Q3 CANACCORD CAPITAL INC. REPORTS THIRD QUARTER RESULTS

Third Quarter Fiscal 2008 Report to Shareholders

CANACCORD CAPITAL INC. REPORTS FISCAL THIRD QUARTER RESULTS

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

VANCOUVER, February 7, 2008 – Canaccord Capital Inc.'s (TSX & AIM: CCI) revenue for the three months ended December 31, 2007 was $183.3 million, up 2.8% from the same quarter a year ago. Net income for the same period was $15.0 million, down 36.5% and diluted earnings per share (EPS) were $0.31, down 36.7% from the same period a year ago. Included in these results is the third party asset-backed commercial paper (ABCP) fair value adjustment of $4.2 million. Excluding the ABCP fair value adjustment, net income for the quarter was $17.8 million, down 24.7% from the same period a year ago and EPS were $0.36, down 26.5%. Commenting on the quarter, Paul Reynolds, President and CEO said, "It was again a challenging quarter marked by volatile global markets, so we're pleased to have emerged profitably and successfully. That said, we're definitely cautious in our current outlook for the near term."

An adjustment of $4.2 million related to ABCP held in treasury has been recorded at December 31, 2007 to reflect management's view of current market conditions and the limited liquidity for these notes. In total, $8.6 million has been recorded as an ABCP fair value adjustment in Q2 and Q3 of fiscal 2008. The fair value was estimated by management and the adjustment has been recorded as an "ABCP fair value adjustment". The incremental adjustment of $4.2 million booked this quarter is based on current market conditions, and on management's assessment of the best available information.

Revenue for the nine months ended December 31, 2007 was $588.1 million, up 8.8% from the same period a year ago. Net income was $66.5 million for the nine-month period representing a decrease of 1.4% from the same period a year ago. Diluted earnings per share were $1.37, down 2.1% from $1.40 for the same period a year ago. Excluding the ABCP fair value adjustment, net income was $72.2 million, up 7.0% compared to the same period a year ago, and EPS were $1.48, up 5.7%.

Financial highlights: impact of ABCP fair value adjustment

	Three months ended December 31, 2007					Nine months ended December 31, 2007				
(C$ thousands, except EPS in $)	Revenue	Expenses	Net income before tax	Net income	EPS	Revenue [2]	Expenses	Net income before tax	Net income	EPS
Including ABCP fair value adjustment	$183,354	$159,043	$ 24,311	$ 15,048	$ 0.31	$588,093	$486,004	$102,089	$ 66,488	$ 1.37
ABCP fair value adjustment	–	$ 4,226	$ 4,226	$ 2,785	$ 0.05	–	$ 8,625[2]	$ 8,625	$ 5,684	$ 0.11
Excluding ABCP fair value adjustment [1]	$183,354	$154,817	$ 28,537	$ 17,833	$ 0.36	$588,093	$477,379	$ 110,714	$ 72,172	$ 1.48

(1) Excluding ABCP fair value adjustment refers to results excluding the ABCP fair value adjustment recorded in Q2/08 and Q3/08. Data is considered to be non-GAAP; for more details see MD&A page 5.

(2) Revenue for Q2/08 has been adjusted to add back the $4.4 million of the ABCP fair value adjustment. The adjustment has been recategorized as an expense on the income statement for Q2/08, which is consistent with the treatment of the Q3/08 ABCP fair value adjustment.

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CANACCORD CAPITAL

Highlights for the three months ended December 31, 2007 compared to the three months ended December 31, 2006:

- Revenue of $183.3 million, up 2.8% or $5.0 million from $178.3 million
- Expenses of $159.0 million, up 9.9% or $14.4 million from $144.7 million
- Net income of $15.0 million, down 36.5% or $8.7 million from $23.7 million
- Diluted EPS of $0.31, down 36.7% or $0.18 from $0.49
- Return on equity (ROE) of 16.2%, down from 27.6%
- Working capital down by 5.5% to $267.3 million from $283.0 million
- Book value per diluted common share for the period end was $7.95, up 7.0% or $0.52 from $7.43
- The Board of Directors approved a quarterly dividend of $0.125 per share on February 6, 2008, payable on March 10, 2008 with a record date of February 22, 2008
- Excluding the ABCP fair value adjustment, net income of $17.8 million, down 24.7% or $5.9 million from $23.7 million
- Excluding the ABCP fair value adjustment, diluted EPS of $0.36, down 26.5% or $0.13 from $0.49

Highlights for the nine months ended December 31, 2007 compared to the nine months ended December 31, 2006:

- Revenue of $588.1 million, up 8.8% or $47.6 million from $540.5 million
- Expenses of $486.0 million, up 9.9% or $43.6 million from $442.4 million
- Net income of $66.5 million, down 1.4% or $0.9 million from $67.4 million
- Diluted EPS of $1.37, down 2.1% or $0.03 from $1.40
- ROE of 23.3%, down from 28.1%
- Excluding the ABCP fair value adjustment, net income of $72.2 million, up 7.0% or $4.8 million from $67.4 million
- Excluding the ABCP fair value adjustment, diluted EPS of $1.48, up 5.7% or $0.08 from $1.40

Highlights of Operations:

- Canaccord Adams led over $7.3 billion (1) in transactions globally from January 1 to December 31, 2007
- Canaccord Adams ranked number one by the *National Post* and number three by the *Globe and Mail* for equity proceeds raised in Canada from January 1 to December 31, 2007
- Canaccord Adams ranked seventh in Canada for block trading market share (2) of 4.6% in Q3/08, up from 3.1% in Q3/07
- Canaccord Adams ranked number one (3) for 52 completed Private Investment in Public Equity (PIPE) transactions in North America that raised over $1.1 billion in proceeds
- Canaccord Adams led 46 transactions globally to raise total proceeds of more than $2 billion during Q3/08
- During Q3/08, Canaccord Adams acted as a financial advisor for Yamana Gold in its $4.6 billion acquisition of Meridian Gold and Northern Orion Resources
- During Q3/08, Canaccord Adams led or co-led the following equity transactions:
    - $363.0 million on TSX for Heritage Oil Corp.
    - $267.0 million on TSX and AIM for First Calgary Petroleum Ltd.
    - $225.0 million on TSX – Venture for Rusoro Mining BVI Ltd.
    - $110.8 million on TSX – Venture for Peak Gold
    - $100.0 million on TSX – Venture for B2Gold Corp.
    - $75.1 million on TSX and AIM for Artis REIT
    - $44.9 million on AIM for Anglesey Mining PLC/Labrador Iron Mines
    - $34.5 million on TSX for Arise Technologies Corp.
    - $28.0 million on AMEX for PetroResources
- Including the led and co-led transactions referred to above, Canaccord Adams participated in a total of 105 transactions globally to raise gross proceeds of more than $5.5 billion during Q3/08. Included in these totals:
    - Canada participated in 82 transactions, which raised $3.7 billion
    - UK participated in 13 transactions, which raised $1.1 billion
    - US participated in 10 transactions, which raised $676.0 million
- Assets under administration (AUA) of $14.9 billion, up 5.2% from the same period a year ago and down 2.8% from Q2/08
- Canaccord's Private Client Services group had 456 Investment Advisors as of December 31, 2007, up 24 from the same period a year ago and up three from Q2/08

(1) Source: FP Infomart and Company information. Transactions over $1.5 million
(2) Source: Canada Equity
(3) Source: PlacementTracker as of December 31, 2007; includes placements for companies incorporated in Canada and the US

LETTER TO SHAREHOLDERS

We said in our second quarter report to shareholders that the summer of 2007 was one of the "most challenging" in memory. Unfortunately, these same challenges continued into Canaccord's third quarter of fiscal 2008. Disclosures about the depth and breadth of problems related to the US sub-prime mortgage markets continued to dominate credit markets and the financial services industry, and added unwelcome volatility to equity markets around the world. The sharp decline in some housing markets, particularly in the United States, also stimulated concerns about the likelihood of an economic slowdown in the world's largest economy.

Given this context, we were generally pleased with Canaccord's operating performance for the three months, which continued to demonstrate the strength of our global platform, the diversification of our businesses and the franchise we have built in the small- and mid-cap markets. Our businesses showed themselves capable of generating consistent levels of revenue and profitability in a very uncertain business environment – a testimonial to the quality of our ideas and our service we deliver to our clients.

UPDATE ON THE THIRD PARTY ASSET-BACKED COMMERCIAL PAPER MARKET

Following the restructuring of Skeena Capital Trust, Canaccord clients hold approximately $269 million of third party asset-backed commercial paper (ABCP) notes in accounts with Canaccord. Canaccord also holds a fair value of approximately $34.5 million in ABCP.

On December 23, 2007, the Pan-Canadian Investors Committee for ABCP announced an agreement in principle for a comprehensive restructuring of ABCP between all parties. The approval of the restructuring is subject to votes by all investors. While complex, the restructuring – expected to take place by the end of March – will move all ABCP into three master conduits with short-term and long-term components. Portions of these will likely begin trading shortly after the restructuring is finalized. This agreement is intended to provide investors with some near-term liquidity as well as the opportunity to recover most or all of their principal over the longer term.

We have adjusted the fair value of the ABCP Canaccord holds to reflect the present value of expected future cash flows. We recorded a $4.4 million adjustment in the second quarter of fiscal 2008, and during this quarter made a further $4.2 million adjustment to the fair value. This brings our total adjustment to $8.6 million or $0.11 per share.

More detail can be found in the "Critical accounting estimates" section of Management's Discussion and Analysis of the quarter, on page 15.

FINANCIAL HIGHLIGHTS

The volatility of global credit and equity markets continued to have a significant impact on investor confidence in small and mid-market growth equities, Canaccord's primary market segment. Third quarter revenues from principal trading, capital markets and Private Client Services were down in Canada, in contrast to solid gains in our UK and US capital markets operations. Total revenue was $183.3 million, an increase of 2.8% from the third quarter of fiscal 2007. Expenses increased 10% due primarily to the ABCP fair value adjustment, increased general and administrative costs and interest expense, and ongoing investments in the business. Net income for the three months declined 36.5% to $15 million. Diluted earnings per share were $0.31, down 36.7%. Excluding the ABCP fair value adjustment, net income was $17.8 million, down 24.7% year over year, earnings per share were $0.36, down 26.5%.

SOLID PERFORMANCE IN CAPITAL MARKETS

Given the market context, Canaccord Adams' year-over-year performance was solid during the third quarter. Revenue advanced 8% to $109.6 million compared to the third quarter of the prior year, due to higher underwriting and advisory fees. Our teams in Canada, the US and the UK led 39 transactions globally during the quarter that raised total proceeds of $1.0 billion, including a $363 million financing for Heritage Oil Corporation on the TSX.

In Canada, revenue declined 11.4%, to $52 million, from a year ago. The decrease was driven by lower, more volatile Canadian equity markets during the three-month period, which reduced trading revenues and investment banking activity. Calendar 2007, however, provides a better view of Canaccord Adams' momentum in Canada. According to the *National Post* rankings for equity proceeds raised during the year, Canaccord Adams was first overall, with $4.55 billion raised in 414 transactions. This is an exceptional achievement for an independent investment firm in Canada. In total, we led more than $7.3 billion worth of transactions globally during calendar 2007.

In the UK, year-over-year revenues for the quarter advanced 66% to $34.6 million on renewed strength in investment banking mandates. Our team participated in eight transactions, which raised $215 million, as we took advantage of our reputation as a leading broker and Nominated Adviser (Nomad).

Canaccord Adams' momentum continues to build in the United States. Despite volatile markets and considerable uncertainty, revenue rose nearly 27% to $22.4 million for the third quarter compared to a year ago, driven by stronger investment banking business. Private Investment in Public Equity (PIPE) transactions continue to be an attractive opportunity for us. For calendar 2007, Canaccord Adams was the leading North American investment firm in these vehicles, completing 52 transactions in the US and Canada that raised over $1.1 billion in proceeds. (1)

PRIVATE CLIENT SERVICES – OPERATING IN CHALLENGING MARKETS

Despite the uncertainty surrounding the direction of the volatile North American equity markets, Private Client Services maintained a good level of revenue and profitability for the quarter. As Private Client Services is based in Canada, the more volatile Canadian markets had an impact on this segment's revenue, which declined by 11% quarter-over-quarter. The main declines in revenue were in principal trading revenue down 3.6% and in unrealized losses on mark-to-market adjustments down 4.2%. A drop in compensation expense was partially offset by increased interest expense due to higher average cash balances in client accounts. Income before income taxes and corporate allocations for the quarter was $13.0 million, down $5.6 million or 30.1% from the same period a year ago.

At quarter end, Canaccord had 456 Investment Advisors (IAs), an increase of 24 from the same period a year ago and a net addition of three since the end of our second quarter. We have been successful during previous market downturns in building our roster of experienced IAs. We will continue our recruitment activity by being aggressive in communicating the substantial advantages that a move to Canaccord can provide to prospective advisors and their clients.

Assets under administration (AUA) in Private Client Services was $14.9 billion, a 5.2% increase over the same period a year ago and down 2.8% sequentially, versus a general TSX decline of 2.2%. At quarter end, our assets under management (AUM) were $760 million, down 6.6% from the same period a year ago and down 2.2% sequentially. Following a six-year period in which our assets grew at a 23% compound annual growth rate, it is clear that we have slowing momentum in both AUA and AUM growth. Our senior management team is currently developing strategies and objectives to grow our AUA and AUM, and we have every confidence that with a refined strategy and renewed investment, Private Client Services will retain its strong growth history.

BUSINESS OUTLOOK

We see the word "unprecedented" in many descriptions of the current state of global markets. Given the uncertainty that comes with major dislocations such as those affecting the credit markets, we will tread carefully until the cycle and the challenges work themselves out.

That is not to say Canaccord will move to the sidelines. We are now even more focused on those things we do well. Our business pipelines remain strong even though transaction timing is uncertain. We have strong franchises in underwriting and advisory services, and we are a more competitive, better diversified firm than we were a year ago. More importantly, we have a strong, coordinated and consensus-driven team that is committed to thriving in any market that confronts us. These will be the real drivers of value – for clients, for shareholders and for fellow employees – as we move through the challenges ahead.

PAUL D. REYNOLDS
PRESIDENT & CHIEF EXECUTIVE OFFICER

(1) Includes placement for companies incorporated in Canada and the US.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal third quarter 2008 for the three months and nine months ended December 31, 2007 – this document is dated February 7, 2008

The following discussion of the financial condition and results of operations for Canaccord Capital Inc. is provided to enable the reader to assess material changes in such financial condition and to assess results for the three- and nine-month periods ended December 31, 2007 compared to the corresponding periods in the preceding fiscal year. The three- and nine-month periods ended December 31, 2007 are also referred to as the third quarter 2008, Q3/08 and fiscal Q3/08 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three- and nine-month periods ended December 31, 2007 beginning on page 20 of this report; our Annual Information Form dated June 26, 2007; and the 2007 annual Management's Discussion and Analysis (annual MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2007 in Canaccord's Annual Report dated June 26, 2007 (the Annual Report). Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Capital Inc. "Canaccord" and the "Canaccord group" refers to the Company and its direct and indirect subsidiaries. "Canaccord Adams" refers to the international capital markets division of the Company. The Annual Information Form and the Annual Report have been filed on sedar.com. There has been no material change to the information contained in the annual MD&A for fiscal 2007 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The financial information presented in this document is prepared in accordance with Canadian generally accepted accounting principles (GAAP) unless specifically noted. All the financial data below is unaudited except for certain fiscal year data from our 2007 audited financial statements.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

NON-GAAP MEASURES

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

Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on average common equity (ROE) as a performance measure.

Assets under administration (AUA) and assets under management (AUM) are non-GAAP measures of client assets that are common to the wealth management aspects of the private client services industry. AUA is the market value of client assets administered by Canaccord from which Canaccord earns commissions or fees. This measure includes the aggregate market value of long and short positions and funds held in client accounts. Canaccord's method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses this measure to assess operational performance of the Private Client Services business segment. In Q1/08, our AUM definition was expanded to include all assets managed on a discretionary basis under our programs generally described as or known as the *Independence Accounts*, *Separately Managed Accounts*, and *Advisor Managed Accounts*. AUM including all these programs have been reclassified commencing in Q1/07 on this basis. Services under these programs include the selection of investments and the provision of investment advice. AUM are also administered by Canaccord and are included in AUA.

OVERVIEW

Canaccord's business is cyclical and experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond Canaccord's control. In addition to general economic conditions and international market factors, our business is affected by the overall condition of the North American and European equity markets, including the seasonal variance in these markets.

Business environment

Widespread economic and financial uncertainties have heightened the volatility of global markets since October 2007. Recent economic data for the period of October to December 2007 is evidence of the high volatility displayed in the capital markets. Sub-prime mortgage market conditions in the US deteriorated and this accelerated the risk pricing for commercial paper and all asset-backed debt. Pending merger and acquisition deals were questioned and fewer deals were initiated. During this last quarter, financial firms holding investments in sub-prime mortgages, structured investment vehicles and third party asset-backed commercial paper (ABCP) have taken billions of dollars in write-downs.

Market conditions and fears of a US recession prompted central banks in North America, the UK and Europe to either lower interest rates or inject market liquidity. Many economists forecast lowered US economic activity for 2008, and believe that the US could already be in a recession. The US fiscal and monetary authorities have made significant rate cuts and are expected to continue to take aggressive action.

Emerging nation development should support commodity prices at their current levels. The global infrastructure expansion may slow in the US but activity is expected to remain elevated in the rest of the world. Currency volatility and the decidedly bearish action of the US dollar prompted investors to move gold to a new high in early calendar 2008. Oil prices are expected to remain at levels that produce high profitability for the energy sector.

Canada has maintained relatively strong economic fundamentals. High commodity prices, healthy corporate balance sheets, a federal budget surplus, and low inflation and interest rates have all been factors contributing to this strength. Equity markets will continue to be volatile until credit issues are meaningfully resolved. The current crunch has forced many financial services companies to raise capital at very high long-term costs. These elevated new capital costs will prompt businesses to seek other forms of capital.

The impact of these conditions was generally unfavourable for our various businesses and geographies during fiscal Q3/08 relative to Q3/07, and we remain cautious in our outlook going forward. Canaccord's strength in the resources sector will continue to be an asset if the strong resource market continues.

Market data

While trading volumes were higher on each of the TSX, TSX – Venture, AIM and NASDAQ for fiscal Q3/08 relative to Q3/07, the financing values declined for each exchange. However, when compared to Q2/08, the TSX, TSX – Venture and NASDAQ experienced considerable growth in financing values which was mainly due to a few unusually large transactions that skewed the data during this period. In Canaccord's focus sectors on the AIM, financing values for oil and gas and mining increased, while biotech, media and technology decreased year over year.

Trading volume by exchange (billions of shares)

	October 2007	November 2007	December 2007	Fiscal Q3/08	Increase from fiscal Q3/07	Increase (decrease) from fiscal Q2/08
TSX	9.1	8.7	6.9	24.7	13.0%	8.0%
TSX – Venture	6.3	5.1	3.7	15.1	60.0%	37.6%
AIM	18.8	13.0	10.3	42.1	16.0%	31.6%
NASDAQ	22.8	23.8	17.3	63.9	11.4%	(1.9)%

Total financing value by exchange

	October 2007	November 2007	December 2007	Fiscal Q3/08	Decrease from fiscal Q3/07	Increase (decrease) from fiscal Q2/08
TSX and TSX – Venture (C$ billions)	3.4	5.4	5.8	14.6	(3.6)%	45.4%
AIM (£ billions)	0.4	1.3	1.4	3.1	(42.0)%	(6.0)%
NASDAQ (US$ billions)	6.0	7.3	2.9	16.2	(14.5)%	54.2%

Financing value for relevant AIM industry sectors

(£ millions, except for percentage amounts)	October 2007	November 2007	December 2007	Fiscal Q3/08	Increase (decrease) from fiscal Q3/07	Increase (decrease) from fiscal Q2/08
Oil and gas	26.7	138.6	181.8	347.1	12.7%	79.6%
Mining	58.3	90.0	227.3	375.6	139.1%	7.5%
Biotech	2.0	32.5	8.7	43.2	(45.7)%	0.4%
Media	10.7	36.5	33.7	80.9	(26.6)%	(58.6)%
Technology	31.7	25.2	33.9	90.8	(18.0)%	(32.4)%
Total	**129.4**	**322.8**	**485.4**	**937.6**	**22.5%**	**2.4%**

Source: TSX Statistics, LSE AIM Statistics, Thomson One, and Equidesk

About Canaccord's operations

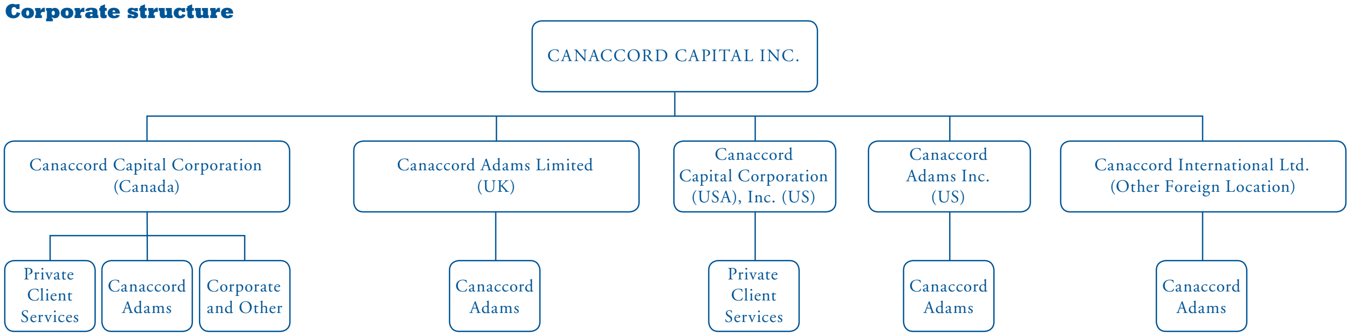
Canaccord Capital Inc.'s operations are divided into two business segments: Canaccord Adams (our capital markets operations) and Private Client Services.

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

Revenue from Private Client Services is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by Investment Advisors (IAs) in respect of investment banking and venture capital transactions by private clients.

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

Corporate structure



Consolidated operating results

Third quarter and year-to-date 2008 summary data [1]

(C$ thousands, except per share, employee and % amounts)	Three months ended December 31 2007	Three months ended December 31 2006	Year-over-year increase (decrease)	Nine months ended December 31 2007	Nine months ended December 31 2006	Year-over-year increase (decrease)
Canaccord Capital Inc.						
Revenue						
Commission	**$ 74,959**	$ 74,380	0.8%	**$ 226,462**	$ 215,990	4.8%
Investment banking	**84,910**	78,177	8.6%	**287,266**	251,135	14.4%
Principal trading	**387**	9,035	n.m.	**3,275[2]**	22,209	n.m.
Interest	**16,011**	14,355	11.5%	**48,594**	42,252	15.0%
Other	**7,087**	2,366	199.5%	**22,496**	8,885	153.2%
Total revenue	**$ 183,354**	$ 178,313	2.8%	**$ 588,093**	$ 540,471	8.8%
Expenses						
Incentive compensation	**$ 90,778**	$ 89,466	1.5%	**$ 283,600**	$ 269,395	5.3%
Salaries and benefits	**12,658**	11,610	9.0%	**39,576**	34,746	13.9%
Other overhead expenses [3]	**51,381**	43,601	17.8%	**154,203**	138,269	11.5%
ABCP fair value adjustment [4]	**4,226**	–	n.m.	**8,625[2]**	–	n.m.
Total expenses	**$ 159,043**	$ 144,677	9.9%	**$ 486,004**	$ 442,410	9.9%
Income before income taxes	**24,311**	33,636	(27.7)%	**102,089**	98,061	4.1%
Net income	**15,048**	23,692	(36.5)%	**66,488**	67,440	(1.4)%
Earnings per share (EPS) – diluted	**0.31**	0.49	(36.7)%	**1.37**	1.40	(2.1)%
Return on average common equity (ROE)	**16.2%**	27.6%	(11.4)p.p.	**23.3%**	28.1%	(4.8)p.p.
Book value per share – period end	**$ 7.95**	$ 7.43	7.0%			
Number of employees	**1,676**	1,575	6.4%			

(1) Data is considered to be GAAP except for ROE, book value per share and number of employees.
(2) The ABCP fair value adjustment has been recategorized in Q2/08 from principal trading revenue to an expense. This is consistent with the treatment of the Q3/08 adjustment.
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(4) Represents the ABCP fair value adjustment for ABCP held by the Company.
p.p.: percentage points
n.m.: not meaningful

Third quarter and year-to-date fiscal 2008 adjusted data

(C$ thousands, except EPS in $)	Three months ended December 31, 2007					Nine months ended December 31, 2007				
	Revenue	Expenses	Net income before tax	Net income	EPS	Revenue (2)	Expenses	Net income before tax	Net income	EPS
Including ABCP fair value adjustment	$183,354	$159,043	$ 24,311	$ 15,048	$ 0.31	$588,093	$486,004	$102,089	$ 66,488	$ 1.37
ABCP fair value adjustment	–	$ 4,226	$ 4,226	$ 2,785	$ 0.05	–	$ 8,625(2)	$ 8,625	$ 5,684	$ 0.11
Excluding ABCP fair value adjustment (1)	$183,354	$154,817	$ 28,537	$ 17,833	$ 0.36	$588,093	$477,379	$ 110,714	$ 72,172	$ 1.48

(1) Excluding ABCP fair value adjustment refers to results excluding the ABCP fair value adjustment recorded in Q2/08 and Q3/08. Data is considered to be non-GAAP.
(2) Revenue for Q2/08 has been adjusted to add back the $4.4 million ABCP fair value adjustment. The adjustment has been recategorized as an expense on the income statement for Q2/08, which is consistent with the treatment of the Q3/08 adjustment.

Geographic distribution of revenue (1)

(C$ thousands, except % amounts)	Three months ended December 31		Year-over-year increase (decrease)	Nine months ended December 31		Year-over-year increase (decrease)
	2007	2006		2007	2006	
Canada	$ 125,102	$ 134,705	(7.1)%	$ 404,470	$ 376,363	7.5%
UK	34,644	20,865	66.0%	102,952	91,400	12.6%
US	23,135	18,613	24.3%	70,294	61,343	14.6%
Other Foreign Location	473	4,130	n.m.	10,377	11,365	(8.7)%
Total	$ 183,354	$ 178,313	2.8%	$ 588,093	$ 540,471	8.8%

(1) For a business description of Canaccord's geographic distribution please refer to the "About Canaccord's operations" section on page 7.
n.m.: not meaningful

Third quarter 2008 vs. third quarter 2007

Revenue is generated through five activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, principal trading, interest and other. Revenue for the three months ended December 31, 2007 was $183.3 million, up 2.8% compared to the same period a year ago.

For the third quarter of fiscal 2008, revenue generated from commissions was $74.9 million, up 0.8% compared to the same period a year ago and is largely due to strength in market activity early in the quarter. Investment banking revenue was $84.9 million, up $6.7 million largely due to increased activity in the UK. Principal trading revenue was $0.4 million compared to $9.0 million during the same period a year ago. The primary focus of Canaccord's principal trading activity is in small- to mid-cap equities, which experienced significant valuation challenges during the quarter due to the credit contraction and its related impact on the equity markets. The year-over-year decline is due to the challenging market conditions during the quarter. Interest revenue was $16.0 million, up 11.5% mainly due to higher interest revenue from client accounts and bank balances. Other revenue was $7.1 million, up $4.7 million due to increases in foreign exchange and correspondent services revenue.

Third quarter revenue in Canada was $125.1 million, down 7.1% or $9.6 million from the same period a year ago. This decline was due to a decrease in activity in the Canadian equity markets. Revenue in the UK was $34.6 million, up $13.8 million from the same period a year ago. In the US, revenue was $23.1 million, up 24.3% from Q3/07.

Year-to-date fiscal year 2008 vs. year-to-date fiscal year 2007

Year-to-date revenue for December 31, 2007 was $588.1 million, up 8.8% or $47.6 million compared to the same period a year ago. Revenue generated from commissions increased by $10.5 million to $226.5 million compared to the same period a year ago largely due to healthier market conditions in Q1/08 and in the early parts of the following two quarters. Investment banking revenue was $287.3 million, up $36.1 million primarily due to increased financing activity in the UK and Canadian equity markets and from higher merger and acquisition fees. Principal trading revenue was $3.3 million compared to $22.2 million last year, down $18.9 million from the same period a year ago. Principal trading revenue in Q2/08 has been recategorized to exclude the ABCP fair value adjustment. This adjustment is now included as an expense item for both Q2/08 and Q3/08. Canaccord has re-focused its principal trading operations to reduce certain market exposures through rebalancing internal capital allocations. Interest revenue was $48.6 million, up $6.3 million for the same reasons mentioned above. Other revenue was $22.5 million, up $13.6 million due to foreign exchange and correspondent services revenue. Year to date revenue in Canada was $404.5 million, up 7.5% or $28.1 million from the same period a year ago. Our operations in

Canada benefited from greater activity in fiscal Q1/08 and in the early part of the subsequent two quarters in the Canadian equity markets, largely due to the continued global demand for commodities and related equities. Year-to-date fiscal 2008 revenue in the UK was $102.9 million, up $11.5 million from the same period a year ago. Revenue from Other Foreign Location was $10.4 million, down $1.0 million year-over-year, and in the US revenue was $70.3 million, up $8.9 million from the same period a year ago.

Expenses as a percentage of revenue

	Three months ended December 31		Year-over-year	Nine months ended December 31		Year-over-year
	2007	2006	increase (decrease)	**2007**	2006	increase (decrease)
Incentive compensation	**49.5%**	50.2%	(0.7)p.p.	**48.2%**	49.8%	(1.6)p.p.
Salaries and benefits	**6.9%**	6.5%	0.4p.p.	**6.7%**	6.4%	0.3p.p.
Other overhead expenses (1)	**28.0%**	24.4%	3.6p.p.	**26.2%**	25.6%	0.6p.p.
ABCP fair value adjustment (2)	**2.3%**	–	n.m.	**1.5%**	–	n.m.
Total	**86.7%**	81.1%	5.6p.p.	**82.6%**	81.9%	0.7p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(2) Represents the ABCP fair value adjustment for ABCP held by the Company.
p.p.: percentage points
n.m.: not meaningful

Third quarter 2008 vs. third quarter 2007

Expenses for the three months ended December 31, 2007 were $159.0 million, up 9.9% or $14.4 million from a year ago. The overall increase in expenses is largely due to the ABCP fair value adjustment of $4.2 million; general and administrative expenses, up $3.0 million; interest expense, up $1.6 million; and development costs, up $1.5 million. Incentive compensation expense was $90.8 million for the quarter, up 1.5%. For the quarter, incentive compensation expense as a percentage of total revenue decreased 0.7 percentage points to 49.5% compared to the same period a year ago.

Salaries and benefits expense was $12.6 million in the third quarter of fiscal 2008, up 9.0% from the same period a year ago largely due to the increased contribution by the firm towards the Employee Stock Purchase Plan (ESPP), which is discussed in our fiscal year 2007 Annual Report. In May 2007 the matching contribution by the firm increased from a maximum of $1,500 per eligible employee to a maximum contribution of $3,000. Also contributing to the increase in salaries and benefits expense is the overall increase of 101 net new employees across the firm. The total compensation (incentive compensation plus salaries) payout as a percentage of consolidated revenue for Q3/08 was 56.4%, down from 56.7% in Q3/07.

Year-to-date fiscal year 2008 vs. year-to-date fiscal year 2007

Expenses for the nine months ended December 31, 2007 were $486.0 million, up $43.6 million or 9.9% from a year ago. Expenses for Q2/08 have been recategorized to include the $4.4 million ABCP fair value adjustment that was previously included in principal trading revenue. Year-to-date expenses include the $8.6 million ABCP fair value adjustment. Incentive compensation expense was $283.6 million, up 5.3% due to the increase in incentive-based revenue. Consolidated incentive compensation as a percentage of total revenue was 48.2%, down 1.6 percentage points primarily due to the implementation of our long term incentive plan (LTIP) in Q1/08.

Salaries and benefits expense was $39.6 million, up $4.8 million for the year to date of fiscal 2008 compared to the same period a year ago for the same reasons mentioned above. The total compensation (incentive compensation plus salaries) payout as a percentage of consolidated revenue was 54.9%, down from 56.3% the prior year.

Other overhead expenses

(C$ thousands, except % amounts)	Three months ended December 31 **2007**	2006	Year-over-year increase (decrease)	Nine months ended December 31 **2007**	2006	Year-over-year increase (decrease)
Trading costs	**$ 7,054**	$ 6,056	16.5%	**$ 21,261**	$ 20,734	2.5%
Premises and equipment	**5,781**	5,810	(0.5)%	**16,775**	17,561	(4.5)%
Communication and technology	**5,611**	5,352	4.8%	**17,163**	15,802	8.6%
Interest	**6,574**	4,926	33.5%	**19,155**	15,310	25.1%
General and administrative	**17,390**	14,413	20.7%	**51,416**	47,807	7.5%
Amortization	**2,197**	1,797	22.3%	**6,320**	6,152	2.7%
Development costs	**6,774**	5,247	29.1%	**22,113**	14,903	48.4%
ABCP fair value adjustment (1)	**4,226**	–	n.m.	**8,625**	–	n.m.
Total other overhead expenses	**$ 55,607**	$ 43,601	27.5%	**$ 162,828**	$ 138,269	17.8%

(1) Represents the ABCP fair value adjustment for ABCP held by the Company.

Third quarter 2008 vs. third quarter 2007

Other overhead expenses increased 27.5% to $55.6 million for the third quarter of fiscal 2008 compared to the same period a year ago. Contributing to the overall increase in other overhead expenses were trading costs, which increased by 16.5% in Q3/08 due to security rebates received in Q3/07 which lowered trading costs in Q3/07. Development costs increased by 29.1% largely due to Canaccord's growth across all geographies. Interest expense was up 33.5% due to larger cash balances in client accounts and subordinated debt entered into on March 30, 2007. Also entered during Q3/08 was the ABCP fair value adjustment of $4.2 million.

General and administrative expense was up $3.0 million in Q3/08. This was largely due to an increase in client expenses, and promotion and travel expense largely due to increased business development costs such as corporate conferences.

Development costs, which include hiring incentives and systems development costs, were $6.8 million, up 29.1% or $1.5 million from the prior year. Hiring incentives are one of our tools to recruit new IAs and capital markets professionals. Hiring incentives also include retention costs related to the acquisition of Adams Harkness Financial Group, Inc. During Q3/08, hiring incentives increased by 37.4% largely due to recruitment and retention costs of Canaccord Adams' professionals in the US. Systems development costs are expenditures to enhance our information technology platform, and increased by 4.7% due to enhancements to our technological platform associated with our growth initiatives.

Net income for Q3/08 was $15.0 million, down $8.7 million from a year ago. Diluted EPS were $0.31, down $0.18 or 36.7%. ROE for Q3/08 was 16.2% compared to an ROE of 27.6% a year ago. The decrease in EPS and ROE is largely due to the decline in net income resulting from investments made across our global operations and from the ABCP fair value adjustment booked. Book value per common share for Q3/08 was up 7.0% year over year to $7.95.

Income taxes were $9.3 million for the quarter reflecting an effective tax rate of 38.1%, up from 29.6% a year ago. The increase in the effective tax rate in Q3/08 relative to Q3/07 is a result of our reduction of future income tax assets which increased our overall tax provision. The reduction of future income tax assets is due to a reduction in Canadian federal tax rates from 2008 to 2012.

Year-to-date fiscal year 2008 vs. year-to-date fiscal year 2007

Other overhead expenses for the nine months ended December 31, 2007 were up 17.8% or $24.5 million to $162.8 million from the same period a year ago. Contributing to the overall increase in other overhead expenses were development costs, which increased by 48.4% or $7.2 million to $22.1 million and interest expense which was up $3.8 million due to higher client interest rates, larger cash balances in client accounts and subordinated debt entered into on March 30, 2007. These increases are largely related to Canaccord's growth across all geographies. For the year to date, the ABCP fair value adjustment of $8.6 million was recorded.

General and administrative expense was up $3.6 million largely due to an increase in promotion and travel expense. Promotion and travel increased by 20.6%, which is largely due to an increase in business development costs and business travel. This increase was offset by decreases in reserve expenses.

Development costs were $22.1 million, up 48.4% or $7.2 million from the previous year. A large portion of the 55.9% increase in hiring incentives is for the recruitment of Canaccord Adams' professionals and for the retention plan associated with the acquisition of Adams Harkness Financial Group, Inc. Overall systems development costs for the year to date of fiscal 2008 increased by 25.3% due to enhancements to our technological platform associated with our growth.

Net income for the year to date of fiscal 2008 was $66.5 million, down 1.4% or $0.9 million from the same period a year ago. Diluted EPS were $1.37, down $0.03 and ROE was 23.3% compared to an ROE of 28.1% a year ago. The decrease in EPS and ROE is largely due to the decline in net income resulting from the ABCP fair value adjustment, and the investments made across our global operations. Book value per common share was up 7.0% to $7.95. Income taxes were $35.6 million for the year to date of fiscal 2008 reflecting an effective tax rate of 34.9%, up from 31.2% a year ago due to the same reasons mentioned above.

RESULTS OF OPERATIONS

Canaccord Adams

(C$ thousands, except employees and % amounts)	Three months ended December 31 2007	2006	Year-over-year increase (decrease)	Nine months ended December 31 2007	2006	Year-over-year increase (decrease)
Canaccord Adams						
Revenue						
Canada – Investment Banking and Equities	**$ 42,952**	$ 48,897	(12.1)%	**$ 144,711**	$ 130,180	11.2%
Canada – International Trading, Registered Traders and Fixed Income	**9,126**	9,884	(7.7)%	**28,141**(1)	28,663	(1.8)%
Total Canada	**$ 52,078**	$ 58,781	(11.4)%	**$ 172,852**	$ 158,843	8.8%
UK	**34,644**	20,865	66.0%	**102,952**	91,400	12.6%
US	**22,388**	17,651	26.8%	**67,496**	57,958	16.4%
Other Foreign Location	**473**	4,130	n.m.	**10,377**	11,365	(8.7)%
Total revenue	**$ 109,583**	$ 101,427	8.0%	**$ 353,677**	$ 319,566	10.7%
Expenses						
Incentive compensation	**57,933**	51,546	12.4%	**176,341**	162,799	8.3%
Salaries and benefits	**3,275**	3,158	3.7%	**10,488**	8,574	22.3%
Other overhead expenses	**25,140**	20,613	22.0%	**78,850**	66,169	19.2%
ABCP fair value adjustment (2)	**1,101**	–	n.m.	**2,247**(1)	–	n.m.
Total expenses	**$ 87,449**	$ 75,317	16.1%	**$ 267,926**	$ 237,542	12.8%
Income before income taxes (3)	**22,134**	26,110	(15.2)%	**85,751**	82,024	4.5%
Income before ABCP fair value adjustment and taxes	**23,235**	26,110	(11.0)%	**87,998**	82,024	7.3%
Number of employees	**531**	502	5.8%			

(1) Fixed income revenue has been recategorized in Q2/08 to exclude the ABCP fair value adjustment. This is included as an expense for Q2/08 and Q3/08.
(2) Represents the ABCP fair value adjustment for ABCP held by the Company.
(3) Income before income taxes excludes allocated overhead expenses that are included in Corporate and Other segment expenses.
n.m.: not meaningful

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

Third quarter 2008 vs. third quarter 2007

Total revenue for Canaccord Adams in Q3/08 was $109.6 million, up $8.1 million from the same quarter a year ago largely due to increases in investment banking revenue and higher merger and acquisition fees. Canadian operations generated fiscal third quarter revenue of $52.1 million, down 11.4% compared to a year ago. Within this revenue, $42.9 million is derived from Investment Banking and Equities activity while $9.1 million is derived from our International Trading, Registered Traders and Fixed Income operations. The decline in Canadian revenue is largely due to a decrease in Canadian equity markets compared to the same period a year ago. Our Canadian revenue represents 47.5% of Canaccord Adams' total revenue. Revenue from our UK operations was $34.6 million, up 66.0% from the same period a year ago. This increase in revenue is largely due to higher investment banking revenue. UK revenue of $34.6 million represents 31.6% of Canaccord Adams' total revenue. In the US, revenue was $22.4 million, up 26.8% from a year ago, and represents 20.4% of Canaccord Adams' total revenue. This increase in revenue is also due to the higher investment banking revenue. Revenue in Other Foreign Location declined to $473 thousand in Q3/08, down from $4.1 million a year ago. In any quarter, revenue in this region represents a small number of transactions and is therefore very irregular.

Expenses for Q3/08 were $87.4 million, up $12.1 million. The largest increase in non-compensation expenses were in development costs, up $1.5 million, and general and administrative expense, up $1.4 million. Within general and administrative expense, promotion and travel increased by 31.7% largely due to higher business development costs. The increase in general and administrative expense was offset by a decrease in premises and equipment expense. Also included in expenses during Q3/08 was the ABCP fair value adjustment of $1.1 million of the $4.2 million total ABCP fair value adjustment.

The increase in incentive compensation for the quarter of $6.4 million is largely attributable to the increase in incentive-based revenue in the UK during the quarter. Salary and benefits expense for the quarter was up 3.7% to $3.3 million compared to a year ago. The total compensation expense payout as a percentage of revenue for the quarter was 55.9%, which is up 2.0 percentage points from Q3/07.

Income before income taxes and corporate overhead allocations for the quarter was $22.1 million, down $4.0 million or 15.2% from the same quarter a year ago.

Year-to-date fiscal year 2008 vs. year-to-date fiscal year 2007

Revenue for Canaccord Adams for the year to date of fiscal 2008 was $353.7 million, up $34.1 million from the same period last year due to relatively strong capital markets in all geographies, particularly during the early months of fiscal 2008. In Canada, revenue was $172.8 million, up 8.8% from the same period a year ago. Within Canada, $144.7 million is derived from Investment Banking and Equities activity while $28.1 million is from our International Trading, Registered Traders and Fixed Income operations. Fixed Income revenue for Q2/08 has been recategorized to exclude the ABCP fair value adjustment, which is now classified as an expense. The overall growth in Canada is largely due to our growing market share and from the continued global demand for commodities and for Canadian equities relative to the same period a year ago. Overall, our Canadian revenue represents 48.9% of Canaccord Adams' total revenue. Our UK revenue was $102.9 million, up $11.5 million from the same period a year ago due to increased revenue from investment banking activities. UK revenue of $102.9 million represents 29.3% of Canaccord Adams' total revenue. In the US, revenue was $67.5 million, and represents 19.2% of Canaccord Adams' total revenue. Revenue from Other Foreign Location was $10.4 million, and represents 3.0% of Canaccord Adams' total revenue.

Year-to-date expenses were $267.9 million, up $30.4 million. The largest increases in non-compensation expenses were in development costs, up $6.7 million, and general and administrative expense, up $4.5 million. Within general and administrative expense, promotion and travel was up 33.2% or $4.3 million. Also included in expenses was the ABCP fair value adjustment of $2.2 million from the total $8.6 million ABCP fair value adjustment for the year to date of fiscal 2008.

The increase of $13.5 million in incentive compensation for the period is mainly attributable to the increase in incentive-based revenue for the year to date of fiscal 2008. Salary and benefits expense was up $1.9 million from a year ago. The total compensation expense payout as a percentage of revenue for the year to date of fiscal 2008 was 52.8%, down 0.8 percentage points from 53.6% for the same period a year ago.

Income before income taxes and corporate overhead allocations for the period was $85.7 million, up $3.7 million from the same period a year ago.

Private Client Services

(C$ thousands, except assets under administration and assets under management, which are in C$ millions; employees; Investment Advisors; and % amounts)	Three months ended December 31		Year-over-year increase (decrease)	Nine months ended December 31		Year-over-year increase (decrease)
	2007	2006		**2007**	2006	
Revenue	**$ 61,166**	$ 68,831	(11.1)%	**$ 194,664**	$ 196,743	(1.1)%
Expenses						
Incentive compensation	**28,443**	31,848	(10.7)%	**91,474**	90,101	1.5%
Salaries and benefits	**3,272**	3,039	7.7%	**10,831**	9,323	16.2%
Other overhead expenses	**16,417**	15,291	7.4%	**47,014**	47,317	(0.6)%
Total expenses	**$ 48,132**	$ 50,178	(4.1)%	**$ 149,319**	$ 146,741	1.8%
Income before income taxes (1)	**13,034**	18,653	(30.1)%	**45,345**	50,002	(9.3)%
Assets under management (AUM)	**760**	814	(6.6)%			
Assets under administration (AUA)	**14,860**	14,121	5.2%			
Number of Investment Advisors (IAs)	**456**	432	5.6%			
Number of employees	**772**	725	6.5%			

(1) Income before income taxes excludes allocated overhead expenses that are included in Corporate and Other segment expenses.

Revenue from Private Client Services is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by IAs in respect of investment banking and venture capital transactions by private clients.

Third quarter 2008 vs. third quarter 2007

Revenue from Private Client Services was $61.2 million, down $7.7 million mainly due to challenging market conditions during the quarter. AUA of $14.9 billion was up by $0.7 billion compared to Q3/07. AUM was $760 million, down 6.6% year over year. There were 456 IAs at the end of the third quarter of fiscal 2008, up 5.6% from a year ago. Fee-related revenue as a percentage of total Private Client Services revenue was up 6.8 percentage points to 29.6% from the same period last year.

Expenses for Q3/08 were $48.1 million, down $2.0 million. For the quarter, the largest decrease in expenses was in incentive compensation expense, down $3.4 million due to lower revenue. This decrease was offset by an increase in interest expense which was up 20.2% this quarter largely due to larger cash balances in our client accounts this year versus last year. The total compensation expense payout as a percentage of revenue for the quarter was 51.9%, up 1.2 percentage points from 50.7% for the same period a year ago.

Income before income taxes and corporate allocations for the quarter was $13.0 million, down $5.6 million or 30.1% from the same period a year ago.

Year-to-date fiscal year 2008 vs. year-to-date fiscal year 2007

Revenue from Private Client Services was $194.7 million, down $2.1 million mainly due to less favourable market conditions in North America for the year to date of fiscal 2008 compared to the same period a year ago. Fee-related revenue as a percentage of total Private Client Services revenue was up 3.6 percentage points to 26.5% compared to the same period last year.

Expenses for the nine months ended December 31, 2007 were $149.3 million, up $2.6 million. The largest increase in expenses was in interest expense, up $2.7 million due to higher interest rates and larger cash balances in our client accounts this year versus last year, salary and benefits up $1.5 million, and incentive compensation expense up $1.4 million due to higher incentive-based revenue as a percentage of total revenue for the year to date of fiscal 2008 compared to the same period a year ago. These increases were offset by a decrease in general and administrative expense, down $2.2 million largely related to lower provisions made in Q3/08 versus Q3/07. The total compensation expense payout as a percentage of revenue for the year to date of fiscal 2008 was 52.6%, up 2.1 percentage points from 50.5% for the same period a year ago.

Income before income taxes and corporate allocations for the year to date of fiscal 2008 was $45.3 million, down 9.3% from the same period a year ago.

Corporate and Other

(C$ thousands, except employees and % amounts)	Three months ended December 31 2007	2006	Year-over-year increase (decrease)	Nine months ended December 31 2007	2006	Year-over-year increase (decrease)
Revenue	**$ 12,605**	$ 8,055	56.5%	**$ 39,752(1)**	$ 24,162	64.5%
Expenses						
Incentive compensation	**4,402**	6,072	(27.5)%	**15,785**	16,495	(4.3)%
Salaries and benefits	**6,111**	5,413	12.9%	**18,257**	16,849	8.4%
Other overhead expenses	**9,824**	7,697	27.6%	**28,339**	24,783	14.3%
ABCP fair value adjustment (2)	**3,125**	–	n.m.	**6,378(1)**	–	n.m.
Total expenses	**$ 23,462**	$ 19,182	22.3%	**$ 68,759**	$ 58,127	18.3%
(Loss) before income taxes	**(10,857)**	(11,127)	(2.4)%	**(29,007)**	(33,965)	(14.6)%
Loss before ABCP fair value adjustment and income taxes	**(7,732)**	(11,127)	(30.5)%	**(22,629)**	(33,965)	(33.4)%
Number of employees	**373**	348	7.2%			

(1) Revenue for Q2/08 has been recategorized to exclude the ABCP fair value adjustment. It has been included as an expense for Q2/08 and Q3/08.
(2) Represents the ABCP fair value adjustment for ABCP held by the Company.

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

Third quarter 2008 vs. third quarter 2007

Revenue for the three months ended December 31, 2007 was $12.6 million, up $4.5 million from the same quarter a year ago largely due to increases in interest rates and foreign exchange revenue.

Fiscal 2008 third quarter expenses were $23.5 million, up $4.3 million. Included in expenses is the ABCP fair value adjustment of $3.1 million of the total $4.2 million ABCP fair value adjustment during the quarter related to the corporately held ABCP originally in treasury. Loss before income taxes was $10.8 million, representing a $0.3 million improvement from the same quarter a year ago.

Year-to-date fiscal year 2008 vs. year-to-date fiscal year 2007

Revenue was $39.7 million, up $15.6 million from the same period a year ago for the same reasons mentioned above. Revenue in Q2/08 has been recategorized to exclude the ABCP fair value adjustment.

Expenses for the year to date of fiscal 2008 were $68.7 million, up $10.6 million. The largest increase in expenses is the ABCP fair value adjustment of $6.4 million of the $8.6 million total ABCP fair value adjustment related to the corporately held ABCP originally in treasury. This includes the Q2/08 ABCP fair value adjustment that was previously booked in revenue. Interest expense increased by $1.5 million, largely attributable to our subordinated debt facility. Salary and benefits expense increased by $1.4 million and general and administrative expense increased by $1.3 million.

Loss before income taxes was $29.0 million representing a $4.9 million improvement from the same period a year ago.

FINANCIAL CONDITION

Below are specific changes in selected balance sheet items.

Cash and cash equivalents

Cash and cash equivalents were $421.8 million on December 31, 2007 compared to $506.6 million on March 31, 2007. Operating activities used cash of $6.4 million due to net changes in non-cash working capital items comprising mostly a decrease in accounts receivable of $366.9 million offset by a decrease in accounts payable and accrued liabilities of $631.8 million.

Accounts receivable

Client security purchases are entered into on either a cash or a margin basis. When securities are purchased on margin, Canaccord extends a loan to the client, using securities purchased and/or securities in the client's account as collateral. Client accounts receivable were $499.7 million on December 31, 2007 compared to $694.1 million on March 31, 2007. These receivables vary significantly on a day-to-day basis, as they are based on trading volumes. On December 31, 2007 total accounts receivable were $1.3 billion compared with $1.7 billion on March 31, 2007 mainly due to increases in brokers', dealers' and clients' accounts at fiscal quarter end.

Call loans

Loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. The amounts borrowed pursuant to call loan facilities on December 31, 2007 and on March 31, 2007 were nil.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2007 Canaccord has credit facilities with Canadian, US and UK banks in an aggregate amount of $521.1 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by unpaid securities and/or securities owned by the Company. Canaccord Capital Corporation has provided a bank letter of credit in the amount of $1.2 million as a guarantee for lease obligations of Canaccord Adams Limited. Canaccord Adams Inc. has also entered into irrevocable standby letters of credit from a financial institution totalling $2.3 million (US$2.3 million) as rent guarantees for its leased premises in Boston, New York and San Francisco. As of December 31, 2007 there were no outstanding balances under these standby letters of credit.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure comprising share capital, retained earnings and accumulated other comprehensive income (losses). On December 31, 2007 cash and cash equivalents net of call loans were $421.8 million, down $84.8 million from $506.6 million as of March 31, 2007. During the quarter ended December 31, 2007 financing activities used cash in the amount of $10.1 million, which was primarily due to dividend payments of $5.9 million and the purchase of common shares related to Canaccord's LTIP of $5.0 million. Investing activities used cash in the amount of $2.1 million for the purchase of equipment and leasehold improvements. Operating activities provided cash in the amount of $105.7 million for the quarter, which was due to net change in non-cash working capital items, net income and items not affecting cash.

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

The addition of subordinated debt at the end of fiscal 2007 provides additional regulatory capital to support business activities across our global platform. Subordinated debt supports regulatory capital in our operating subsidiaries. Therefore, this addition of leverage to our balance sheet supports our ongoing growth initiatives.

Canaccord is committed to minimum lease payments for premises and equipment over the next five years. The following table summarizes the approximate amount of Canaccord's consolidated long-term contractual obligations as of December 31, 2007.

Contractual obligation payments due by period

(C$ in thousands)	**Total**	Fiscal 2009	Fiscal 2010 – Fiscal 2011	Fiscal 2012 – Fiscal 2013	Thereafter
Premises and equipment operating leases	**$ 163,142**	$ 20,814	$ 38,518	$ 32,833	$ 70,977

OUTSTANDING SHARE DATA

	Outstanding shares as of December 31	
	2007	2006
Issued shares excluding unvested shares (1)	**44,191,145**	46,320,542
Issued shares outstanding (2)	**47,835,051**	47,831,203
Diluted shares (3)	**49,095,816**	48,045,762
Average shares outstanding – basic	**44,670,881**	46,273,768
Average shares outstanding – diluted (4)	**48,420,575**	48,045,762

(1) Excludes 2,390,540 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs and 1,253,366 unvested shares purchased by employee benefit trust for the LTIP.
(2) Includes 2,390,540 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs and 1,253,366 unvested shares purchased by employee benefit trust for the LTIP.
(3) Includes dilutive earned shares under our stock-based compensation plans.
(4) This is the diluted share number used to calculate diluted EPS.

At December 31, 2007 Canaccord had 47,835,051 common shares issued and outstanding, an increase of 3,848 common shares from December 31, 2006 due to the net effect of shares issued and shares cancelled.

The Company renewed its normal course issuer bid (NCIB) and is entitled to acquire, from December 31, 2007 to December 30, 2008, up to 2,391,753 of its shares, which represent 5% of its shares outstanding as of December 21, 2007. There were no share transactions under the NCIB between March 31, 2007 and December 31, 2007. However, the employee benefit trust has purchased 1,253,366 shares for the LTIP, and the Company, through wholly owned subsidiaries, acquired 79,149 shares in exempt offers to former employees in accordance with pre-existing contractual agreements; and the Company acquired 6,121 shares as an adjustment of the consideration for the acquisition of Adams Harkness Financial Group, Inc., which reduced the number of shares allowable under the NCIB to 1,053,244.

On January 3, 2006 Canaccord completed the acquisition of Adams Harkness Financial Group, Inc., which was a privately held Boston-based institutional investment bank. The consideration consisted of US$8.0 million in cash and the issuance of 1,342,696 common shares from treasury valued at US$12.0 million. On closing, these shares were delivered into escrow, subject to annual releases of one-third per year beginning on June 30, 2006 and ending on June 30, 2008.

In connection with the acquisition of Adams Harkness Financial Group, Inc. a retention plan was established, which provides for the issuance of up to 1,118,952 common shares after a three-year vesting period ending on December 31, 2008. The total number of shares to be vested is also based on revenue earned by Canaccord Adams Inc. subsequent to the date of acquisition. The aggregate number of common shares that will vest and will therefore be issued at the end of the vesting period will be the number that is equal to the revenue earned by Canaccord Adams Inc. during the vesting period, divided by US$250.0 million, multiplied by the number of common shares subject to the retention plan (804,012 common shares after forfeitures as of December 31, 2007). As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in weighted average diluted common shares outstanding.

INTERNATIONAL FINANCIAL CENTRE

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

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On December 31, 2007 forward contracts outstanding to sell US dollars had a notional amount of US$7.0 million, down from US$12.9 million a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$11.0 million, up from US$2.5 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in London, England are conducted in UK pounds sterling, however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in UK pounds sterling.

CRITICAL ACCOUNTING ESTIMATES

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with Canadian GAAP and are described in Note 1 to the audited consolidated financial statements for the year ended

March 31, 2007. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature estimates require judgment based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

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

ABCP fair value adjustment

The third party asset-backed commercial paper (ABCP) last traded on an active market on August 13, 2007 and there are currently no market quotations available for this ABCP. The Montreal Proposal was unveiled in August by a group of major financial institutions, spearheaded by the Caisse de depot et placement du Quebec.

Subsequently, on September 6, 2007 we announced our support for the Pan-Canadian Investors Committee for ABCP, with Canaccord participating on the committee. This committee has convened to seek options for the equitable restructuring of ABCP conduits. The committee includes investors who were signatories to the Montreal Proposal plus other significant holders.

On December 23, 2007, a comprehensive restructuring of the ABCP was agreed to in principle. The approval of the restructuring is subject to votes by all investors, and is anticipated to close by March 2008. The Company believes the majority of its ABCP holdings will be eligible for restructuring.

At December 31, 2007, Canaccord held as principal ABCP with a par value of $43.2 million. At the dates the Company acquired the ABCP it was rated R1 (High) by Dominion Bond Rating Services (DBRS), the highest credit rating issued for commercial paper. As it matured, the ABCP did not settle as a result of liquidity issues in the ABCP market. The ABCP in which the Company has invested continues to be rated R1 (High, Under Review with Developing Implications) by DBRS.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of its ABCP by discounting expected future cash flows considering the best available data. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods.

The ABCP was classified as held for trading on initial adoption of Section 3855. An adjustment of $4.2 million and $8.6 million has been recorded for the three and nine months ended December 31, 2007 to reflect the lack of liquidity in the ABCP market. The adjustment of $4.2 million for the three months ended December 31, 2007 reflects changes in market conditions. As a result of the proposed restructuring, the Company has also concluded that the most probable outcome is that the ABCP will not be realized within a year and has accordingly reclassified the ABCP from securities owned to long-term investments.

Provisions

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

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

Tax

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

Goodwill and other intangible assets

As a result of the acquisitions of Adams Harkness Financial Group, Inc. and Enermarket Solutions Ltd. Canaccord acquired goodwill and other intangible assets. Goodwill is the cost of the acquired companies in excess of the fair value of their net assets, including other intangible assets, at the acquisition date. The identification and valuation of other intangible assets required management to use estimates and make assumptions. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances, to ensure that the fair value of the reporting unit to which goodwill has been allocated is greater than or at least equal to its carrying value. Fair value will be determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables. The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges. Other intangible assets are amortized over their estimated useful lives and tested for impairment periodically or whenever a potential impairment may arise as a result of an event or change in circumstances. Management must exercise judgment and make use of estimates and assumptions in determining the estimated useful lives of other intangible assets and in periodic determinations of value.

Consolidation of variable interest entities

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

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

Recent accounting pronouncements

The CICA has issued a new accounting standard, Section 1535, "*Capital Disclosures*", which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt Section 1535 effective April 1, 2008.

In addition, the CICA issued two accounting standards related to the disclosure and presentation of financial instruments. CICA Handbook Section 3862, "*Financial Instruments – Disclosure*" and CICA Handbook Section 3863, "*Financial Instruments – Presentation*" apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt these new standards effective April 1, 2008.

RETENTION PLANS

Stock-based compensation

In connection with the acquisition of Enermarket Solutions Ltd., Canaccord agreed to issue common shares to key employees of Enermarket and its senior management over two years. These shares have all been issued as of December 31, 2007. Similarly, in connection with the acquisition of Adams Harkness Financial Group, Inc., Canaccord agreed to issue common shares to certain key employees of Adams Harkness upon the expiry of a three-year vesting period with the numbers of common shares to be adjusted in the event that certain revenue targets are not achieved.

Long term incentive plan

The long term incentive plan (LTIP) is a new plan implemented in the first quarter of fiscal 2008. Under the LTIP eligible participants are awarded restricted share units which vest over three years.

RELATED PARTY TRANSACTIONS

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

CHANGES IN ACCOUNTING POLICIES

On April 1, 2007 the Company adopted the provisions of CICA Handbook Section 3855, "*Financial Instruments – Recognition and Measurement*", CICA Handbook Section 3865, "*Hedges*" and CICA Handbook Section 1530, "*Comprehensive Income*".

Financial Instruments – Recognition and Measurement

Section 3855 prescribes the recognition and measurement of financial instruments. It requires all financial assets and liabilities (including derivatives) to be measured at fair value on initial recognition except for certain related-party transactions. Measurement in subsequent periods depends on the classification of the instruments. All financial instruments must be classified as one of the following: held for trading, held to maturity, loans and receivables, available for sale assets, and other.

The financial assets categorized as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instrument as held for trading on initial recognition or adoption of this standard even if that instrument would not otherwise meet the definition of held for trading as specified in Section 3855. The Company's financial instruments classified as held for trading include commercial paper and bankers' acceptances, marketable securities owned and sold short, forward contracts and broker warrants. The Company has historically measured these instruments at fair value and any unrealized gains and losses have been included in income. The Company's accounting treatment of these instruments remains unchanged as a result of adoption of the new accounting standards.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Company's investment to develop a new Alternative Trading System has been classified as available for sale. The investment has been carried at cost as there is no available quoted market price in an active market.

The financial assets classified as loans and receivables and held to maturity are measured at amortized cost. There is no change in accounting treatment for these financial instruments as a result of adoption of Section 3855.

Hedges

Section 3865 sets out the criteria of when hedge accounting is applied and how it is applied. It provides the option of designating qualifying transactions as hedges for accounting purposes. The qualifying hedging relationships include fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. The changes in the fair value of the hedging derivatives will be recognized in net earnings or other comprehensive income depending on the nature of the hedging relationships. Any gains and losses resulting from any ineffectiveness in hedging relationships are recognized in net income immediately. The Company does not currently apply hedge accounting and as a result Section 3865 does not apply to the Company at this time.

Comprehensive Income

Section 1530 establishes standards for the reporting and disclosure of other comprehensive income (OCI) in a new category, Accumulated Other Comprehensive Income (Losses), which will be added to shareholders' equity on the consolidated balance sheet. Comprehensive income includes all changes in equity of the Company during a period except those resulting from investments by shareholders and distributions to shareholders. The major components included in Accumulated Other Comprehensive Income (Losses) are unrealized gains and losses on financial assets classified as available for sale, and unrealized foreign exchange gains and losses arising on translation of the financial statements of self-sustaining foreign operations.

As a result of adopting Section 1530, the Company has disclosed the OCI in a new category, Accumulated Other Comprehensive Income (Losses), which has been added to shareholders' equity on the consolidated balance sheet. The OCI comprises the cumulative translation adjustment arising on the translation of the financial statements of self-sustaining foreign operations. The Company has reclassified $6.3 million of cumulative translation adjustments to the opening balance of Accumulated Other Comprehensive Income (Losses).

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Canaccord's management, including the CEO and the Executive Vice President & CFO, has designed disclosure controls and procedures to provide reasonable assurance that all relevant information is identified to the Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that occurred during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

DIVIDEND POLICY

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

DIVIDEND DECLARATION

For the third quarter of fiscal 2008, the Board of Directors approved a quarterly dividend of $0.125 per share. Dividends are payable on March 10, 2008 to shareholders of record on February 22, 2008. The common share dividend payment to common shareholders will total approximately $5.8 million or about 38.7% of third quarter net income. Canaccord intends to pay a $0.125 regular quarterly common share dividend for each quarter in fiscal 2008.

HISTORICAL QUARTERLY INFORMATION

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

The following table provides selected quarterly financial information for the nine most recently completed financial quarters ended December 31, 2007. 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 2008			Fiscal 2007				Fiscal 2006	
(C$ thousands, except EPS in $)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue									
Canaccord Adams	**$109,583**	**$ 87,925**	**$155,023**	$ 130,151	$ 101,427	$ 93,033	$ 125,106	$ 120,243	$ 98,918
Private Client Services	**61,166**	**57,415**	**76,083**	75,876	68,831	55,626	72,286	78,422	54,731
Corporate and Other	**12,605**	**9,130**	**14,764**	10,416	8,055	7,372	8,735	8,409	5,021
Total revenue	**$183,354**	**$154,470**	**$245,870**	$ 216,443	$ 178,313	$ 156,031	$ 206,127	$ 207,074	$ 158,670
Net income	**15,048**	**12,411**	**39,029**	26,016	23,692	17,806	25,942	30,070	24,248
EPS – basic	**$ 0.34**	**$ 0.28**	**$ 0.86**	$ 0.57	$ 0.51	$ 0.39	$ 0.57	$ 0.66	$ 0.55
EPS – diluted	**$ 0.31**	**$ 0.26**	**$ 0.80**	$ 0.54	$ 0.49	$ 0.37	$ 0.54	$ 0.63	$ 0.52

RISKS

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. An investment in the common shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord's business. Canaccord is also directly exposed to market price risks, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to specific interest rate risk as a result of its principal trading in fixed income securities. Private Client Services' revenue is dependent on trading volumes and, as such, is dependent on the level of market activity and investor confidence. Canaccord Adams' revenue is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations and changes in business conditions and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. Furthermore, Canaccord may not achieve its growth plans associated with the acquisition and integration of Adams Harkness Financial Group, Inc.

ADDITIONAL INFORMATION

A comprehensive discussion of our business, strategies, objectives and risks is available in our Annual Information Form and Management's Discussion and Analysis, including our audited annual financial statements in Canaccord's 2007 Annual Report, which are available on our Web site at canaccord.com/investor and on SEDAR at sedar.com.

INTERIM CONSOLIDATED BALANCE SHEETS *(Unaudited)*

As at (in thousands of dollars)	**December 31, 2007**	March 31, 2007	December 31, 2006
ASSETS			
Current			
Cash and cash equivalents	**$ 421,783**	$ 506,640	$ 371,525
Securities owned, at market [note 3]	**164,388**	348,764	146,030
Accounts receivable [notes 5 and 12]	**1,260,869**	1,672,035	1,204,371
Income taxes recoverable	**2,758**	–	–
Total current assets	**1,849,798**	2,527,439	1,721,926
Investment [note 6]	**5,000**	–	–
Investment in asset-backed commercial paper [note 7]	**34,501**	–	–
Equipment and leasehold improvements	**39,939**	37,549	33,566
Future income taxes	**10,630**	11,021	11,782
Goodwill and other intangible assets [note 8]	**32,873**	33,933	26,869
	$ 1,972,741	$ 2,609,942	$ 1,794,143
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Securities sold short, at market [note 3]	**$ 96,383**	$ 41,176	$ 54,467
Accounts payable and accrued liabilities [notes 5 and 12]	**1,461,130**	2,156,540	1,380,767
Income taxes payable	**–**	15,035	3,681
Subordinated debt [note 9]	**25,000**	25,000	–
Total current liabilities	**1,582,513**	2,237,751	1,438,915
Commitments and contingencies [note 14]			
Shareholders' equity			
Share capital [note 10]	**141,370**	156,296	159,520
Retained earnings	**263,571**	213,659	192,425
Accumulated other comprehensive income (losses) [note 2]	**(14,713)**	2,236	3,283
Total shareholders' equity	**390,228**	372,191	355,228
	$ 1,972,741	$ 2,609,942	$ 1,794,143

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS *(Unaudited)*

(in thousands of dollars, except per share amounts)	For the three months ended December 31, 2007	For the three months ended December 31, 2006	For the nine months ended December 31, 2007	For the nine months ended December 31, 2006
REVENUE				
Commission	**$ 74,959**	$ 74,380	**$ 226,462**	$ 215,990
Investment banking	**84,910**	78,177	**287,266**	251,135
Principal trading	**387**	9,035	**3,275**	22,209
Interest	**16,011**	14,355	**48,594**	42,252
Other	**7,087**	2,366	**22,496**	8,885
	183,354	178,313	**588,093**	540,471
EXPENSES				
Incentive compensation	**90,778**	89,466	**283,600**	269,395
Salaries and benefits	**12,658**	11,610	**39,576**	34,746
Trading costs	**7,054**	6,056	**21,261**	20,734
Premises and equipment	**5,781**	5,810	**16,775**	17,561
Communication and technology	**5,611**	5,352	**17,163**	15,802
Interest	**6,574**	4,926	**19,155**	15,310
General and administrative	**17,390**	14,413	**51,416**	47,807
Amortization	**2,197**	1,797	**6,320**	6,152
Development costs	**6,774**	5,247	**22,113**	14,903
Asset-backed commercial paper fair value adjustment [note 7]	**4,226**	–	**8,625**	–
	159,043	144,677	**486,004**	442,410
Income before income taxes	**24,311**	33,636	**102,089**	98,061
Income tax expense (recovery)				
Current	**10,395**	8,973	**37,775**	31,634
Future	**(1,132)**	971	**(2,174)**	(1,013)
	9,263	9,944	**35,601**	30,621
Net income for the period	**$ 15,048**	$ 23,692	**$ 66,488**	$ 67,440
Basic earnings per share [note 10[vi]]	**$ 0.34**	$ 0.51	**$ 1.49**	$ 1.46
Diluted earnings per share [note 10[vi]]	**$ 0.31**	$ 0.49	**$ 1.37**	$ 1.40

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY *(Unaudited)*

As at and for the nine months ended December 31, 2007 and 2006 and for the year ended March 31, 2007
(in thousands of dollars)

	December 31, 2007	March 31, 2007	December 31, 2006
Common shares, opening	**$ 147,900**	$ 152,705	$ 152,705
Shares issued	**495**	194	122
Shares cancelled	**(127)**	(45)	(23)
Acquisition of common shares for long term incentive plan [note 11]	**(23,335)**	–	–
Unvested share purchase loans	**(9,285)**	(4,954)	1,759
Common shares, closing	**115,648**	147,900	154,563
Contributed surplus, opening	**8,396**	4,939	4,939
Excess on redemption of common shares [note 10[iii]]	**(369)**	(38)	(38)
Excess (shortfall) on distribution of acquired common shares [note 10[v]]	**(29)**	1,623	1,623
Stock-based compensation [note 11]	**14,841**	–	–
Unvested share purchase loans	**2,883**	1,872	(1,567)
Contributed surplus, closing	**25,722**	8,396	4,957
Share capital	**141,370**	156,296	159,520
Retained earnings, opening	**213,659**	136,463	136,463
Net income for the period	**66,488**	93,456	67,440
Cash dividends	**(16,576)**	(16,260)	(11,478)
Retained earnings, closing	**263,571**	213,659	192,425
Accumulated other comprehensive income (losses), opening	**2,236**	(6,277)	(6,277)
Other comprehensive income (loss)	**(16,949)**	8,513	9,560
Accumulated other comprehensive income (losses), closing	**(14,713)**	2,236	3,283
Shareholders' equity	**$ 390,228**	$ 372,191	$ 355,228

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(Unaudited)*

	For the three months ended		For the nine months ended	
(in thousands of dollars)	**December 31, 2007**	December 31, 2006	**December 31, 2007**	December 31, 2006
Net income for the period	**$ 15,048**	$ 23,692	**$ 66,488**	$ 67,440
Other comprehensive income (loss), net of taxes				
Net change in unrealized gains (losses) on translation of self-sustaining foreign operations	**(3,149)**	8,242	**(16,949)**	9,560
Comprehensive income for the period	**$ 11,899**	$ 31,934	**$ 49,539**	$ 77,000

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS *(Unaudited)*

(in thousands of dollars)	For the three months ended December 31, 2007	For the three months ended December 31, 2006	For the nine months ended December 31, 2007	For the nine months ended December 31, 2006
OPERATING ACTIVITIES				
Net income for the period	**$ 15,048**	$ 23,692	**$ 66,488**	$ 67,440
Items not affecting cash				
Amortization	**2,197**	1,797	**6,320**	6,152
Future income tax expense (recovery)	**(1,132)**	971	**(2,174)**	(1,013)
Stock option expense	**41**	–	**123**	–
Changes in non-cash working capital				
Decrease (increase) in securities owned	**28,165**	(25,299)	**148,239**	58,128
Decrease in accounts receivable	**521,844**	13,274	**366,895**	396,218
Increase in securities sold short	**47,602**	28,529	**55,216**	17,298
Increase (decrease) in accounts payable and accrued liabilities	**(504,737)**	14,772	**(631,797)**	(513,239)
Increase (decrease) in income taxes payable	**(3,322)**	1,674	**(15,710)**	(12,694)
Cash provided by (used in) operating activities	**105,706**	59,410	**(6,400)**	18,290
FINANCING ACTIVITIES				
Issuance of shares	**48**	122	**495**	122
Decrease (increase) in unvested common share purchase loans	**1,214**	(1,879)	**(6,402)**	(489)
Redemption of share capital	**(497)**	(61)	**(497)**	(61)
Acquisition of common shares for long term incentive plan	**(5,040)**	–	**(23,335)**	–
Dividends paid	**(5,856)**	(3,826)	**(16,576)**	(11,478)
Cash used in financing activities	**(10,131)**	(5,644)	**(46,315)**	(11,906)
INVESTING ACTIVITIES				
Purchase of equipment and leasehold improvements	**(2,116)**	(8,608)	**(9,506)**	(13,046)
Acquisition of investment	**–**	–	**(5,000)**	–
Cash used in investing activities	**(2,116)**	(8,608)	**(14,506)**	(13,046)
Effect of foreign exchange on cash balances	**(3,226)**	10,484	**(17,636)**	12,364
Increase (decrease) in cash position	**90,233**	55,642	**(84,857)**	5,702
Cash position, beginning of period	**331,550**	315,883	**506,640**	365,823
Cash position, end of period	**$ 421,783**	$ 371,525	**$ 421,783**	$ 371,525
Supplemental cash flow information				
Interest paid	**$ 6,579**	$ 4,897	**$ 19,130**	$ 15,181
Income taxes paid	**13,458**	3,927	**54,334**	38,608

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)*

For the three and nine months ended December 31, 2007
(in thousands of dollars, except per share amounts)

Through its principal subsidiaries, Canaccord Capital Inc. (the "Company") is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom and the United States of America. 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 private, institutional and corporate clients.

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

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These interim unaudited consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. These interim unaudited consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 1 to the Company's audited consolidated financial statements as at and for the year ended March 31, 2007 ("Audited Annual Consolidated Financial Statements"). Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the Audited Annual Consolidated Financial Statements.

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

Consolidation of variable interest entities

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

The Company has established an employee benefit trust [Note 11] to fulfill obligations to employees arising from the Company's stock-based compensation plan. The employee benefit trust has been consolidated in accordance with AcG-15 as it meets the definition of a VIE and the Company is the primary beneficiary of the employee benefit trust.

Recent accounting pronouncements

The CICA has issued a new accounting standard, Section 1535 "*Capital Disclosures*", which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt Section 1535 effective April 1, 2008.

In addition, the CICA issued two accounting standards related to the disclosure and presentation of financial instruments. CICA Handbook Section 3862 "*Financial Instruments – Disclosure*" and CICA Handbook Section 3863 "*Financial Instruments – Presentation*" apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company will adopt these new standards effective April 1, 2008.

2. CHANGE IN ACCOUNTING POLICIES

On April 1, 2007 the Company adopted the provisions of CICA Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*", CICA Handbook Section 3865 "*Hedges*" and CICA Handbook Section 1530 "*Comprehensive Income*".

Financial Instruments – Recognition and Measurement

This standard prescribes the recognition and measurement of financial instruments. Section 3855 requires that all financial assets and liabilities (including derivatives) be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the classification of the instruments. All financial instruments must be classified as one of the following categories: held for trading, held to maturity, loans and receivables, available for sale assets and other liabilities.

The financial assets categorized as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instruments as held for trading on initial recognition or adoption of this standard even if that instrument would not otherwise meet the definition of held for trading as specified in Section 3855. The Company's financial instruments classified as held for trading include commercial paper and bankers' acceptances, marketable securities owned and sold short, forward contracts and broker warrants. The Company has historically measured these instruments at fair value and any unrealized gains and losses had been included in income. Consequently, the Company's accounting treatment of these instruments remains unchanged as a result of adoption of the new accounting standards.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Company's investment [Note 6] has been classified as available for sale. The investment has been carried at cost as there is no available quoted market price in an active market.

The financial assets and liabilities classified as loans and receivables, held to maturity and other liabilities are measured at amortized cost. There is no change in accounting treatment for these financial instruments as a result of adoption of Section 3855.

Hedges

This standard sets out the criteria of when hedge accounting is applied and how it is applied. It provides the option of designating qualifying transactions as hedges for accounting purposes. The qualifying hedging relationships include fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. The changes in the fair value of the hedging derivatives will be recognized in net earnings or other comprehensive income depending on the nature of the hedging relationships. Any gains and losses resulting from any ineffectiveness in hedging relationships are recognized in net income immediately. The Company does not currently apply hedge accounting and as a result Section 3865 does not apply to the Company at this time.

Comprehensive Income

This section establishes standards for the reporting and disclosure of other comprehensive income ("OCI") in a new category, Accumulated Other Comprehensive Income (Losses), which will be included in shareholders' equity on the consolidated balance sheet. Comprehensive income includes all changes in equity of the Company during a period except those resulting from investments by shareholders and distributions to shareholders. The major components included in Accumulated Other Comprehensive Income (Losses) are unrealized gains and losses on financial assets classified as available for sale, and unrealized foreign exchange gains and losses arising on translation of the financial statements of self-sustaining foreign operations.

As a result of adopting Section 1530, the Company has disclosed the OCI in a new category, Accumulated Other Comprehensive Income (Losses), which has been included in shareholders' equity on the consolidated balance sheet. The OCI is comprised of the cumulative translation adjustment arising on the translation of the financial statements of self-sustaining foreign operations. The Company has reclassified $6.3 million of cumulative translation adjustments to the opening balance of Accumulated Other Comprehensive Income (Losses).

3. SECURITIES OWNED AND SECURITIES SOLD SHORT

	December 31, 2007		March 31, 2007		December 31, 2006	
	Securities owned	**Securities sold short**	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	**$ 98,274**	**$ 84,484**	$ 23,786	$ 5,313	$ 50,438	$ 39,484
Equities and convertible debentures	**66,114**	**11,899**	324,978	35,863	95,592	14,983
	$ 164,388	**$ 96,383**	$ 348,764	$ 41,176	$ 146,030	$ 54,467

As at December 31, 2007, corporate and government debt maturities range from 2008 to 2054 [March 31, 2007 – 2007 to 2054 and December 31, 2006 – 2007 to 2037] and bear interest ranging from 2.85% to 11.60% [March 31, 2007 – 2.75% to 11.50% and December 31, 2006 – 2.60% to 11.50%].

The security positions are classified as held for trading under CICA Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*". Unrealized gains and losses are included in net income in the period incurred.

At December 31, 2007, the Company reclassified third party asset-backed commercial paper ("ABCP") with a par value of $43.2 million and a fair value of $34.5 million from securities owned to long-term investment [Note 7] based on management's assessment of current market conditions.

4. FOREIGN EXCHANGE RISK

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. The Company periodically trades certain foreign exchange contracts to manage and hedge foreign exchange risk on pending settlements in foreign currencies. As the Company does not currently apply hedge accounting, these contracts are classified as held for trading. Consequently, realized and unrealized gains and losses related to these contracts are recognized in income during the year.

Forward contracts outstanding at December 31, 2007:

	Notional amounts (millions of USD)	**Average price (CAD/USD)**	**Maturity**	**Fair value (millions of USD)**
To sell US dollars	**$ 7.00**	**$ 0.99**	**January 3, 2008**	**$ 0.1**
To buy US dollars	**$ 11.00**	**$ 0.99**	**January 3, 2008**	**$ (0.1)**

Forward contracts outstanding at March 31, 2007:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 12.90	$ 1.16	April 30, 2007	$ 0.1
To buy US dollars	$ 2.50	$ 1.16	April 3, 2007	$ (0.1)

Forward contracts outstanding at December 31, 2006:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$ 5.25	$ 1.16	January 2, 2007	$ 0.1
To buy US dollars	$ 8.00	$ 1.16	January 3, 2007	$ (0.1)

5. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	December 31, 2007	March 31, 2007	December 31, 2006
Brokers and investment dealers	**$ 383,120**	$ 571,461	$ 384,328
Clients	**499,739**	694,123	459,522
RRSP cash balances held in trust	**331,902**	349,932	318,661
Other	**46,108**	56,519	41,860
	$ 1,260,869	$ 1,672,035	$ 1,204,371

Accounts payable and accrued liabilities

	December 31, 2007	March 31, 2007	December 31, 2006
Brokers and investment dealers	**$ 391,091**	$ 442,828	$ 347,127
Clients	**902,226**	1,212,464	877,284
Other	**167,813**	501,248	156,356
	$ 1,461,130	$ 2,156,540	$ 1,380,767

Accounts payable to clients include $331.9 million [March 31, 2007 – $349.9 million and December 31, 2006 – $318.7 million] payable to clients for RRSP cash balances held in trust.

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client accounts. Interest on margin loans and amounts due to clients is based on a floating rate [December 31, 2007 – 8.00%–9.25% and 1.13%–3.00%, respectively; March 31, 2007 – 8.00%–10.25% and 2.27%–3.00%, respectively; and December 31, 2006 – 8.00%–10.25% and 2.25%–3.00%, respectively].

6. INVESTMENT

	December 31, 2007	March 31, 2007	December 31, 2006
Available for sale	$ 5,000	$ –	$ –

The Company has invested $5 million in a limited partnership as part of its initiative to develop a new Alternative Trading System. The investment is carried at cost as there is no available quoted market price in an active market.

7. INVESTMENT IN ASSET-BACKED COMMERCIAL PAPER

	December 31, 2007	March 31, 2007	December 31, 2006
Investment in asset-backed commercial paper	$ 34,501	$ –	$ –

At December 31, 2007 the Company held ABCP with a par value of $43.2 million and a fair value of $34.5 million. At the dates the Company acquired the ABCP it was rated R1 (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. The ABCP did not settle as it matured as a result of liquidity issues in the ABCP market. There has been no active trading of the ABCP since mid-August 2007 and no market quotations are currently available. The ABCP in which the Company has invested continues to be rated R1 (High, Under Review with Developing Implications) by DBRS.

On December 23, 2007, a comprehensive restructuring of the ABCP was agreed to in principle between all parties. The approval of the restructuring is subject to votes by all investors, and is anticipated to close in March 2008. The Company believes the majority of its ABCP holdings will be eligible for restructuring.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of its ABCP by discounting expected future cash flows considering the best available data. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods.

The ABCP was classified as held for trading on initial adoption of Section 3855. An adjustment of $4.2 million and $8.6 million has been recorded for the three and nine months ended December 31, 2007 to reflect the lack of liquidity in the ABCP market. The additional adjustment of $4.2 million for the three months ended December 31, 2007 reflects changes in market conditions. As a result of the proposed restructuring, the Company has also concluded that the most probable outcome is that the ABCP will not be realized within a year and has accordingly reclassified the ABCP from securities owned to long-term investments.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

	December 31, 2007	March 31, 2007	December 31, 2006
Goodwill	$ 30,070	$ 30,070	$ 22,653
Other intangible assets			
Balance at beginning of period	3,863	5,276	5,276
Amortization	1,060	1,413	1,060
Balance at end of period	2,803	3,863	4,216
	$ 32,873	$ 33,933	$ 26,869

Other intangible assets reflect assigned values related to acquired brand names, customer relationships and technology and are amortized on a straight-line basis over their estimated useful life of four years. Goodwill and other intangible assets relate to the Canaccord Adams operating segment.

In March 2007, the Company completed its assessment of the net assets acquired in connection with the purchase price allocation for the acquisition of Adams Harkness Financial Group, Inc. in January 2006, and goodwill was increased to $30.1 million to reflect finalization of the fair value assessment of future income tax benefits.

9. SUBORDINATED DEBT

	December 31, 2007	March 31, 2007	December 31, 2006
Loan payable, interest payable monthly at prime + 2% per annum, due on demand	**$ 25,000**	$ 25,000	$ –

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

10. SHARE CAPITAL

	December 31, 2007	March 31, 2007	December 31, 2006
Share capital			
Common shares	**$ 173,799**	$ 173,431	$ 173,381
Unvested share purchase loans	**(34,816)**	(25,531)	(18,818)
Acquisition of common shares for long term incentive plan [note 11]	**(23,335)**	–	–
Contributed surplus	**25,722**	8,396	4,957
	$ 141,370	$ 156,296	$ 159,520

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

[i] Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

[ii] Issued and fully paid

Common shares

	Number of shares	Amount
Balance, December 31, 2006	47,831,203	$ 173,381
Shares issued in connection with stock compensation plans [note 11]	6,879	72
Shares cancelled	(6,121)	(22)
Balance, March 31, 2007	47,831,961	173,431
Shares issued for cash	25,000	350
Shares issued in connection with stock compensation plan [note 11]	13,217	145
Shares cancelled	(35,127)	(127)
Balance, December 31, 2007	**47,835,051**	**$ 173,799**

The Company renewed its normal course issuer bid ("NCIB") on December 24, 2007 and is entitled to acquire from December 31, 2007 to December 30, 2008, up to 2,391,753 of its shares, which represented 5% of its shares outstanding as of December 21, 2007. There were no share transactions under the NCIB between March 31, 2007 and December 31, 2007. However, the employee benefit trust purchased 1,253,366 shares for the long term incentive plan [Note 11] and the Company acquired 6,121 shares as an adjustment of the consideration for the acquisition of Adams Harkness Financial Group, Inc. and 79,149 shares in exempt offers to former employees in accordance with pre-existing contractual arrangements, which reduced the number of shares allowable under the NCIB to 1,053,244.

[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. The excess on redemption of common shares has been charged against contributed surplus.

	For the three months ended		For the nine months ended	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Redemption price	**$ 497**	$ 61	**$ 497**	$ 61
Book value	**128**	23	**128**	23
Excess on redemption of common shares	**$ 369**	$ 38	**$ 369**	$ 38

[iv] Common share purchase loans

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

[v] Distribution of acquired common shares

In December 2007, the Company repurchased 79,149 common shares for $1.1 million from departed employees as settlement of the unvested portion of forgivable loans. A total of 44,022 common shares were subsequently distributed to existing employees at the market price of $14.01 per share for cash proceeds of $0.6 million. The shortfall on distribution of $29 has been charged against contributed surplus. The Company has cancelled the remaining 35,127 common shares.

In December 2006, the Company repurchased 195,968 common shares for $1.9 million from departed employees as settlement of the unvested portion of forgivable loans. A total of 189,567 common shares were subsequently distributed to existing employees at the market price of $18.20 per share for cash proceeds of $3.5 million. The excess on distribution of $1.6 million has been credited to contributed surplus. The Company has cancelled the remaining 6,401 common shares.

[vi] Earnings per share

	For the three months ended		For the nine months ended	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Basic earnings per share				
Net income for the period	**$ 15,048**	$ 23,692	**$ 66,488**	$ 67,440
Weighted average number of common shares (number)	**44,442,253**	46,273,768	**44,670,881**	46,152,802
Basic earnings per share	**$ 0.34**	$ 0.51	**$ 1.49**	$ 1.46
Diluted earnings per share				
Net income for the period	**$ 15,048**	$ 23,692	**$ 66,488**	$ 67,440
Weighted average number of common shares (number)	**44,442,253**	46,273,768	**44,670,881**	46,273,768
Dilutive effect of unvested shares (number)	**2,390,540**	1,557,435	**2,390,540**	1,557,435
Dilutive effect of share issuance commitment in connection with retention plan (number) [note 11]	**420,359**	214,559	**420,359**	214,559
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 11]	**1,023,043**	–	**796,063**	–
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 11]	**48,158**	–	**142,732**	–
Adjusted weighted average number of common shares (number)	**48,324,353**	48,045,762	**48,420,575**	48,045,762
Diluted earnings per share	**$ 0.31**	$ 0.49	**$ 1.37**	$ 1.40

11. STOCK-BASED COMPENSATION PLANS

Retention plans

As described in the Audited Annual Consolidated Financial Statements, the Company established two retention plans in connection with the acquisitions of Enermarket and Adams Harkness.

The plan for Enermarket consisted of the issuance of up to 25,210 common shares of the Company over two years. The Company issued 10,254 common shares and 3,949 common shares under this plan in December 2006 and December 2007, respectively [Note 10[ii]]. The remaining shares have been forfeited.

The plan for Adams Harkness provides for the issuance of up to 1,118,952 common shares of the Company after a three-year vesting period. The total number of shares which will vest is also based on revenue earned by Canaccord Adams Inc. during the vesting period. The aggregate number of common shares which vest will be that number which is equal to the revenue earned by Canaccord Adams Inc. during the vesting period divided by US$250.0 million multiplied by the number of common shares subject to the retention plan (804,012 common shares as of December 31, 2007 and 1,004,750 common shares as of December 31, 2006). As such revenue levels are achieved during the vesting period, the associated proportion of the retention payment will be recorded as a development cost and the applicable number of retention shares will be included in diluted common shares outstanding [Note 10[vi]]. The Company has expensed $672 and $2,611 for the three and nine months ended December 31, 2007 ($517 and $1,670 for the three and nine months ended December 31, 2006). The Company issued 9,268 common shares for the nine months ended December 31, 2007 and 6,879 common shares in February 2007 to employees who have ceased their employment in circumstances where the retention plan provides for a partial vesting of the shares awarded under the plan [Note 10[ii]]. Under the fair value method the aggregate costs of the grants made under the Adams Harkness retention plan are estimated to be $11.7 million (US$10.0 million).

The following table details the activity under the Company's retention plans and employee treasury stock purchase plan:

	For the three months ended		For the nine months ended	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Number of common shares subject to the Enermarket retention plan:				
Beginning of period	**10,254**	25,210	**10,254**	25,210
Issued	**(3,949)**	(10,254)	**(3,949)**	(10,254)
Adjustments and forfeitures	**(6,305)**	(4,200)	**(6,305)**	(4,200)
End of period	**–**	10,756	**–**	10,756
Shares vested during the period	**3,949**	10,254	**3,949**	10,254
Number of common shares subject to the Adams Harkness retention plan:				
Beginning of period	**818,889**	1,004,750	**953,107**	1,046,219
Grants	**–**	–	**–**	72,733
Issued	**–**	–	**(9,268)**	–
Forfeitures	**(14,877)**	–	**(139,827)**	(114,202)
End of period	**804,012**	1,004,750	**804,012**	1,004,750
Shares vested during the period	**–**	–	**–**	–
Number of common shares subject to the employee treasury stock purchase plan:				
Beginning of period	**–**	184,517	**–**	276,776
Issued	**–**	–	**–**	(92,259)
Buyback		(184,517)		(184,517)
End of period	**–**	–	**–**	–

The costs of the retention plans have been recognized in the financial statements of the Company in accordance with the vesting terms of the respective plans.

Stock options

On May 16, 2007 the Company granted stock options to five independent directors. Each of the directors has been granted the option to purchase up to 25,000 common shares of the Company with an exercise price of $23.13 and a vesting period of four years. The term of the options is seven years. The fair value of the stock options has been estimated on grant date using the Black-Scholes option pricing model with the following assumptions:

	May 2007 grant
Dividend yield	1.80%
Expected volatility	30.00%
Risk-free interest rate	4.25%
Expected life	5 years

Compensation expense of $41 and $123 has been recognized for the three and nine months ended December 31, 2007.

A summary of stock options outstanding is as follows:

	For the three months ended		For the nine months ended	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Beginning of period	**125,000**	–	**–**	–
Grants	**–**	–	**125,000**	–
End of period	**125,000**	–	**125,000**	–

Long term incentive plan

The long term incentive plan ("LTIP") is a new plan implemented in the first quarter of fiscal 2008. Under the LTIP, eligible participants are awarded restricted share units which vest over three years. For employees in Canada, an employee benefit trust (the "Trust") has been established, and either (a) the Company will fund the Trust with cash, which will be used by a trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until restricted share units vest or (b) the Company will issue common shares from treasury to participants following vesting of restricted share units. For employees in the United States and the United Kingdom, at the time of each restricted share unit award the Company will allot common shares and these shares will be issued from treasury at the time they vest for each participant. The shares issued as part of the LTIP will generally be offset by purchases under the Company's normal course issuer bid.

On June 5, 2007 the Board approved the award of 475,168 restricted common share units in lieu of cash compensation to employees. There were an additional 732,160 and 419,896 restricted common share units granted in lieu of cash compensation to employees on August 31, 2007 and November 30, 2007, respectively. The Trust has purchased $5.0 million and $23.3 million of common shares for the three and nine months ended December 31, 2007 [Note 10].

The cost of the restricted share units is amortized over the vesting period of three years. Compensation expense of $5.1 million and $11.1 million has been recognized for the three and nine months ended December 31, 2007.

	For the three months ended		For the nine months ended	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Awards outstanding, beginning of period	**1,207,328**	–	**–**	–
Granted	**419,896**	–	**1,627,224**	–
Vested	**–**	–	**–**	–
Awards outstanding, end of period	**1,627,224**	–	**1,627,224**	–

	For the three months ended		For the nine months ended	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Common shares held by Trust, beginning of period	**937,102**	–	**–**	–
Acquired	**316,264**	–	**1,253,366**	–
Released on vesting	**–**	–	**–**	–
Common shares held by Trust, end of period	**1,253,366**	–	**1,253,366**	–

12. RELATED PARTY TRANSACTIONS

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

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

	December 31, 2007	March 31, 2007	December 31, 2006
Accounts receivable	**$ 55,348**	$ 49,694	$ 49,789
Accounts payable and accrued liabilities	**$ 68,272**	$ 85,795	$ 101,368

13. SEGMENTED INFORMATION

The Company has two operating segments:

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

Canaccord Adams – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the United Kingdom and the United States of America.

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

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

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

For the three months ended December 31,	2007				2006			
	Canaccord Adams	**Private Client Services**	**Corporate and Other**	**Total**	Canaccord Adams	Private Client Services	Corporate and Other	Total
Revenues	**$109,583**	**$ 61,166**	**$ 12,605**	**$183,354**	$ 101,427	$ 68,831	$ 8,055	$ 178,313
Expenses	**82,529**	**46,087**	**21,456**	**150,072**	72,069	48,135	17,429	137,633
Amortization	**984**	**495**	**718**	**2,197**	785	380	632	1,797
Development costs	**3,936**	**1,550**	**1,288**	**6,774**	2,463	1,663	1,121	5,247
Income (loss) before income taxes	**$ 22,134**	**$ 13,034**	**$ (10,857)**	**$ 24,311**	$ 26,110	$ 18,653	$ (11,127)	$ 33,636

For the nine months ended December 31,	2007				2006			
	Canaccord Adams	**Private Client Services**	**Corporate and Other**	**Total**	Canaccord Adams	Private Client Services	Corporate and Other	Total
Revenues	**$353,677**	**$194,664**	**$ 39,752**	**$588,093**	$ 319,566	$ 196,743	$ 24,162	$ 540,471
Expenses	**251,236**	**143,659**	**62,676**	**457,571**	227,456	140,830	53,069	421,355
Amortization	**2,880**	**1,397**	**2,043**	**6,320**	3,026	1,210	1,916	6,152
Development costs	**13,810**	**4,263**	**4,040**	**22,113**	7,060	4,701	3,142	14,903
Income (loss) before income taxes	**$ 85,751**	**$ 45,345**	**$ (29,007)**	**$102,089**	$ 82,024	$ 50,002	$ (33,965)	$ 98,061

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

	For the three months ended **December 31, 2007**	For the three months ended December 31, 2006	For the nine months ended **December 31, 2007**	For the nine months ended December 31, 2006
Canada				
Revenue	**$ 125,102**	$ 134,705	**$ 404,470**	$ 376,363
Equipment and leasehold improvements	**24,400**	21,936	**24,400**	21,936
Goodwill and other intangible assets	**4,144**	4,396	**4,144**	4,396
United Kingdom				
Revenue	**$ 34,644**	$ 20,865	**$ 102,952**	$ 91,400
Equipment and leasehold improvements	**8,273**	9,154	**8,273**	9,154
United States				
Revenue	**$ 23,135**	$ 18,613	**$ 70,294**	$ 61,343
Equipment and leasehold improvements	**7,266**	2,476	**7,266**	2,476
Goodwill and other intangible assets	**28,729**	22,473	**28,729**	22,473
Other Foreign Location				
Revenue	**$ 473**	$ 4,130	**$ 10,377**	$ 11,365

14. COMMITMENTS AND CONTINGENCIES

Commitments

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

2009	$ 20,814
2010	20,117
2011	18,401
2012	16,784
2013	16,049
Thereafter	70,977
	$ 163,142

During the period, there have been no material changes to the Company's contingencies from those described in Note 16 of the March 31, 2007 Audited Annual Consolidated Financial Statements.

15. SUBSEQUENT EVENT

Dividend

On February 6, 2008 the Board of Directors declared a common share dividend of $0.125 per share payable on March 10, 2008, with a record date of February 22, 2008.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the December 31, 2007 interim consolidated financial statement presentation.

SHAREHOLDER INFORMATION

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The CCI fiscal 2007 Annual Report is available on our Web site at canaccord.com. For a printed copy please contact the Investor Relations department.

FISCAL 2008 EXPECTED DIVIDEND (1) AND EARNINGS DATES

	Earnings release date	Dividend record date	Dividend payment date
Q1/08	August 2, 2007	August 24, 2007	September 10, 2007
Q2/08	November 2, 2007	November 30, 2007	December 10, 2007
Q3/08	February 7, 2008	February 22, 2008	March 10, 2008
Q4/08	May 21, 2008	May 30, 2008	June 10, 2008

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

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

COMPUTERSHARE INVESTOR SERVICES INC.:
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514-982-7555 (international)
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Offers enrolment for self-service account management for registered shareholders through Investor Centre.

FINANCIAL INFORMATION:
For present and archived financial information, please visit canaccord.com/financialreports.

AUDITOR:
Ernst & Young LLP
Chartered Accountants
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