the loan facilities. See ''Consolidated Capitalization and Indebtedness''.

ELIGIBILITY FOR INVESTMENT

In the opinion of Miller Thomson LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Underwriters, based on the legislation in effect at the date of this prospectus and subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, the regulations under those statutes) and, in certain cases, subject to the satisfaction of additional requirements relating to investment policies, standards, procedures and goals and, where applicable, without resort to the so-called ''basket'' provisions, the purchase of the Common Shares will not, at the date of closing, be precluded as investments under the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Cooperative Credit Associations Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Loan and Trust Corporations Act (Alberta)
Insurance Act (Alberta)
Employment Pension Plans Act (Alberta)
Alberta Heritage Savings Trust Fund Act (Alberta)
Pension Benefits Standards Act (British Columbia)
Financial Institutions Act (British Columbia)
The Insurance Act (Manitoba)
The Trustee Act (Manitoba)
The Pension Benefits Act (Manitoba)
Pension Benefits Act (Nova Scotia)
Trustee Act (Nova Scotia)
Pension Benefits Act (Ontario)
The Trustee Act (Ontario)
Loan and Trust Corporations Act (Ontario)
an Act respecting insurance (Québec) (for an insurer, as defined therein, incorporated under the laws of the province of Québec, other than a guarantee fund corporation, an insurance fund or a mutual association)
an Act respecting trust companies and savings companies (Québec) (for a trust company, as defined therein, investing its own funds and funds received as deposits or a savings company, as defined therein, investing its funds)
Supplemental Pension Plans Act (Québec)
The Pension Benefits Act, 1992 (Saskatchewan)

In the opinion of Miller Thomson LLP and McCarthy Tétrault LLP, the Common Shares will, if, as and when the Common Shares are listed, be qualified investments for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan or a deferred profit sharing plan under the *Income Tax Act* (Canada) and the regulations under that Act and, based upon information provided by the Company at the date of closing, the Common Shares will not be ''foreign property'' for the purposes of Part XI of that Act.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are Ernst & Young LLP, Chartered Accountants, of 700 West Georgia Street, Vancouver, British Columbia V7Y 1C7.

In addition, Canaccord has appointed Ellis Foster, Chartered Accountants, of 1650 West 1st Avenue, Vancouver, British Columbia V6J 1G1 to conduct the audit required by the IDA.

The Company's registrar and transfer agent is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia, and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contract which Canaccord has entered into or assumed during the two years prior to the date of this prospectus and which can reasonably be regarded as material to a proposed investor is the Underwriting Agreement referred to under ''Plan of Distribution''.

A copy of this agreement may be examined during the course of distribution of the securities qualified under this prospectus and for a period of 30 days thereafter at the offices of Canaccord's solicitors, Miller Thomson LLP, located at 1000 – 840 Howe Street, Vancouver, British Columbia V6Z 2M1.

EXPERTS

The matters referred to under ''Eligibility for Investment'' and certain other legal matters relating to the Common Shares offered by this prospectus will be passed upon at the date of closing of the Offering on behalf of the Company by Miller Thomson LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. As of the date of this prospectus, the partners and associates of Miller Thomson LLP, as a group, and the partners and associates of McCarthy Tétrault LLP, as a group, do not own more than 1% of the Common Shares. John Zaozirny, who is a director of the Company, is also counsel to McCarthy Tétrault LLP.

CORPORATE STRUCTURE

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

The Company owns, either directly or indirectly, the following principal operating subsidiaries:

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

REORGANIZATION

On or before the closing of the Offering, the Company and its shareholders have completed or intend to complete the following reorganization (the ‘‘Reorganization’’):

1. **Change of Name and Subdivision of Common Shares** — At the annual general meeting of the Company on June 21, 2004, its name was changed from ‘‘Canaccord Holdings Ltd.’’ to ‘‘Canaccord Capital Inc.’’ and the Class ‘‘B’’ and Class ‘‘C’’ Common shares in its capital were subdivided on the basis of one such share before the subdivision for two such shares after the subdivision.
2. **Arrangement** — The Company obtained an order on June 22, 2004 from the Supreme Court of British Columbia approving an arrangement (the ‘‘Arrangement’’) which includes the creation of the Common Shares and a class of Preferred shares. The terms of the Arrangement provide for, among other things, (1) for each of the November 2006 7% serial convertible secured debentures issued by the Company (the ‘‘2006 Debentures’’), either its redemption (in whole or in part) or its exchange for post-subdivision Class ‘‘B’’ Common shares at the rate of one such share for each $2.57275 principal amount; (2) for the July 2007 7% convertible secured debenture (the ‘‘2007 Debenture’’) issued by the Company in favour of The Manufacturers Life Insurance Company, either its redemption (in whole or in part) or its exchange for post-subdivision Class ‘‘C’’ Common shares at the rate of one such share for each $2.9823 principal amount; (3) the exchange of each post-subdivision Class ‘‘B’’ Common share and each post-subdivision Class ‘‘C’’ Common share of the Company for one Common Share; and (4) the exchange of each Class ‘‘4’’ Preferred share, Series ‘‘A’’ of the Company for 0.434782 Common Shares. The Arrangement imposes on all holders of Common Shares outstanding immediately before the closing of the Offering the escrow restrictions described under ‘‘Escrowed Securities’’. There are no Preferred shares issued and outstanding. The Arrangement will be effective on the closing of the Offering.

The following table sets out the consolidated capitalization of the Company before and after giving effect to the Arrangement.

Designation of Security	Amount Authorized	Outstanding at March 31, 2004[1]	Outstanding at Date of this Prospectus[1]	Outstanding on Closing of Offering[2]
			(dollar figures are in thousands)	
Common Shares	Unlimited	$ — (nil shares)	$ — (nil shares)	$150,684[3] (46,129,268 shares)
Post-subdivision Class "B" Common shares	20,000,000,000	$51,292 (26,751,482 shares)	$56,139 (28,029,002 shares)	$ — (nil shares)
Post-subdivision Class "C" Common shares	20,000,000,000	$10,000 (3,809,524 shares)	$10,000 (3,809,524 shares)	$ — (nil shares)
Class "4" Preferred shares, Series "A"	100,000,000	$190 (190,477 shares)	$190 (190,477 shares)	$ — (nil shares)
2007 Debenture	$10,000	$10,000	$10,000	$ —
2006 Debentures	$10,377	$10,377	$10,377	$ —

(1) Restated to reflect the subdivision of the Class "B" and Class "C" Common shares to be effected at the annual general meeting of the Company on June 21, 2004.

(2) Assumes that the 2007 Debenture and the 2006 Debentures will not be redeemed in whole or in part and that the entire principal amounts thereof will be exchanged for Common Shares.

(3) Includes all the Common Shares issued on the exchanges contemplated by the Arrangement.

The following table sets out information as to securities of the Company convertible into shares before giving effect to the Reorganization. All convertible securities were issued at a time when there was no public market for the securities of the Company, and therefore the market value of the underlying shares on the date of grant is not reasonably ascertainable.

	Aggregate Number of Persons in Group	Designation and Number of the Underlying Securities	Purchase Price of the Underlying Securities	Expiration Date
All executive officers and past executive officers of Canaccord	13	2006 Debentures convertible into 2,572,933 post-subdivision Class "B" Common shares	$2.57275 per share[1]	November 15, 2006[2]
All other employees and past employees of Canaccord	36	2006 Debentures convertible into 1,452,608 post-subdivision Class "B" Common shares	$2.57275 per share[1]	November 15, 2006[2]
The Manufacturers Life Insurance Company	1	2007 Debenture convertible into 3,353,117 post-subdivision Class "C" Common shares	$2.9823 per share[3]	July 10, 2007

(1) $5.1455 for each pre-subdivision Class "B" Common share; adjusted from $5.25 under the terms of the 2006 Debentures.

(2) The right to convert also terminates earlier under a number of conditions generally related to the holder ceasing to be an employee of Canaccord or one of its affiliates.

(3) The pro forma conversion rate for June 30, 2004 is $5.9646 principal amount for each pre-subdivision Class "C" Common share; adjusted from $5.25 under the terms of the 2007 Debenture.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

AUDITORS' REPORT

To the Directors of
CANACCORD CAPITAL INC. (FORMERLY CANACCORD HOLDINGS LTD.)

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

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

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

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

Vancouver, Canada,
April 23, 2004,
except as to Notes 10 [d], 11 [c]
and 16 which are as of June 23, 2004.

(signed) ERNST & YOUNG LLP
Chartered Accountants

AUDITORS' REPORT

To the Directors of
CANACCORD CAPITAL INC. (FORMERLY CANACCORD HOLDINGS LTD.)

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

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2003 and the results of its operations and its cash flows for each of the years in the four year period ended March 31, 2003 in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, Canada,
April 25, 2003.

(signed) ELLIS FOSTER
Chartered Accountants

CANACCORD CAPITAL INC.
(formerly Canaccord Holdings Ltd.)

CONSOLIDATED BALANCE SHEETS

	As at March 31	
	2004 **$**	**2003** **$**
	(in thousands of dollars)	
ASSETS		
Current		
Cash and cash equivalents	**91,966**	100,024
Securities owned, at market *[note 2]*	**376,447**	136,073
Accounts receivable *[notes 3 and 4]*	**997,621**	559,627
Income taxes recoverable	**—**	558
Future income taxes *[note 5]*	**—**	3,735
Total current assets	**1,466,034**	800,017
Equipment and leasehold improvements *[note 6]*	**12,373**	12,027
Notes receivable *[note 7]*	**28,765**	17,393
Deferred charges *[note 8]*	**1,194**	1,300
	1,508,366	830,737
LIABILITIES AND CAPITAL IN THE BUSINESS		
Current		
Call loans *[note 9]*	**2,541**	—
Securities sold short, at market *[note 2]*	**281,723**	85,373
Accounts payable and accrued liabilities *[notes 3 and 4]*	**1,048,395**	644,043
Income taxes payable	**16,905**	—
Future income taxes *[note 5]*	**973**	—
Total current liabilities	**1,350,537**	729,416
Notes payable *[note 7]*	**28,765**	17,393
Total liabilities	**1,379,302**	746,809
Commitments and contingencies *[notes 3 and 10]*		
Capital in the business *[notes 11 and 16]*		
Convertible debentures	**20,377**	21,225
Subordinated debt	**10,000**	10,000
Share capital	**60,409**	50,680
Cumulative foreign currency translation adjustment	**265**	(329)
Retained earnings	**38,013**	2,352
Total capital in the business	**129,064**	83,928
	1,508,366	830,737

On behalf of the Board:

(Signed) MICHAEL G. GREENWOOD
Director

(Signed) WILLIAM EEUWES
Director

See accompanying notes

CANACCORD CAPITAL INC.
(formerly Canaccord Holdings Ltd.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Years Ended March 31				
	2004 **$**	**2003** **$**	**2002** **$**	**2001** **$**	**2000** **$**
	(in thousands of dollars, except per share amounts)				
REVENUE					
Private client services	**175,983**	97,784	90,534	140,251	169,892
Capital markets	**211,758**	91,629	72,264	66,288	110,484
Other	**14,416**	9,793	7,635	12,230	14,300
	402,157	199,206	170,433	218,769	294,676
EXPENSES					
Incentive compensation	**218,802**	92,594	78,428	100,727	154,350
Salaries and benefits	**37,193**	35,661	32,147	34,418	27,803
Trading costs	**17,310**	15,343	9,621	13,745	11,780
Premises and equipment	**13,017**	12,089	12,616	13,274	10,101
Communication and technology	**12,290**	12,984	11,650	12,178	8,687
Interest	**3,994**	3,239	4,116	6,551	4,230
General and administrative	**24,874**	20,555	18,175	24,534	21,129
	327,480	192,465	166,753	205,427	238,080
Operating income before other items	**74,677**	6,741	3,680	13,342	56,596
Other items					
Amortization	**3,565**	3,898	3,982	2,794	1,580
Discretionary payouts	**—**	—	1,597	5,920	3,429
Gains on disposal of investments and claims *[note 12]*	**—**	(4,261)	—	(4,465)	(1,400)
Development costs	**8,240**	4,137	4,443	4,770	4,157
Restructuring and other costs *[note 13]*	**315**	8,505	22,753	1,906	1,534
	12,120	12,279	32,775	10,925	9,300
Income (loss) before income taxes	**62,557**	(5,538)	(29,095)	2,417	47,296
Income taxes *[note 5]*	**22,128**	(485)	(11,015)	(901)	19,946
Net income (loss) for the year	**40,429**	(5,053)	(18,080)	3,318	27,350
Retained earnings, beginning of year	**2,352**	9,066	28,240	43,153	16,440
Dividends					
Stock dividend *[note 11[c][ii]]*	**(1,357)**	—	—	—	—
Cash dividends	**—**	—	—	(8,279)	—
Excess on redemption of common shares *[note 11[c][iii]]*	**(3,411)**	(1,661)	(1,094)	(9,952)	(637)
Retained earnings, end of year	**38,013**	2,352	9,066	28,240	43,153
Basic earnings (loss) per share *[note 11[c][v]]*	1.43	(0.18)	(0.71)	0.14	1.45
Diluted earnings (loss) per share *[note 11[c][v]]*	1.12	(0.18)	(0.71)	0.14	1.45

See accompanying notes

CANACCORD CAPITAL INC.
(formerly Canaccord Holdings Ltd.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31				
	2004 $	2003 $	2002 $	2001 $	2000 $
	(in thousands of dollars)				
OPERATING ACTIVITIES					
Net income (loss) for the year	**40,429**	(5,053)	(18,080)	3,318	27,350
Items not involving cash					
Amortization	**3,565**	3,898	3,982	2,794	1,580
Future income taxes	**4,708**	(1,408)	(1,360)	(28)	(63)
Unrealized foreign exchange loss (gain)	**594**	409	24	61	(823)
Gains on disposal of investments and claims	**—**	(4,261)	—	(4,465)	—
Other	**(13)**	—	215	294	(120)
Changes in non-cash working capital					
(Increase) decrease in securities owned	**(240,374)**	(46,465)	4,449	(33,624)	(33,318)
(Increase) decrease in accounts receivable	**(437,994)**	78,990	(273,201)	333,379	(475,986)
Decrease (increase) in income taxes recoverable	**558**	8,023	2,280	(29,700)	21,608
Increase in securities sold short	**196,350**	53,728	10,333	12,660	7,459
Increase (decrease) in accounts payable and accrued liabilities	**404,352**	(20,469)	303,988	(395,602)	526,862
Increase in income taxes payable	**16,905**	—	—	—	—
Cash provided by (used in) operating activities	**(10,920)**	67,392	32,630	(110,913)	74,549
FINANCING ACTIVITIES					
Increase (decrease) in subordinated debt	**—**	(7,000)	(3,000)	(7,617)	20,018
Increase (decrease) in notes payable	**11,372**	11,779	5,614	—	—
Increase (decrease) in long-term debt	**—**	(1,044)	2,149	(2,702)	3,385
Issuance (redemption) of convertible debentures	**(302)**	10,000	11,225	—	—
Issuance of share capital	**15,624**	14,158	4,691	20,895	14,134
Redemption of share capital	**(10,762)**	(6,442)	(2,878)	(12,818)	(739)
Cash dividends paid	**—**	—	—	(8,279)	—
Cash provided by (used in) financing activities	**15,932**	21,451	17,801	(10,521)	36,798
INVESTING ACTIVITIES					
Purchase of equipment and leasehold improvements	**(3,911)**	(1,774)	(2,459)	(10,947)	(4,420)
Proceeds on disposal of equipment	**—**	—	65	443	792
Increase in notes receivable	**(11,372)**	(11,779)	(5,614)	—	—
Proceeds on disposal of investments	**—**	4,261	131	4,507	2,720
Increase in deferred charges	**(328)**	(1,300)	—	—	(1,022)
Cash used in investing activities	**(15,611)**	(10,592)	(7,877)	(5,997)	(1,930)
Increase (decrease) in cash and cash equivalents	**(10,599)**	78,251	42,554	(127,431)	109,417
Cash and cash equivalents, beginning of year	**100,024**	21,773	(20,781)	106,650	(2,767)
Cash and cash equivalents, end of year	**89,425**	100,024	21,773	(20,781)	106,650
Cash and cash equivalents is comprised of:					
Cash and cash equivalents	**91,966**	100,024	23,697	24,291	139,713
Call loans	**(2,541)**	—	(1,924)	(45,072)	(33,063)
	89,425	100,024	21,773	(20,781)	106,650
Supplemental cash flow information					
Interest paid	**2,576**	2,402	3,244	4,005	3,644
Income taxes paid (recovered)	**816**	(6,745)	(7,161)	9,080	209

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2004 and 2003 and for each of the years
in the five year period ended March 31, 2004
(in thousands of dollars, except per share amounts)

Canaccord Capital Inc. (the ''Company'') is an independent full service investment dealer. The Company has operations in each of the two principal segments of the securities industry: private client services and capital markets. Together these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's retail, institutional and corporate clients.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

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

At March 31, 2004, the Company's operating subsidiaries, all of which are 100% owned, include:

Canaccord Capital Corporation
Canaccord Capital (Europe) Limited
Canaccord International Ltd.
Canaccord Capital Corporation (U.S.A.), Inc.
Canaccord Financial Services Ltd.
508763 B.C. Ltd.
CLD Financial Opportunities Limited
Canaccord Financial Holdings Inc.
Canaccord Capital Credit Corporation

All intercompany transactions have been eliminated.

Securities transactions

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

Cash and cash equivalents

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

Securities owned and securities sold short

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

Collateralized securities transactions

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

Private client services revenue

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

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

Capital markets revenue

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

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

Equipment and leasehold improvements

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

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

Deferred charges

Deferred charges consist of set-up costs relating to the pre-operating period of a new correspondent brokerage services division, legal and other costs relating to raising capital in the business and costs relating to an initial public offering of common shares.

Deferred charges are being amortized as follows:

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

Deferred common share issuance costs will be recorded as a reduction of share capital at the time the initial public offering closes.

Development costs

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

Translation of foreign currency transactions and foreign subsidiaries

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

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

Income taxes

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

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

Earnings (loss) per share

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

Use of estimates

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

Pension plan

The Company provides a defined contribution pension plan on behalf of its current employees. The defined contribution pension plan is available to certain administrative employees with more than two years of consecutive service. The Company is required to match the employees' contributions to a maximum of 2% of the employees' base salary. Costs of the defined contribution plan, representing the Company's required contribution, are charged to income in the year. The amount of the charge for the year, including a voluntary contribution by the Company, was $268 [2003 — $129; 2002 — $98; 2001 — $88; 2000 - $84].

The Company formerly provided a final pay defined benefit pension plan for certain administrative employees. The plan is closed and has 22 current and retired members. The plan's assets, accrued benefit obligations and related pension expense of the Company are not material.

Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

2. SECURITIES OWNED AND SECURITIES SOLD SHORT

	March 31, 2004		March 31, 2003	
	Securities Owned $	**Securities Sold Short $**	**Securities Owned $**	**Securities Sold Short $**
Corporate and government debt	**327,224**	**275,285**	116,878	83,316
Equities and convertible debentures	**49,223**	**6,438**	19,195	2,057
	376,447	**281,723**	136,073	85,373

As at March 31, 2004 corporate and government debt maturities range from 2005 to 2054 [March 31, 2003 — 2004 to 2050] and bear interest ranging from 2.35% to 14.0% [March 31, 2003 — 1% to 14%].

3. FINANCIAL INSTRUMENTS

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

Credit risk

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

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

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

Market risk

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

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

Interest rate risk

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

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. Foreign exchange contracts are traded periodically to manage and hedge foreign exchange risk on pending settlements in foreign currencies. Realized and unrealized gains and losses related to those contracts are recognized in income during the year.

Forward contracts outstanding at March 31, 2004:

	Notional Amounts	**Average Price**	**Maturity**	**Fair Value**
	(millions of USD)	**(CAD/USD)**		**(millions of USD)**
To sell US dollars	$22.75	$1.32	April 5, 2004	$ 0.1
To buy US dollars	$20.75	$1.32	April 5, 2004	($ 0.1)

Forward contracts outstanding at March 31, 2003:

	Notional Amounts (millions of USD)	Average Price (CAD/USD)	Maturity	Fair Value (millions of USD)
To sell US dollars	$6.0	$1.47	April 3, 2003	—
To buy US dollars	$3.5	$1.47	April 3, 2003	—

Fair value of financial assets and liabilities

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

Securities lending and borrowing

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

	Cash		Securities	
	Loaned or Delivered as Collateral $	Borrowed or Received as Collateral $	Borrowed or Received as Collateral $	Loaned or Delivered as Collateral $
March 31, 2004	337,016	43,231	342,197	53,169
March 31, 2003	142,407	43,245	146,023	48,106

Lines of credit

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

Canaccord Capital Corporation has provided a bank letter of credit in the amount of $1.5 million as a guarantee for lease obligations of Canaccord Capital (Europe) Limited.

4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	2004 $	2003 $
Brokers and investment dealers	**471,073**	195,184
Clients	**268,062**	195,324
RRSP cash balances held in trust	**237,806**	159,852
Other	**20,680**	9,267
	997,621	559,627

Accounts payable and accrued liabilities

	2004 $	2003 $
Brokers and investment dealers	**247,944**	152,942
Clients	**698,999**	446,108
Other	**101,452**	44,993
	1,048,395	644,043

Accounts payable to clients include $237,806 [2002 — $159,852] payable to clients for RRSP cash balances held in trust.

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

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

5. INCOME TAXES

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

	2004 $	2003 $
Assets:		
Legal settlements	**929**	1,188
Unpaid remuneration	**669**	1,209
Unamortized forgivable loans	**236**	—
Unamortized capital cost of equipment and leasehold improvements over their net book value	**139**	—
Loss carryforwards	**38**	953
Other	**—**	651
	2,011	4,001
Liabilities:		
Unrealized gain on marketable securities	**2,343**	—
Deferred charges	**157**	—
Unrealized foreign exchange gains on equity investments	**131**	168
Net book value of equipment and leasehold improvements over their unamortized capital cost	**—**	98
Other	**353**	—
	2,984	266
Future income tax assets (liabilities)	**(973)**	3,735

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

The Company's income tax expense (recovery) 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:

	2004 $	2003 $	2002 $	2001 $	2000 $
Income taxes at the statutory rate	**23,213**	(1,280)	(13,363)	846	20,938
Less: International Finance Business repayment of provincial taxes	**(1,323)**	146	2,080	(1,853)	(1,500)
Non-deductible items affecting the determination of taxable income	**238**	649	268	106	508
Income tax expense (recovery) — current and future	**22,128**	(485)	(11,015)	(901)	19,946

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost $	Accumulated Amortization $	Net Book Value $
2004			
Computer equipment	**3,280**	**2,518**	**762**
Furniture and equipment	**7,836**	**3,682**	**4,154**
Leasehold improvements	**18,187**	**10,730**	**7,457**
	29,303	**16,930**	**12,373**
2003			
Computer equipment	3,462	2,325	1,137
Furniture and equipment	6,652	2,916	3,736
Leasehold improvements	15,829	8,675	7,154
	25,943	13,916	12,027

7. IMMIGRANT INVESTOR PROGRAM OF QUÉBEC

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

[a] Notes receivable

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

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

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

[b] Notes payable

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

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

	$
2007	6,385
2008	12,004
2009	10,376
	28,765

8. DEFERRED CHARGES

	Cost $	Accumulated Amortization $	Net Book Value $
2004			
Correspondent services division set-up costs	**1,183**	**632**	**551**
Financing costs	**491**	**176**	**315**
Common share issuance costs	**328**	**—**	**328**
	2,002	**808**	**1,194**
2003			
Correspondent services division set-up costs	1,138	253	885
Financing costs	491	76	415
	1,629	329	1,300

9. CALL LOANS

The Company borrows money primarily to facilitate the securities settlement process for both client and Company securities transactions. The call loans are collateralized by either unpaid client securities and/or securities owned by the Company. Interest on the call loans is at a floating rate [March 31, 2004 — 3.15%].

10. 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:

	$
2005	9,522
2006	8,820
2007	8,109
2008	6,662
2009	5,843
Thereafter	7,735
	46,691

Contingencies

The Company, in the normal course of business as an investment dealer, is involved with litigation and as of March 31, 2004 it was a defendant in various legal actions. The Company has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of the Company. The actions described below have been commenced against the Company and, although the Company has denied the allegations and intends to vigorously defend itself in each case, the outcome of each action cannot be predicted with certainty. The amounts claimed in respect of these actions, or which could potentially be claimed, are material and, accordingly, these actions are described in these consolidated financial statements.

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

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

[c] Since 2002, six actions have been commenced in the Supreme Court of British Columbia against the Company by clients of a former investment advisor. The claims allege that unsuitable and unauthorized trades were made in the accounts of the plaintiffs by the former investment advisor and are for quantified damages in the aggregate amount of $1.2 million and for other damages and amounts which have not been quantified. The Company has made a counterclaim against certain of the plaintiffs alleging that these plaintiffs were participants in certain illegal activity by the former investment advisor.

[d] In 2001, a wrongful dismissal action was commenced in the Ontario Superior Court of Justice against the Company. In May and June 2004, the plaintiff advised the Company that he is seeking to amend his pleadings to seek damages of $4.5 million, a declaration that he continues to own shares, directly or indirectly, in the Company or, in the alternative, an order requiring the Company to purchase such shares for an unspecified amount in excess of an amount already paid and other damages and amounts in the aggregate amount of an additional $2.75 million. Prior to the commencement of the action, the applicable shares were purchased by the Company at a price of approximately $2.7 million payable with interest in three instalments, two of which have been paid and the final one of which is not yet due. The Company has counterclaimed for losses now quantified at $4.5 million plus interest in connection with a debenture (see note 13) in a private company which the Company alleges it purchased on the basis of false representations made by the plaintiff.

11. CAPITAL IN THE BUSINESS [see note 16]

Capital in the business consists of convertible debentures, subordinated debt, share capital and retained earnings, which form, either directly or indirectly, part of the Company's regulatory capital.

The Company's investment dealer subsidiaries are subject to rules which specify the level of regulatory capital that an investment dealer must maintain. At March 31, 2004, the capital of the Company's regulated subsidiaries exceeds the requirements of the respective regulatory authorities.

[a] Convertible debentures

	2004 $	**2003 $**
2006 debentures [i]	**10,377**	11,225
2007 debenture [ii]	**10,000**	10,000
	20,377	21,225

[i] 2006 debentures

The 2006 debentures bear interest at 7% per annum, calculated semi-annually and payable quarterly, with the principal amount repayable on November 16, 2006. At March 31, 2004, the debentures are convertible, at $2.575 per share [March 31, 2003 — $2.625 per share], into fully paid and non-assessable Class B common shares without par value in the capital of the Company.

[ii] 2007 debenture

The 2007 debenture bears interest at 7% per annum, calculated semi-annually and payable quarterly with the principal amount repayable on July 10, 2007. At March 31, 2004, the debenture is convertible, at $2.93 per share [March 31, 2003 — $2.755 per share], into fully paid and non-assessable Class C common shares without par value in the capital of the Company. The conversion rate is adjusted quarterly primarily for interest paid.

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

Repayment of the convertible debentures is, indirectly, subject to subordination agreements for subordinated loans of Canaccord Capital Corporation and preferred shares of Canaccord Capital (Europe) Limited, which may only be repaid or redeemed with the prior approval of the respective regulatory authorities.

[b] Subordinated debt

	2004 $	2003 $
Loan payable, interest payable monthly at prime + 1% per annum (March 31, 2004 — 5.0%; March 31, 2003 — 5.75%), due on demand	**10,000**	10,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the Investment Dealers Association in Canada.

[c] Share capital

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

	2004 $	2003 $
Issued and fully paid		
Share capital		
Common shares	**61,292**	51,306
Unvested common share purchase loans	**(1,514)**	(1,620)
Preferred shares	**190**	—
Contributed surplus	**441**	994
	60,409	50,680

Share capital of the Company is comprised of the following:

[i] Authorized

20,000,000,000	Class A common shares without par value
20,000,000,000	Class B common shares without par value
20,000,000,000	Class C common shares without par value
10,000,000,000	Class 1 preferred shares with a nominal par value
10,000,000,000	Class 2 preferred shares without par value
10,000,000,000	Class 3 preferred shares with a nominal par value
10,000,000,000	Class 4 preferred shares with a nominal par value, of which 100,000,000 shares are designated as Class 4 preferred shares Series A

[ii] Issued and fully paid

Common shares

	Class A		Class B		Class C		Total	
	# of shares	Amount $	# of Shares	Amount $	# of Shares	Amount $	# of Shares	Amount $
Balance, March 31, 2002	4,209,718	6,559	25,904,194	41,929	—	—	30,113,912	48,488
Shares issued for cash	—	—	266,668	659	3,809,524	10,000	4,076,192	10,659
Shares cancelled	—	—	(400,002)	(651)	—	—	(400,002)	(651)
Shares held by subsidiary companies	(4,209,718)	(6,559)	(991,188)	(631)	—	—	(5,200,906)	(7,190)
Balance, March 31, 2003	—	—	24,779,672	41,306	3,809,524	10,000	28,589,196	51,306
Shares issued for cash	—	—	5,435,838	15,624	—	—	5,435,838	15,624
Shares cancelled	—	—	(4,031,206)	(7,006)	—	—	(4,031,206)	(7,006)
Shares issued on conversion of Class 4 preferred shares Series A	—	—	357,838	822	—	—	357,838	822
Shares issued on conversion of serial debentures	—	—	209,340	546	—	—	209,340	546
Balance, March 31, 2004	—	—	26,751,482	51,292	3,809,524	10,000	30,561,006	61,292

Preferred shares

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

On June 19, 2003, the Company issued 1,356,781 Class 4 preferred shares Series A with an assigned value of $1,357 as a stock dividend. One (1) Class 4 preferred share Series A was issued for every 20 Class B common shares outstanding.

The Class 4 preferred shares Series A have the following special rights and restrictions:

- redeemable at $1.00 each
- dividend rate of 5.75% per annum on the redemption amount
- convertible into Class B common shares at the rate of 2.3 for 1

[iii] Excess on redemption of common shares

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

	2004 $	2003 $	2002 $	2001 $	2000 $
Redemption price	**10,417**	6,442	2,878	12,818	739
Book value	**7,006**	4,781	1,784	2,866	102
Excess on redemption of common shares	**3,411**	1,661	1,094	9,952	637

[iv] Common share purchase loans

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

[v] Earnings (loss) per share

	2004	2003	2002	2001	2000
Basic earnings (loss) per share					
Net income (loss) for the year ($000s)	**40,429**	(5,053)	(18,080)	3,318	27,350
Weighted average number of Class B and Class C common shares (number)	**28,298,424**	27,804,860	25,389,286	24,039,822	18,802,174
Basic earnings (loss) per share ($)	**1.43**	(0.18)	(0.71)	0.14	1.45
Diluted earnings (loss) per share					
Net income (loss) for the year ($000s)	**40,429**	(5,053)	(18,080)	3,318	27,350
Income effect of convertible debentures ($000s)	**1,129**	—	—	—	—
Adjusted net income (loss) for the year ($000s)	**41,558**	(5,053)	(18,080)	3,318	27,350
Weighted average number of Class B and Class C common shares (number)	**28,298,424**	27,804,860	25,389,286	24,039,822	18,802,174
Dilutive effect of convertible debentures	**7,885,926**	—	—	—	—
Dilutive effect of preferred shares	**307,400**	—	—	—	—
Dilutive effect of unvested shares	**604,124**	—	—	—	—
Adjusted weighted average number of Class B and Class C common shares (number)	**37,095,874**	27,804,860	25,389,286	24,039,822	18,802,174
Diluted earnings (loss) per share ($)	**1.12**	(0.18)	(0.71)	0.14	1.45

The diluted loss per share was equivalent to basic loss per share in years prior to 2004 as the impact of convertible debentures, preferred shares and unvested shares for the periods since their issuance would have been anti-dilutive.

12. GAIN ON DISPOSAL OF INVESTMENTS AND CLAIMS

	2004 $	2003 $	2002 $	2001 $	2000 $
Investment in Toronto Stock Exchange Inc.	**—**	4,261	—	—	—
Investment in London Stock Exchange	**—**	—	—	4,465	—
Damage claim	**—**	—	—	—	1,400
	—	4,261	—	4,465	1,400

13. RESTRUCTURING AND OTHER COSTS

	2004 $	2003 $	2002 $	2001 $	2000 $
Reserve for unsecured balances resulting from unauthorized trading by former employees	**—**	3,560	8,438	—	—
Reserve for impairment in value of a debenture in a private company	**—**	—	4,514	—	—
Reserve for unvested incentive loans	**—**	—	4,777	—	—
Severance costs to former employees	**—**	—	2,361	—	—
Settlement of damage claims	**315**	4,699	1,831	1,906	1,534
Other	**—**	246	832	—	—
	315	8,505	22,753	1,906	1,534

During 2002, the Company restructured certain components of its capital markets and registered trader groups, incurring severance costs and write-offs of unvested incentive loans.

14. RELATED PARTY TRANSACTIONS

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

Accounts receivable and accounts payable and accrued liabilities at March 31 include the following balances with related parties:

	2004 $	2003 $
Accounts receivable	**26,394**	19,243
Accounts payable and accrued liabilities	**47,311**	37,113

Accounts receivable from and payable to related parties result from transactions in accordance with the terms and conditions applicable to all clients.

15. SEGMENTED INFORMATION

The Company operates in two industry segments as follows:

Private client services — provides brokerage services and investment advice to retail or private clients.

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

Corporate and other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to private client services and capital markets.

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on income (loss) before income taxes. The Company does not allocate total assets or capital assets to the segments. Amortization is allocated to the segments based on square footage occupied. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant intersegment revenues.

	2004				2003			
	Private Client Services $	Capital Markets $	Corporate and Other $	Total $	Private Client Services $	Capital Markets $	Corporate and Other $	Total $
Revenues	175,983	211,758	14,416	402,157	97,784	91,629	9,793	199,206
Expenses	113,767	152,363	61,350	327,480	72,840	82,194	37,431	192,465
Other items								
Amortization	1,295	1,291	979	3,565	1,399	1,488	1,011	3,898
Other	3,576	836	4,143	8,555	8,911	939	(1,469)	8,381
Income (loss) before income taxes	57,345	57,268	(52,056)	62,557	14,634	7,008	(27,180)	(5,538)

	2002				2001			
	Private Client Services $	Capital Markets $	Corporate and Other $	Total $	Private Client Services $	Capital Markets $	Corporate and Other $	Total $
Revenues	90,534	72,264	7,635	170,433	140,251	66,288	12,230	218,769
Expenses	68,039	63,368	35,346	166,753	92,205	66,165	47,057	205,427
Other items								
Amortization	1,321	1,644	1,017	3,982	871	876	1,047	2,794
Other	12,192	11,192	5,409	28,793	2,969	(2,940)	8,102	8,131
Income (loss) before income taxes	8,982	(3,940)	(34,137)	(29,095)	44,206	2,187	(43,976)	2,417

	2000			
	Private Client Services $	Capital Markets $	Corporate and Other $	Total $
Revenues	169,892	110,484	14,300	294,676
Expenses	110,874	80,600	46,606	238,080
Other items				
Amortization	726	451	403	1,580
Other	4,284	136	3,300	7,720
Income (loss) before income taxes	54,008	29,297	(36,009)	47,296

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

	2004 $	2003 $	2002 $	2001 $	2000 $
Canada					
Revenue	**317,668**	170,742	145,163	199,855	272,051
Net income (loss)	**29,373**	(3,022)	(16,393)	2,405	24,958
Equipment and leasehold improvements	**10,718**	9,776	11,354	12,704	7,212
United Kingdom					
Revenue	**84,489**	28,464	25,270	18,914	22,625
Net income (loss)	**11,056**	(2,031)	(1,687)	913	2,392
Equipment and leasehold improvements	**1,655**	2,251	2,797	3,194	973

16. SUBSEQUENT EVENTS

[a] On June 21, 2004, the shareholders of the Company approved a change of name from Canaccord Holdings Ltd. to Canaccord Capital Inc. and the subdivision of Class A, Class B and Class C common shares on a two for one basis. All common share capital and per share amounts in these consolidated financial statements have been retroactively adjusted to give effect to the subdivision.

[b] On June 22, 2004, the Supreme Court of British Columbia granted an order approving an arrangement of the Company which includes:

- For each 2006 Debenture issued by the Company, either its redemption (in whole or part, including a 5% premium) or its exchange for Class B common shares of the Company at a rate of one such share for each $2.57275 of principal amount;

- For the 2007 Debenture issued by the Company, either its redemption (in whole or part) or its exchange for Class C common shares of the Company at a rate of one such share for each $2.9823 of principal amount;
- The creation of one class of common shares (''Common Shares'') with no maximum number that the Company is authorized to issue and one class of preferred shares (''Preferred Shares'') with no maximum number that the Company is authorized to issue;
- The cancellation of all issued and outstanding Class A common shares of the Company;
- An exchange of each Class B and Class C common share of the Company for one Common Share of the Company;
- An exchange of each Class 4 preferred share Series A of the Company for 0.434782 common shares of the Company; and
- The alteration of the notice of articles to eliminate the Class A, Class B and Class C common shares and all classes and series of preferred shares of the Company, other than the newly created Preferred Shares.

[c] On June 23, 2004, a prospectus was filed with all securities regulatory authorities in Canada in respect of an initial public offering by the Company of 6,829,268 of its common shares for $70.0 million.

CERTIFICATE OF THE COMPANY

Dated: June 23, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations under those acts. This prospectus, as required by the *Securities Act* (Québec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) PETER M. BROWN Chief Executive Officer	(Signed) DENNIS N. BURDETT Chief Financial Officer

On behalf of the Board of Directors

(Signed) MICHAEL G. GREENWOOD Director	(Signed) WILLIAM EEUWES Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 23, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations under those acts. To our knowledge, this prospectus, as required by the *Securities Act* (Québec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CIBC WORLD MARKETS INC.

By: (Signed) ROBERT PENTELIUK

CANACCORD CAPITAL CORPORATION

By: (Signed) MICHAEL G. GREENWOOD

BMO NESBITT BURNS INC.

By: (Signed) GRAEME N. FALKOWSKY

SCOTIA CAPITAL INC.

By: (Signed) DAVID BUSTOS

RBC DOMINION SECURITIES INC.

By: (Signed) LINDA WONG

GMP SECURITIES LTD.

By: (Signed) MATTHEW S. FRANK

NATIONAL BANK FINANCIAL INC.

By: (Signed) MICHAEL D. SHUH

TD SECURITIES INC.

By: (Signed) J. DAVID BEATTIE

CONSENT OF ERNST & YOUNG LLP

To the Directors of
CANACCORD CAPITAL INC.

We have read the prospectus of Canaccord Capital Inc. (the ''Company'') dated June 23, 2004 relating to the issue and sale of 9,756,098 Common Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Company on the consolidated balance sheet of the Company as at March 31, 2004 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. Our report is dated April 23, 2004 (except as to notes 10[d], 11[c] and 16 which are as of June 23, 2004).

Vancouver, Canada,	(signed) ERNST & YOUNG LLP
June 23, 2004.	Chartered Accountants

CONSENT OF ELLIS FOSTER

To the Directors of
Canaccord Capital Inc.

We have read the prospectus of Canaccord Capital Inc. (the "Company") dated June 23, 2004 relating to the issue and sale of 9,756,098 Common Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Company on the consolidated balance sheet of the Company as at March 31, 2003 and the consolidated statements of operations and retained earnings and cash flows for each of the years in the four year period ended March 31, 2003. Our report is dated April 25, 2003.

Vancouver, Canada,
June 23, 2004.

(signed) Ellis Foster
Chartered Accountants

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