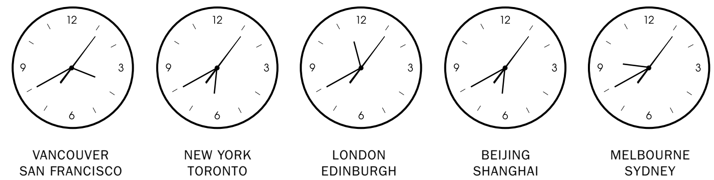
SECOND QUARTER

FISCAL 2012 REPORT TO SHAREHOLDERS

A WORLD OF OPPORTUNITY



CANACCORD Financial

Canaccord Financial Inc. Reports Second Quarter Fiscal 2012 Results

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

TORONTO, November 10, 2011 – During the second quarter of fiscal 2012, the quarter ended September 30, 2011, Canaccord Financial Inc. (Canaccord, TSX: CF, AIM: CF.) generated $119.5 million in revenue and recorded a net loss of $5.3 million, or $0.09 per common share. Acquisition-related expense items totalling $3.9 million, or $3.6 million after tax, were incurred during the quarter, including $1.4 million related to the acquisition of a 50% interest in BGF Equities[2], and $1.5 million associated with due diligence activities for a corporate development opportunity in the UK that Canaccord chose not to pursue. Excluding acquisition-related expense items, a non-IFRS measure, Canaccord recorded a net loss of $1.7 million or $0.05 per common share.[3]

"The investments we've made to expand our M&A and Advisory capabilities and strengthen our wealth management business have helped us generate more consistent earnings contributions from these operations. Still, ongoing global economic uncertainty and market volatility had a considerable impact on issuer confidence and investment banking activity," noted Paul Reynolds, President and CEO of Canaccord Financial Inc. "Our results this quarter reflect the challenging market environment; however, we remain very well capitalized and strategically positioned to expand our global platform and grow our market share."

SECOND QUARTER OF FISCAL 2012 VS. SECOND QUARTER OF FISCAL 2011

- Revenue of $119.5 million, down 20% or $29.8 million from $149.3 million
- Expenses of $126.4 million, down 6% or $8.3 million from $134.7 million
- Net loss of $5.3 million compared to net income of $10.3 million
- Return on common equity (ROE) of (2.8)%, down from 6.0%[3][4]
- Diluted loss per common share of $0.09 compared to diluted earnings per common share (EPS) of $0.12

Excluding acquisition-related expense items[3][5]

- Expenses of $122.5 million, down 8% or $10.3 million from $132.8 million
- Net loss of $1.7 million compared to net income of $12.1 million
- ROE of (0.9)%, down from 6.9%[3][4]
- Diluted loss per common share of $0.05 compared to diluted EPS of $0.15 in the second quarter of 2011

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SECOND QUARTER OF FISCAL 2012 VS. FIRST QUARTER OF FISCAL 2012

- Revenue of $119.5 million, down 25% or $40.3 million from $159.8 million
- Expenses of $126.4 million, down 12% or $17.6 million from $144.0 million
- Net loss of $5.3 million, compared to net income of $13.2 million
- ROE of (2.8)%, down from 7.0%(3)(4)
- Diluted loss per common share of $0.09 compared to diluted EPS of $0.16 in the first quarter of 2012

Excluding acquisition-related expense items(3)(5)

- Expenses of $122.5 million, down 14% or $20.6 million from $143.1 million
- Net loss of $1.7 million compared to net income of $14.1 million
- ROE of (0.9)%, down from 7.3%(3)(4)
- Diluted loss per common share of $0.05 compared to diluted EPS of $0.17 in the first quarter of 2012

First half of fiscal 2012 vs. first half of fiscal 2011
(Six months ended September 30, 2011 vs. six months ended September 30, 2010)

- Revenue of $279.3 million, down 7% or $21.9 million from $301.2 million
- Expenses of $270.4 million, down 3% or $8.6 million from $279.0 million
- Net income of $7.9 million compared to net income of $15.4 million
- ROE of 2.1%, down from 4.9%(3)(4)
- Diluted EPS of $0.07 compared to diluted EPS of $0.19 in the first half of fiscal 2011

Excluding acquisition-related expense items(3)(5)

- Expenses of $265.6 million, up $0.9 million from $264.7 million
- Net income of $12.5 million compared to net income of $26.3 million
- ROE of 3.2%, down from 8.7%(3)(4)
- Diluted EPS of $0.13 compared to diluted EPS of $0.33 in the first half of fiscal 2011

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

- Cash and cash equivalents balance of $691.1 million, up $54.2 million from $636.9 million
- Working capital of $501.4 million, up $176.3 million from $325.1 million
- Total shareholders' equity of $863.5 million, up $183.0 million from $680.5 million
- Book value per diluted common share for the period end was $8.75, up 9% or $0.70 from $8.05(3)
- On November 10, 2011, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on December 15, 2011 with a record date of December 2, 2011
- On November 10, 2011, the Company also declared a cash dividend of $0.34375 per Series A Preferred Share payable on January 3, 2012 with a record date of December 16, 2011

SUMMARY OF OPERATIONS

Corporate

- Related to Canaccord Financial Inc.'s June 23, 2011 preferred share offering, on July 7, 2011, the overallotment option of Canaccord's Series A Preferred Share offering was exercised, and 540,000 additional Series A Preferred Shares were issued
  - In total, Canaccord Financial Inc. issued 4,540,000 Series A Preferred Shares, raising $113.5 million in gross proceeds
- On August 16, 2011, Canaccord Financial Inc. disclosed, in accordance with UK regulations, that it had held preliminary discussions with Evolution Group PLC (Evolution) regarding a potential offer for the shares of Evolution. Subsequently, on September 8, 2011, Canaccord announced that it would not proceed with an offer.

Capital Markets

- Canaccord Genuity led or co-led 16 transactions globally, raising total proceeds of $472 million(6) during fiscal Q2/12
- Canaccord Genuity participated in 95 transactions globally, raising total proceeds of $1.2 billion(6) during fiscal Q2/12
- During fiscal Q2/12, Canaccord Genuity led or co-led the following transactions:
  - C$230.0 million offering for Wi-LAN Inc. on the TSX
  - C$103.1 million offering for EcoSynthetix Inc. on the TSX

- C$65.1 million offering for Nevada Copper Corp. on the TSX
  - C$60.0 million offering for Pinecrest Energy Inc. on the TSX Venture
  - C$57.6 million offering for Avion Gold Corporation on the TSX
  - C$41.9 million offering for Claymore Silver Bullion Fund on the TSX
  - C$38.4 million offering for PNG Gold Corp. on the TSX Venture
  - C$33.9 million offering for Galane Gold Mines Ltd. on the TSX Venture
  - US$30.4 million offering for Kit Digital Inc. on the NASDAQ
- Canaccord Genuity recorded advisory revenues of $21.7 million during fiscal Q2/12, an increase of 67% compared to the same quarter last year
- During fiscal Q2/12, Canaccord Genuity advised on the following M&A and advisory transactions:
  - Alteris Renewables Inc. on its acquisition by Real Goods Solar
  - AIM Health Group Inc. on its acquisition by Imperial Capital Group Ltd.
  - Premier Gold Mines Limited on its acquisition of Goldstone Resources Inc.
  - ChemGenex Pharmaceuticals Limited on its acquisition by Cephalon, Inc.
  - Kanetix Ltd. on its sale of a majority stake to Monitor Clipper Partners
  - Kruger Products LP on its US$211 million debt private placement
  - Noteholders of Compton Petroleum on restructuring of debt and guarantee of $50 million rights offering
  - On the sale of certain assets of Brompton Corp. and Morrison Williams Investment Management
  - Northgate Minerals in connection with its cancelled agreement with Primero Mining
- Canaccord Genuity was ranked 7th for both the total number and total value of PIPE transactions completed in the US during the first nine months of calendar 2011(7)

Wealth Management

- Canaccord Wealth Management recorded $1.9 million of net income before taxes in Q2/12
- Assets under administration were $14.6 billion, up 5% from $13.9 billion at the end of Q2/11, and down 7% from $15.7 billion at the end of Q1/12(3)
- Assets under management were $574 million, up 21% from $473 million at the end of Q2/11, and remained nearly unchanged from $575 million at the end of Q1/12(3)
- As at September 30, 2011, Canaccord had 271 Advisory Teams(8), a decrease of nine from 280 Advisory Teams as of September 30, 2010 and an increase of eight from 263 Advisory Teams as of June 30, 2011
  - The decrease from last year is largely due to an ongoing strategic review of our Wealth Management division and the conversion of corporate branches to the Independent Wealth Management (IWM) platform, where each branch is led by one Investment Advisor (IA) and is counted as one Advisory Team
- During the second quarter of Canaccord's fiscal year, the IWM platform added two branches and closed one location
  - A second Gatineau, Québec, IWM branch was opened on September 29, 2011
  - The corporate Québec City, Québec, branch converted to the IWM platform on August 1, 2011
- Canaccord Wealth Management now has 32 branches across Canada, including 20 operating on the IWM platform
- During the quarter, Canaccord Wealth Management announced it had partnered with fi360 Canada to offer Canaccord Advisors the Accredited Investment Fiduciary Professional (AIFP) designation. This designation denotes the successful completion of one of the most advanced professional training programs available to Investment Advisors on fiduciary standards-of-care.

Subsequent to September 30, 2011

- On October 18, 2011, Canaccord Financial Inc. announced the departure of Mark Maybank. Mr. Maybank was COO of Canaccord Financial Inc. and President of Canaccord Genuity Corp.
  - Responsibilities of Mr. Maybank's role were reallocated to other management positions
- On October 24, 2011, Matthew Gaasenbeek was named President of the Canadian capital markets division of Canaccord Genuity Corp.
  - Mr. Gaasenbeek will oversee all aspects of Canaccord Genuity's Canadian capital markets business, including Investment Banking, Research, Institutional Sales and Trading, Fixed Income, International Trading, and Registered Traders
- On November 1, 2011, Canaccord Financial Inc. closed its acquisition of BGF Equities. The aggregate consideration paid by Canaccord for the 50% interest in BGF Equities totalled AUD$40.2 million [C$42.2 million]. The 50% interest was acquired through the purchase of shares from certain existing shareholders and the purchase of treasury shares as follows:
  - AUD$14.7 million for the purchase of existing BGF Equities shares primarily from passive non-executive shareholders
  - AUD$5.5 million(9) in Canaccord common shares (the Consideration Shares) were issued to key executives of Canaccord BGF
  - AUD$20.0 million for the subscription of treasury shares in Canaccord BGF

Non-IFRS measures

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

SELECTED FINANCIAL INFORMATION EXCLUDING ACQUISITION-RELATED EXPENSE ITEMS

(C$ thousands, except % amounts)	Three months ended September 30		Quarter-over-quarter change	Six months ended September 30		YTD-over-YTD change
	2011	2010		**2011**	2010	
Total revenue per IFRS	**$ 119,500**	$ 149,285	(20.0)%	**$ 279,283**	$ 301,202	(7.3)%
Total expense per IFRS	**126,396**	134,676	(6.1)%	**270,430**	278,962	(3.1)%
Acquisition-related expense items recorded in Canaccord Genuity						
Acquisition-related costs – Genuity Capital Markets (Genuity)	**—**	—	—	**—**	10,990	(100.0)%
Acquisition-related costs – BGF	**1,443**	—	n.m.	**1,443**	—	n.m.
Amortization of intangible assets – Genuity	**930**	1,827	(49.1)%	**1,860**	3,266	(43.0)%
Acquisition-related expense items recorded in Corporate and Other						
Acquisition-related costs – prospective acquisitions not pursued	**1,513**	—	n.m.	**1,513**	—	n.m.
Total acquisition-related expense items	**3,886**	1,827	112.7%	**4,816**	14,256	(66.2)%
Total expenses excluding acquisition-related expense items	**122,510**	132,849	(7.8)%	**265,614**	264,706	0.3%
Net income (loss) before tax – adjusted	**$ (3,010)**	$ 16,436	(118.3)%	**$ 13,669**	$ 36,496	(62.5)%
Net income (loss) – adjusted	**$ (1,665)**	$ 12,078	(113.8)%	**$ 12,460**	$ 26,269	(52.6)%
Earnings (loss) per common share – basic, adjusted	**$ (0.05)**	$ 0.16	(131.3)%	**$ 0.14**	$ 0.37	(62.2)%
Earnings (loss) per common share – diluted, adjusted	**$ (0.05)**	$ 0.15	(133.3)%	**$ 0.13**	$ 0.33	(60.6)%

n.m.: not meaningful

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

(2) On July 31, 2011, Canaccord announced it had entered into a definitive agreement to acquire a 50% interest in BGF Capital Group Pty Ltd., commonly known as BGF Equities. The transaction closed on November 1, 2011, subsequent to fiscal Q2/12.

(3) See Non-IFRS Measures above.

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

(5) Acquisition-related expense items are related to the acquisitions discussed under Non-IFRS Measures above.

(6) Source: FP Infomart and Company Information

(7) Source: PlacementTracker

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

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

To Our Shareholders

While we're pleased with the relative performance of certain Canaccord divisions against the current economic backdrop, our overall results this quarter reflect the pull back in world markets and the sharp contraction of investment banking activity. The fiscal second quarter was characterized by extreme market volatility, growing economic uncertainty and low investor and issuer confidence. Like all industry participants, our capital markets business was impacted by this challenging macro environment.

Globally, Canaccord Financial generated revenue of $119.5 million, down 20% from the same quarter last year. Revenue from our M&A and Advisory operations and our wealth management division was fairly resilient within these difficult business conditions; however, muted investment banking activity during the quarter severely challenged the performance of our capital markets division.

While we've continued to make operational changes to run our business more efficiently, the abrupt decrease in revenue impacted our bottom line performance. Canaccord recorded a net loss of $5.3 million during the quarter, which includes expenses related to acquisitions and other growth initiatives we undertook during this period of market dislocation. Excluding acquisition-related expense items totalling $3.9 million ($3.6 million after tax), the company recorded a net loss of $1.7 million, or $0.05 per common share.

Expenses for the quarter were $126.4 million, a 6% decrease from the same quarter last year. While compensation expense throughout our organization was reduced as a result of lower revenue, certain operational costs increased to support our expanding global team. Excluding acquisition-related expense items, Canaccord's expenses were down 7.8% compared to the same quarter last year.

The structural changes we referred to last quarter are well underway. Our management composition is flatter, we've made selective decisions to reduce staffing throughout the organization – particularly in geographies facing the most headwinds – and we're in the process of providing more information to our clients online in order to reduce expenses related to delivering these services.

The strength of our balance sheet remains an important differentiator for us during these turbulent market conditions. It puts us in a strong position when activity eventually increases, and allows us to be a potential buyer of strategically important and undervalued assets as this market dislocation continues.

CANACCORD GENUITY

Globally, Canaccord Genuity generated $69.4 million of revenue during our fiscal second quarter, a decrease of 28.4% from the same quarter last year, primarily due to decreased investment banking activity in all of our geographies. However, not all of our capital markets activities were impacted as severely.

We're particularly pleased with the resiliency of our advisory operations within this economic environment. Advisory fees totalled $21.7 million during the quarter, which was 67% higher than the same quarter last year, and a testament to the quality of our expanded M&A and Advisory Teams. We're also proud of the opportunities our sales and trading desks were able to find for our clients within this time of increased investor uncertainty. Commission revenue of $26.0 million was 13.6% lower than the same period last year, but a solid performance given the exceptionally volatile market conditions that existed during the quarter.

Our UK operations continued to experience very challenging business conditions; however, we continue to believe that significant opportunities will emerge within that market once the economic climate stabilizes in Europe. In the meantime, the strength of our global platform will provide sufficient support to our business in this region as we seek to strengthen our market share and best position Canaccord Genuity for the eventual market recovery. Despite the current market challenges, our team has been able to leverage windows of market opportunity to launch offerings for our clients. Most recently, we co-led a £46 million transaction for Rockhopper Exploration PLC on AIM.

Our capital markets business in the US also faced headwinds during our fiscal second quarter. And while its revenue declined less than our other geographies, the limited scale of our US operations currently dictates smaller profit margins. As we build scale and add more services for our US clients, we anticipate the business will more easily be able to withstand the impact of revenue fluctuations.

Our operations in China recently demonstrated the significance of that market opportunity when Daylight Energy Ltd. announced that we had been appointed as lead advisor in its acquisition by Sinopec. This lead engagement reinforces the capabilities of our Chinese business and the strength of our client relationships. It's an excellent example of the kind of business we're building in Canaccord Genuity Asia's pipeline.

Subsequent to quarter end, on November 1, we closed our acquisition of 50% of BGF Equities in Australia and rebranded the business as Canaccord BGF. We see significant opportunities in Australia and Hong Kong, and believe we've found some exceptional partners to expand our presence in the Asia-Pacific region. The pipeline of business in Australia is strong, and we expect that Canaccord BGF's contribution to our operating performance will be noticed immediately. Canaccord BGF will be presented on a consolidated basis as part of our capital markets division going forward.

CANACCORD WEALTH MANAGEMENT

The strength of our wealth management business was evident again this quarter by its continued profitability despite the challenging market backdrop. Canaccord Wealth Management generated $47.4 million of revenue, an increase of 6.5% compared to the same period last year, and $1.9 million of net income before income taxes.

Market performance negatively impacted assets under administration during the quarter, despite net asset inflows. As of September 30, assets under administration were $14.6 billion – up 5.3% year over year, but down 6.6% from the end of last quarter. Net new assets were also added to our managed accounts platform, and as a result, assets under management remained relatively unchanged in spite of market declines.

Canaccord Wealth Management's Advisory Team count increased this quarter, partially due to graduating New Advisors who have now achieved at least three years of experience and have completed all required training. We are also selectively recruiting Advisors who share our values and client service standards. During the quarter, four Advisory Teams joined our national Advisor base.

LOOKING FORWARD

Our industry has experienced many highs and lows over the last several years, and within this market turbulence, we have done what we have always done best – we focused on our clients. It is this fundamental approach that fosters our long term relationships, builds trust with our growing client base, and drives our vision for Canaccord as we navigate the company in this dynamic global economy.

The market environment continues to be challenging, but I'm pleased with our team's ability to generate value for our clients by finding and leveraging windows of opportunity. Market volatility and economic uncertainties will remain important factors in determining investment banking activity; however, our pipeline of transactions remains strong and we're confident that once markets stabilize, we'll begin to see some robust activity once again.

We're confident in our strategy for Canaccord and our continued growth focus. The investments we're making to expand our global platform, enhance our service offering and capture market share are laying a strong foundation for the eventual market recovery. As was evident this quarter, we are committed to evaluating all opportunities that could add meaningful long term value to our clients and shareholders; however, we remain very disciplined in our approach. Only opportunities that are a strong strategic and cultural fit, and accretive to earnings, will ultimately be pursued. These criteria have ensured the successful growth of our operations so far, and will continue to be the determining factors for our growth strategy going forward.

PAUL D. REYNOLDS
President & CEO
Canaccord Financial Inc.

Management's Discussion and Analysis

Second quarter fiscal 2012 for the three months and six months ended September 30, 2011 – this document is dated November 10, 2011

The following discussion of the financial condition and results of operations for Canaccord Financial Inc. (Canaccord or the Company) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and six-month periods ended September 30, 2011 compared to the corresponding periods in the preceding fiscal year. The three- and six-month periods ended September 30, 2011 are also referred to as second quarter 2012, Q2/12, fiscal Q2/12 and first-half fiscal 2012 in the following discussion. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three- and six-month periods ended September 30, 2011, beginning on page 29 of this report; our Annual Information Form (AIF) dated June 1, 2011; and the 2011 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2011 (Audited Annual Consolidated Financial Statements) in Canaccord's Annual Report dated May 17, 2011 (the Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2011 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The Company adopted International Financial Reporting Standards (IFRS) beginning first quarter 2012, and consequently, the financial information presented in this document, including comparative information, is prepared in compliance with IFRS unless specifically noted. This MD&A is based on unaudited interim condensed consolidated financial statements prepared in accordance with IFRS.

Cautionary statement regarding forward-looking information

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com as well as the factors discussed in the section entitled "Risks" in this MD&A, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2012 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

PRESENTATION OF FINANCIAL INFORMATION AND NON-IFRS MEASURES

Transition to International Financial Reporting Standards

As required by the Canadian Accounting Standards Board (AcSB), the Company adopted International Financial Reporting Standards (IFRS) effective April 1, 2011. The unaudited interim condensed consolidated financial statements for the three- and six-month periods ended September 30, 2011 (Second Quarter 2012 Financial Statements) have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), using accounting policies consistent with those expected to be applied in preparing the Company's annual consolidated financial statements for the year ending March 31, 2012.

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

Adoption of IFRS

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

Non-IFRS measures

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

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

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

Financial statement items that exclude acquisition-related expense items are non-IFRS measures. Acquisition-related expense items are costs incurred and expenses recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Acquisition-Related Expense Items table on page 13.

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

BUSINESS OVERVIEW

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and global capital markets. Since its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has 49 offices worldwide, including 32 Wealth Management offices located across Canada. Canaccord Genuity, the international capital markets division, operates in Canada, the US, the UK, China, Hong Kong, Australia and Barbados.

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

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

Business environment

Our fiscal second quarter saw an acceleration of the trend towards risk aversion that started in the previous quarter. Market tensions peaked in August as investor concerns arose about policy makers' abilities to navigate the aftershocks of the "Great Recession" of 2008 and 2009. Many asset classes had their worst quarter since the beginning of the financial crisis in 2008. Capital markets once again saw the negative impact of heightened volatility and a sharp swing to risk aversion in client portfolios. This market action negatively affected the pace of equity underwriting as well as the volume of secondary market trading.

Equity markets, in particular, were adversely impacted. Both the Dow Jones Industrial average and the S&P TSX were down over 12% in the quarter but that understates the degree to which market action became more volatile. The VIX Index, a measure of US equity market volatility, moved from a level of under 20 to over 40 in the quarter, a staggering increase of 160%. There were 18 days during the quarter when the Dow moved over 200 points, including four consecutive days of 400-point swings in August. Commodities exposed to the business cycle were hit even harder, as oil was down over 17% and copper was down 26% in the quarter. Gold, a traditional safe haven in turbulent times, performed well during the quarter rising over 8% to over US$1,600, but it was not immune to dramatic moves as it closed and was down by just over 14% from its US$1,900 peak. The flight to safety saw the US dollar rise approximately 8% against both the Euro and the Canadian dollar.

Heightened concerns about the many structural issues facing various economies will remain foremost in investors' minds. Most notably, these issues would include the ongoing deferral of a definitive solution to the European crisis, the undoubtedly difficult resolution of the US fiscal situation, deleveraging and the uncertainty of policy responses to inflation fears in emerging markets.

While global growth is likely to remain positive yet subdued over the medium term, we expect ongoing political and economic turmoil in Europe to continue spurring setbacks to the global economy. Until some resolution is found for debt-ridden states in the European Union, continued market volatility and lower corporate investment is likely to continue. Economic data from the US continues to indicate a growing economy that is nearly stalled; however, there is some basis for cautious optimism, as the data continues to modestly surprise to the upside.

Against this backdrop we believe that a moderately healthy environment for capital markets activities will resume in due course. We continue to be cautiously optimistic that positive dynamics will soon return to lift the investment activities of resource and diversified industrial companies. As confidence in the economic recovery returns, it is likely that corporations with liquid capital will increase capital investment activity. Global mergers and acquisitions activity in particular should continue to accelerate.

Market data

Financing values increased modestly on the TSX and TSX Venture markets compared to the same period last year, but experienced a decline compared to the previous quarter. On AIM and on the NASDAQ, financing values notably decreased compared to the previous quarter and the same quarter last year.

Financings in our key sectors on the TSX and TSX Venture were down 9.7% compared to the same quarter last year, and down 28.1% compared to the previous quarter. While most of Canaccord's key sectors experienced declines, the Biotech sector experienced a 73% increase compared to the previous quarter and a 114.4% increase compared to the same period last year. Financings in the Technology sector experienced a 66.7% decrease compared to the same period last year, yet experienced a significant increase of 193.7% compared to the previous quarter.

Financings in our key sectors on AIM were down 12.2% compared to the same quarter last year, and down 34.9% compared to the previous quarter. The majority of Canaccord's key sectors experienced increases compared to the same period last year, while they all experienced decreases compared to the previous quarter except in the Technology sector, which increased significantly, by 287.6%, compared to the previous quarter.

TOTAL FINANCING VALUE BY EXCHANGE

	July 2011	August 2011	September 2011	Fiscal Q2/12	Change from fiscal Q2/11	Change from fiscal Q1/12
TSX and TSX Venture (C$ billions)	2.9	3.2	4.3	10.4	28.4%	(31.1)%
AIM (£ billions)	0.3	0.2	0.2	0.7	(46.2)%	(36.4)%
NASDAQ (US$ billions)	2.7	0.6	1.7	5.0	(38.3)%	(67.1)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

FINANCING VALUE FOR RELEVANT TSX AND TSX VENTURE INDUSTRY SECTORS

(C$ millions, except for % amounts)	July 2011	August 2011	September 2011	Fiscal Q2/12	Change from fiscal Q2/11	Change from fiscal Q1/12
Oil and Gas	33.7	418.9	638.7	1,091.3	(48.7)%	(74.2)%
Mining	362.4	855.6	160.1	1,378.1	(10.9)%	(3.5)%
Biotech	3.8	77.1	25.0	105.9	114.4%	73.0%
Media	—	—	—	—	(100.0)%	(100.0)%
Real Estate	335.8	782.5	241.7	1,360.0	38.2%	(2.1)%
Technology	—	—	230.0	230.0	(66.7)%	193.7%
Total (of relevant sectors)	**$ 735.7**	**$ 2,134.1**	**$ 1,295.5**	**$ 4,165.3**	**(9.7)%**	**(28.1)%**

Source: FP Infomart

FINANCING VALUE FOR RELEVANT AIM INDUSTRY SECTORS

(£ millions, except for % amounts)	July 2011	August 2011	September 2011	Fiscal Q2/12	Change from fiscal Q2/11	Change from fiscal Q1/12
Oil and Gas	100.0	19.3	142.9	262.2	(24.7)%	(21.9)%
Mining	32.6	40.7	58.8	132.1	(2.1)%	(52.9)%
Health Care	3.1	—	4.3	7.4	51.0%	(87.8)%
Media	2.9	1.4	0.3	4.6	31.4%	(68.5)%
Technology	30.0	20.2	2.9	53.1	66.5%	287.6%
Total (of relevant sectors)	**£ 168.6**	**£ 81.6**	**£ 209.2**	**£ 459.4**	**(12.2)%**	**(34.9)%**

Source: LSE AIM Statistics

About Canaccord's operations

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

Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the US, the UK, and China. Currently, China's operations are limited to advisory activities. Canaccord also has a 50% interest in Canaccord BGF, which provides a full range of investment banking and wealth management services to clients in Australia and Hong Kong. Operations of Canaccord BGF are considered to be part of Canaccord Genuity's global platform.

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

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

Canaccord Wealth Management

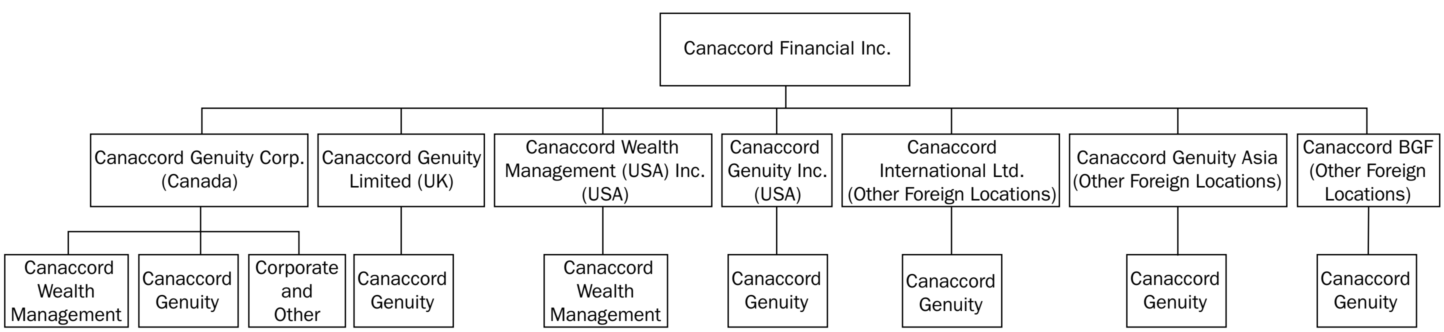
As a leading independent investment dealer, Canaccord Wealth Management provides comprehensive wealth management solutions and services to our private clients. Recognizing the growing complexity of many clients' financial circumstances, Canaccord Wealth Management Investment Advisors are focused on providing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

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

Corporate and Other

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

Corporate structure



CONSOLIDATED OPERATING RESULTS

SECOND QUARTER AND FIRST-HALF FISCAL 2012 SUMMARY DATA[(1)(2)(3)]

(C$ thousands, except per share, employee and % amounts)	Three months ended September 30			QTD Q2/12 vs. Q2/11	Six months ended September 30			YTD fiscal 2012 vs. 2011
	2011	2010	2009		**2011**	2010	2009	
	IFRS	IFRS	CGAAP		**IFRS**	IFRS	CGAAP	
Canaccord Financial Inc.								
Revenue								
Commission	**$ 60,299**	$ 63,002	$ 56,628	(4.3)%	**$ 121,327**	$ 125,258	$ 112,084	(3.1)%
Investment banking	**29,799**	51,236	32,366	(41.8)%	**89,657**	107,137	78,956	(16.3)%
Advisory fees	**21,664**	13,215	15,254	63.9%	**44,195**	33,936	24,550	30.2%
Principal trading	**(1,379)**	9,597	11,589	(114.4)%	**574**	15,555	23,059	(96.3)%
Interest	**7,590**	5,436	3,121	39.6%	**15,447**	8,580	6,597	80.0%
Other	**1,527**	6,799	4,786	(77.5)%	**8,083**	10,736	15,961	(24.7)%
Total revenue	**$ 119,500**	$ 149,285	$ 123,744	(20.0)%	**$ 279,283**	$ 301,202	$ 261,207	(7.3)%
Expenses								
Incentive compensation	**61,838**	70,538	63,966	(12.3)%	**139,452**	143,023	132,429	(2.5)%
Salaries and benefits	**14,163**	16,322	13,983	(13.2)%	**31,280**	32,138	27,785	(2.7)%
Other overhead expenses[(4)]	**47,439**	47,816	37,934	(0.8)%	**96,742**	92,811	77,137	4.2%
Acquisition-related costs	**2,956**	—	—	n.m.	**2,956**	10,990	—	(73.1)%
Total expenses	**$ 126,396**	$ 134,676	$ 115,883	(6.1)%	**$ 270,430**	$ 278,962	$ 237,351	(3.1)%
Income (loss) before income taxes	**(6,896)**	14,609	7,861	(147.2)%	**8,853**	22,240	23,856	(60.2)%
Net income (loss)	**(5,278)**	10,251	6,746	(151.5)%	**7,917**	15,423	15,858	(48.7)%
Earnings (loss) per common share – diluted	**(0.09)**	0.12	0.12	(175.0)%	**0.07**	0.19	0.28	(63.2)%
Return on average common equity[(5)]	**(2.8)%**	6.0%	6.9%	(8.8) p.p.	**2.1%**	4.9%	8.3%	(2.8) p.p.
Dividends per common share	**0.10**	0.05	0.05	100.0%	**0.20**	0.10	0.05	100.0%
Book value per diluted common share[(6)]	**8.75**	8.05	6.78	8.8%				
Total assets	**5,665,166**	5,261,916	3,407,005	7.7%				
Total liabilities	**4,801,673**	4,581,386	3,018,780	4.8%				
Total shareholders' equity	**863,493**	680,530	388,225	26.9%				
Number of employees	**1,710**	1,631	1,539	4.8%				
Excluding acquisition-related expense items[(7)]								
Total expenses	**$ 122,510**	$ 132,849	$ 115,883	(7.8)%	**$ 265,614**	$ 264,706	$ 237,351	0.3%
Income (loss) before income taxes	**(3,010)**	16,436	7,861	(118.3)%	**13,669**	36,496	23,856	(62.5)%
Net income (loss)	**(1,665)**	12,078	6,746	(113.8)%	**12,460**	26,269	15,858	(52.6)%
Earnings (loss) per common share – diluted	**(0.05)**	0.15	0.12	(133.3)%	**0.13**	0.33	0.28	(60.6)%

(1) The Company adopted IFRS beginning April 1, 2011. Consequently, data for the three- and six-month periods ended September 30, 2011 and their comparative periods ended September 30, 2010 is in compliance with IFRS. Figures for the three- and six-month periods ended September 30, 2009 are in accordance with Canadian GAAP (CGAAP). See the Transition to International Financial Reporting Standards section on page 7.

(2) Data is considered to be IFRS/CGAAP except for ROE, book value per diluted common share, number of employees and figures excluding acquisition-related expense items.

(3) Data includes the results of Genuity Capital Markets since the closing date of April 23, 2010. Results of The Balloch Group Limited since the closing date of January 17, 2011 are also included.

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

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

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

(7) Net income (loss) and earnings (loss) per diluted common share excluding acquisition-related expense items reflects tax-effected adjustments related to such acquisition-related expense items. See the Selected Financial Information Excluding Acquisition-Related Expense Items table on page 13.

p.p.: percentage points

n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING ACQUISITION-RELATED EXPENSE ITEMS[1][2]

(C$ thousands, except % amounts)	Three months ended September 30 2011	2010	Quarter-over-quarter change	Six months ended September 30 2011	2010	YTD-over-YTD change
Total revenue per IFRS	**$ 119,500**	$ 149,285	(20.0)%	**$ 279,283**	$ 301,202	(7.3)%
Total expense per IFRS	**126,396**	134,676	(6.1)%	**270,430**	278,962	(3.1)%
Acquisition-related expense items recorded in Canaccord Genuity						
Acquisition-related costs – Genuity Capital Markets (Genuity)	**—**	—	—	**—**	10,990	(100.0)%
Acquisition-related costs – BGF Equities (BGF)	**1,443**	—	n.m.	**1,443**	—	n.m.
Amortization of intangible assets – Genuity	**930**	1,827	(49.1)%	**1,860**	3,266	(43.0)%
Acquisition-related expense items recorded in Corporate and Other						
Acquisition-related costs – prospective acquisitions not pursued	**1,513**	—	n.m.	**1,513**	—	n.m.
Total acquisition-related expense items	**3,886**	1,827	112.7%	**4,816**	14,256	(66.2)%
Total expenses excluding acquisition-related expense items	**122,510**	132,849	(7.8)%	**265,614**	264,706	0.3%
Net income (loss) before tax – adjusted	**$ (3,010)**	$ 16,436	(118.3)%	**$ 13,669**	$ 36,496	(62.5)%
Net income (loss) – adjusted	**$ (1,665)**	$ 12,078	(113.8)%	**$ 12,460**	$ 26,269	(52.6)%
Earnings (loss) per common share – basic, adjusted	**$ (0.05)**	$ 0.16	(131.3)%	**$ 0.14**	$ 0.37	(62.2)%
Earnings (loss) per common share – diluted, adjusted	**$ (0.05)**	$ 0.15	(133.3)%	**$ 0.13**	$ 0.33	(60.6)%

(1) Figures excluding acquisition-related expense items are non-IFRS measures. See Non-IFRS Measures on page 8.
(2) Data includes results of Genuity since the closing date of April 23, 2010. Results of The Balloch Group Limited since the closing date of January 17, 2011 are also included.
n.m.: not meaningful

GEOGRAPHIC DISTRIBUTION OF REVENUE FOR THE SECOND QUARTER AND FIRST-HALF FISCAL 2012[1]

(C$ thousands, except % amounts)	Three months ended September 30 2011	2010	Quarter-over-quarter change	Six months ended September 30 2011	2010	YTD-over-YTD change
Canada	**$ 91,743**	$ 109,493	(16.2)%	**$ 214,833**	$ 218,411	(1.6)%
UK	**9,338**	18,338	(49.1)%	**18,584**	34,783	(46.6)%
US	**18,586**	21,093	(11.9)%	**45,781**	47,799	(4.2)%
Other Foreign Locations[2]	**(167)**	361	(146.3)%	**85**	209	(59.3)%
Total	**$ 119,500**	$ 149,285	(20.0)%	**$ 279,283**	$ 301,202	(7.3)%

(1) For a business description of Canaccord's geographic distribution, please refer to the About Canaccord's Operations section on page 10.
(2) Other Foreign Locations include operations for Canaccord International Ltd. and Canaccord Genuity Asia.

Revenue

Second quarter 2012 vs. second quarter 2011

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other. Revenue for the three months ended September 30, 2011 was $119.5 million, a decrease of 20.0% or $29.8 million compared to the same period a year ago.

For the second quarter of fiscal 2012, revenue generated from commissions dropped by $2.7 million, to $60.3 million, compared to the same period a year ago. Our Canaccord Genuity segment contributed $4.1 million to this decrease, which was offset by a $1.4 million increase in our Canaccord Wealth Management segment.

Investment banking revenue was $29.8 million, down $21.4 million or 41.8% as a result of decreased corporate finance activity due to the heightened global economic uncertainty during Q2/12. Advisory revenue grew $8.4 million or 63.9%, to $21.7 million, from the same period a year ago as a result of an increase in M&A and other advisory activities.

Principal trading losses were $1.4 million, a decrease of $11.0 million or 114.4%, primarily due to trading losses incurred by our Fixed Income group and decreased trading gains in our UK operations as a result of the deterioration in market conditions.

Revenue derived from interest revenue was $7.6 million, an increase of $2.2 million or 39.6%, mainly as a result of a higher client receivables balance and, to a lesser extent, additional interest revenue earned from activities in the Fixed Income group. Other revenue was $1.5 million, down $5.3 million or 77.5%, which was mainly attributable to the appreciation of the Canadian dollar resulting in foreign exchange losses in the quarter.

Second quarter 2012 revenue in Canada was $91.7 million, a decline of 16.2% or $17.8 million from the second quarter last year. Revenue in our Canadian operations decreased in Q2/12, mainly due to lower capital markets activities as a result of the uncertainties in the market environment.

Declining European economic conditions worsened by the sovereign debt crisis resulted in a drop in the UK's revenue of 49.1% or $9.0 million, to $9.3 million, compared to the same period a year ago.

Revenue from Other Foreign Locations was $(0.2) million, $0.5 million lower than Q2/11. The decrease in revenue recorded in Other Foreign Locations was mainly due to principal trading losses incurred in Q2/12.

Revenue in the US was $18.6 million, a decline of $2.5 million or 11.9% from Q2/11. Revenue was down from the second quarter last year, mainly due to a decrease in agency activity and investment banking transactions.

The overall decrease in revenue across geographies was mainly attributable to a decline in economic activity as uncertainties heightened regarding the prospects for a global economic recovery.

First-half fiscal year 2012 vs. first-half fiscal year 2011

Revenue for the six months ended September 30, 2011 was $279.3 million, a decrease of 7.3% or $21.9 million compared to the same period a year ago, mainly due to a weakening global economic environment. Commission revenue was $121.3 million, representing a decrease of 3.1%. Revenue generated from investment banking activities decreased 16.3% to $89.7 million, due to a decline in financing activity in equity markets in Canada, the UK and Other Foreign Locations.

An increase in M&A and other advisory activities resulted in an increase in advisory fees of $10.3 million or 30.2%, to $44.2 million, compared to the same period in the prior year.

Declining trends in global market conditions led to a drop in principal trading revenue of $15.0 million, to $0.6 million, compared to the same period last year.

Interest revenue was $15.4 million, an increase of 80.0% due to a higher client receivables balance and an increase in interest revenue earned by the Fixed Income group. Other revenue dropped by $2.7 million, to $8.1 million, during the first half of fiscal year 2012, largely as a result of reduced foreign exchange gains, as discussed above.

Year-to-date revenue in Canada was $214.8 million, a decrease of 1.6% or $3.6 million from the same period a year ago. First-half fiscal year 2012 revenue in the UK was $18.6 million, which was 46.6% or $16.2 million lower than the same period a year ago. Revenue in the US was $45.8 million, a decrease of 4.2% or $2.0 million compared with the first half of fiscal year 2011. Revenue from Other Foreign Locations was $0.1 million compared to $0.2 million in the six months ended September 30, 2010. The decrease in revenue across the geographic locations was mainly due to a global economic slowdown that heightened in the second quarter of fiscal 2012.

EXPENSES AS A PERCENTAGE OF REVENUE

	Three months ended September 30		Quarter-over-	Six months ended September 30		YTD-over-YTD
(in percentage points)	**2011**	2010	quarter change	**2011**	2010	change
Incentive compensation	**51.7%**	47.3%	4.4 p.p.	**49.9%**	47.5%	2.4 p.p.
Salaries and benefits	**11.9%**	10.9%	1.0 p.p.	**11.2%**	10.6%	0.6 p.p.
Other overhead expenses(1)	**39.7%**	32.0%	7.7 p.p.	**34.6%**	34.5%	0.1 p.p.
Acquisition-related costs	**2.5%**	—	2.5 p.p.	**1.1%**	—	1.1 p.p.
Total	**105.8%**	90.2%	15.6 p.p.	**96.8%**	92.6%	4.2 p.p.

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

Expenses

Expenses for the three months ended September 30, 2011 were $126.4 million, a decrease of 6.1% from the same period a year ago. Excluding acquisition-related expense items, total expenses decreased by $10.3 million or 7.8%.

Expenses for the six months ended September 30, 2011 were $270.4 million, an overall decrease of $8.5 million or 3.1% from a year ago. Excluding acquisition-related expense items, total expenses remained relatively consistent at $265.6 million for the first half of fiscal 2012 compared to $264.7 million for the same period last year.

Compensation expenses

Second quarter 2012 vs. second quarter 2011

Incentive compensation expense was $61.8 million for the quarter, down 12.3% or $8.7 million as a result of a decrease in incentive-based revenue. Incentive compensation as a percentage of total revenue was 51.7%, an increase of 4.4 percentage points from Q2/11, mainly due to higher long-term incentive plan (LTIP) expense recognized as a result of amortizing grants that were awarded in prior periods. Salaries and benefits expense was $14.2 million in the second quarter of fiscal 2012, a decline of 13.2% from the same period a year ago. This decrease was mainly attributable to cost containment efforts as well as non-recurring restructuring costs incurred in the second quarter of fiscal 2011.

Total compensation (incentive compensation plus salaries and benefits) expense as a percentage of revenue for Q2/12 was 63.6%, an increase of 5.4 percentage points from 58.2% in Q2/11.

First-half fiscal year 2012 vs. first-half fiscal year 2011

Incentive compensation expense was $139.5 million for the first half of fiscal 2012, down 2.5% from the prior year, which was consistent with lower incentive-based revenue during the period. Consolidated incentive compensation as a percentage of total revenue was 49.9%, an increase of 2.4 percentage points, mainly as a result of higher LTIP expense incurred during the six months ended September 30, 2011, as discussed above.

Salaries and benefits expense was $31.3 million, a decrease of 2.7%, in the first half of fiscal 2012 compared to the same period a year ago for the reasons described above. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 61.1%, an increase of 3.0 percentage points from 58.1% recorded in the first half of fiscal 2011.

OTHER OVERHEAD EXPENSES

	Three months ended September 30		Quarter-over-	Six months ended September 30		YTD-over-YTD
(C$ thousands, except % amounts)	**2011**	2010	quarter change	**2011**	2010	change
Trading costs	**$ 7,742**	$ 7,241	6.9%	**$ 16,707**	$ 14,946	11.8%
Premises and equipment	**6,727**	6,640	1.3%	**13,559**	12,678	6.9%
Communication and technology	**6,752**	6,779	(0.4)%	**13,141**	13,048	0.7%
Interest	**1,967**	1,673	17.6%	**4,375**	2,289	91.1%
General and administrative	**16,263**	15,990	1.7%	**32,537**	31,781	2.4%
Amortization(1)	**2,947**	3,706	(20.5)%	**5,852**	6,990	(16.3)%
Development costs	**5,041**	5,787	(12.9)%	**10,571**	11,079	(4.6)%
Total other overhead expenses	**$ 47,439**	$ 47,816	(0.8)%	**$ 96,742**	$ 92,811	4.2%

(1) Includes amortization of intangible assets in connection with the acquisition of Genuity. Refer to the Selected Financial Information Excluding Acquisition-Related Expense Items table on page 13.

Other overhead expenses

Second quarter 2012 vs. second quarter 2011

Other overhead expenses remained consistent with the second quarter of fiscal 2011. The decreases in amortization expense of $0.8 million and in development costs of $0.7 million were partially offset by the $0.3 million increase in interest expense.

Amortization expense was lower by $0.8 million as certain intangible assets acquired through the purchase of Genuity have been fully amortized. The $0.7 million decrease in development costs was mainly attributable to the lower hiring incentives offered in our Canadian operations. Interest expense was $2.0 million, an increase of $0.3 million or 17.6%, largely due to increased activity within our Fixed Income group.

First-half fiscal year 2012 vs. first-half fiscal year 2011

Other overhead expenses for the six months ended September 30, 2011 increased by 4.2% or $3.9 million, to $96.7 million, from the same period a year ago. Increases in interest expense, communication and technology, trading costs, general and administrative expense, and premises and equipment expense were partially offset by decreases in amortization expense and development costs expense.

Interest expense was up $2.1 million due to increased activity within the Fixed Income group. Trading costs increased by $1.8 million compared to the same period last year. This increase is consistent with the increase in commission revenue excluding facilitation losses generated in our Canadian operations. Premises and equipment expense was also up $0.9 million due to additional office space obtained to support the growth of the Company.

General and administrative expense was up $0.8 million primarily as a result of a $2.6 million increase in promotion and travel expense in support of the Company's global expansion, offset by a $1.7 million decrease in client settlement expense. Office expense decreased by $0.8 million due to non-recurring rebranding costs incurred in first-half fiscal 2011.

Certain intangible assets acquired in connection with the purchase of Genuity have been fully amortized, resulting in a decrease in amortization expense of $1.1 million. Development costs were down by $0.5 million mainly due to cost containment efforts in our Canaccord Wealth Management segment.

Net income or loss

Second quarter 2012 vs. second quarter 2011

Net loss for Q2/12 was $5.3 million compared to net income of $10.3 million in the same period a year ago. Diluted loss per common share was $0.09 in Q2/12, compared to diluted EPS of $0.12 in Q2/11. The net loss was mainly attributable to lower revenue resulting from deteriorating market conditions experienced during Q2/12. ROE for Q2/12 was (2.8)% compared to ROE of 6.0% in Q2/11. Book value per diluted common share for Q2/12 was $8.75 versus $8.05 in Q2/11.

Excluding acquisition-related expense items and adjusting for the related tax effects, net loss was $1.7 million and diluted loss per common share was $0.05 in Q2/12, compared to net income of $12.1 million and diluted EPS of $0.15 in Q2/11. The Company's net earnings were negatively impacted by the uncertainties in the economic environment caused by the European debt crisis and the US fiscal situation.

The effective tax recovery rate for this quarter was 23.5% compared to an effective tax rate of 29.8% in the same quarter last year. The change in the effective tax rate was driven by various permanent items as well as temporary differences not recognized in jurisdictions outside of Canada.

First-half fiscal year 2012 vs. first-half fiscal year 2011

Net income for the first half of fiscal 2012 was $7.9 million compared to $15.4 million for the same period a year ago. Diluted EPS was $0.07 compared to $0.19 a year ago, and ROE was 2.1% compared to 4.9% a year ago. Net income excluding acquisition-related expense items was $12.5 million and diluted EPS was $0.13, compared to $26.3 million and $0.33, respectively, in the same period a year ago. As discussed above, concerns regarding global economic recovery in first-half fiscal 2012 have resulted in a significant decline in the Company's revenue and earnings.

Income tax expense was $0.9 million for the six months ended September 30, 2011, a decrease of $5.9 million from first-half fiscal 2011. The year-to-date effective tax rate was 10.6% compared to 30.7% for the same period last year. The decrease in the effective tax rate was mainly due to the utilization of tax losses by subsidiaries outside of Canada and other temporary differences not previously recognized by these subsidiaries. In addition, there has been a decrease in the statutory tax rates in Canada compared to the prior year.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

CANACCORD GENUITY[(1)(2)]

(C$ thousands, except employees and % amounts)	Three months ended September 30 2011	Three months ended September 30 2010	Quarter-over-quarter change	Six months ended September 30 2011	Six months ended September 30 2010	YTD-over-YTD change
Revenue	**$ 69,452**	$ 96,963	(28.4)%	**$ 166,829**	$ 197,115	(15.4)%
Expenses						
Incentive compensation	**36,876**	46,255	(20.3)%	**83,031**	92,425	(10.2)%
Salaries and benefits	**3,382**	4,154	(18.6)%	**8,593**	8,175	5.1%
Other overhead expenses	**30,311**	27,205	11.4%	**59,916**	52,589	13.9%
Acquisition-related costs	**1,443**	—	n.m.	**1,443**	10,990	(86.9)%
Total expenses	**72,012**	77,614	(7.2)%	**152,983**	164,179	(6.8)%
Income (loss) before income taxes[(3)]	**$ (2,560)**	$ 19,349	(113.2)%	**$ 13,846**	$ 32,936	(58.0)%
Number of employees	**640**	597	7.2%	**640**	597	7.2%
Excluding acquisition-related expense items[(4)]						
Total expenses	**$ 69,639**	$ 75,787	(8.1)%	**$ 149,680**	$ 149,923	(0.2)%
Income (loss) before income taxes	**(187)**	21,176	(100.9)%	**17,149**	47,192	(63.7)%

(1) Data is considered to be IFRS except for number of employees and figures excluding acquisition-related expense items.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of The Balloch Group Limited since the closing date of January 17, 2011 are also included.
(3) Income before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 21.
(4) Refer to Selected Financial Information Excluding Acquisition-Related Expense Items on page 13.
n.m.: not meaningful

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

Second quarter 2012 vs. second quarter 2011

Revenue for Canaccord Genuity in Q2/12 was $69.5 million, a decrease of 28.4% or $27.5 million from the same quarter a year ago, mainly as a result of heightened volatility in the global economic environment during Q2/12.

Revenue from Canadian operations

Canaccord Genuity in Canada generated revenue of $42.5 million in Q2/12, down 27.0% or $15.7 million from Q2/11. Within Canada, $39.7 million was derived from investment banking and sales and trading activity, while $2.8 million was from international trading, registered traders and fixed income operations. Canadian revenue for Canaccord Genuity of $42.5 million represented 61.2% [Q2/11 – 60.0%] of Canaccord Genuity's total revenue. Capital markets activity dropped significantly in second quarter fiscal 2012 as a result of lower investor confidence, leading to the reduction in revenue from our Canadian operations.

Revenue from UK operations

Canaccord Genuity's operations in the UK provide sales and trading, corporate finance and research services to our institutional and corporate customers. Revenue in the UK was $9.3 million, which was a decrease of 49.1% or $9.0 million from the same period a year ago, mainly due to the challenging market environment in Europe as a result of the debt crisis. Revenue from the UK operations accounted for 13.4% [Q2/11 – 18.9%] of Canaccord Genuity's total revenue.

Revenue from US operations

Second quarter fiscal 2012 revenue for Canaccord Genuity in the US was $17.8 million, a decrease of $2.3 million or 11.4% compared to the same period last year. The decrease in revenue reflects the general decline in the economic environment. Revenue from US operations represented 25.6% [Q2/11 – 20.7%] of Canaccord Genuity's total revenue.

Revenue from Other Foreign Locations operations

Revenue derived from capital markets activities outside of Canada, the UK and the US is reported as Other Foreign Locations, which includes operations for Canaccord International Ltd. and Canaccord Genuity Asia. Revenue for Other Foreign Locations was $(0.2) million, which remained consistent with Q2/11. Revenue from Other Foreign Locations represented (0.2)% [Q2/11 – 0.4%] of Canaccord Genuity's total revenue.

Expenses

Expenses for Q2/12 were $72.0 million, down 7.2% or $5.6 million. Excluding acquisition-related expense items, total expenses decreased by $6.1 million or 8.1% from Q2/11. A decrease in incentive compensation expense of $9.4 million was the main contributor to the overall reduction of expenses excluding acquisition-related expense items. The decrease in incentive compensation was partially offset by a $2.2 million increase in general and administrative expense and a $1.0 million increase in premises and equipment expense.

Acquisition-related costs of $1.4 million in Q2/12 were incurred in relation to the purchase of a 50% interest in BGF Equities.

Incentive compensation expense was $36.9 million for the quarter, down 20.3% or $9.4 million as a result of the decrease in incentive-based revenue. The incentive compensation expense ratio was 53.1%, up 5.4 percentage points from 47.7% in Q2/11, mainly attributable to higher LTIP expense recognized related to the amortization of grants that were awarded in prior periods. As a result of our cost containment efforts, salaries and benefits expense decreased by $0.8 million compared to Q2/11.

Premises and equipment expense increased by $1.0 million or 35.5%, to $4.0 million, due to additional space obtained to support the growth of this business segment, as well as a reallocation of certain office space from the Corporate and Other segment. General and administrative expense was $10.3 million in Q2/12, up $2.2 million or 27.2%. This increase was due mostly to higher promotion and travel expense incurred to support the Company's global initiatives.

Income or loss before income taxes

Loss before income taxes, excluding allocated overhead expenses for the quarter, was $2.6 million, a drop of $21.9 million or 113.2% from income earned in the same quarter a year ago. Excluding acquisition-related expense items, loss before income taxes in Q2/12 was $0.2 million compared to income of $21.2 million in Q2/11. The decline in income is attributable to the drop in revenue in this segment resulting largely from the challenging market environment in Q2/12.

First-half fiscal year 2012 vs. first-half fiscal year 2011

Revenue for Canaccord Genuity in the first half of fiscal 2012 was $166.8 million, which decreased $30.3 million from the same period last year. As discussed above, the decrease in revenue is attributable to the weakening global economic environment during fiscal 2012.

Revenue from Canadian operations

In Canada, revenue was $104.4 million, a decline of 10.2% from the same period a year ago. Within Canada, $95.7 million was derived from investment banking and equities activity, while $8.7 million was from international trading, registered traders and fixed income operations. Overall, Canadian revenue represented 62.6% of Canaccord Genuity's total revenue [YTD fiscal 2011 – 59.0%].

Revenue from UK operations

Revenue from the UK operations was $18.6 million, which was 46.6% or $16.2 million lower than the same period a year ago. UK operations represented 11.1% of Canaccord Genuity's total revenue [YTD fiscal 2011 – 17.6%]. Revenue in our UK operations decreased significantly due to the economic effects of the sovereign debt crisis in Europe.

Revenue from US operations

The US operations experienced a decrease in revenue during the first half of fiscal 2012, mainly due to lower capital markets activities. Revenue was $43.8 million, a drop of $2.1 million or 4.5% compared to the same period a year ago. Revenue from US operations represented 26.3% of Canaccord Genuity's total revenue [YTD fiscal 2011 – 23.3%].

Revenue from Other Foreign Locations operations

Other Foreign Locations revenue was $0.1 million, down $0.1 million from the same period a year ago. Revenue from Other Foreign Locations represented nil% of Canaccord Genuity's total revenue [YTD fiscal 2011 – 0.1%].

Expenses

Expenses for first-half fiscal 2012 were $153.0 million, down 6.8% or $11.2 million. The lower expenses were mainly attributable to decreases in incentive compensation expense of $9.4 million, amortization expense of $1.3 million and acquisition-related costs of $9.5 million, partially offset by increases in general and administrative expense of $2.6 million, trading costs of $2.0 million, interest expense of $2.0 million, and premises and equipment expense of $1.6 million.

During the first half of fiscal 2012, acquisition-related costs of $1.4 million were incurred in relation to the purchase of a 50% interest in BGF Equities. The acquisition of Genuity during the first half of fiscal 2011 resulted in the recognition of $11.0 million of acquisition-related costs. Excluding acquisition-related expense items, total expenses of $149.7 million remained consistent with the same period last year.

The $9.4 million decrease in incentive compensation was a result of the decrease in incentive-based revenue. The incentive compensation ratio increased to 49.8% from 46.9% due to an increase in long term incentive expense recognized related to the amortization of awards granted in prior periods.

Commission revenue excluding facilitation losses increased in our Canadian operations, which largely explained the increase in trading costs of $2.0 million during the period. General and administrative expense was $19.7 million for the six months ended September 30, 2011, up $2.6 million or 15.0%, mostly due to an increase in promotion and travel expense incurred to support the Company's global initiatives. Interest expense was $2.0 million higher due to increased activity within our Fixed Income group. To support the growth in our Canaccord Genuity segment, some existing floor space was allocated from the Corporate and Other segment and, in addition, new floor space was obtained in our Canadian and US operations. This resulted in an increase in premises and equipment expense. Partially offsetting these expenses was a $1.3 million decrease in amortization expense, mainly due to certain intangible assets acquired through the purchase of Genuity being fully amortized.

Income before income taxes

Income before income taxes excluding allocated overhead expenses for first-half fiscal 2012 was $13.8 million, a decrease of $19.1 million or 58.0% from the same period a year ago. The reduction in income before income taxes was a result of lower revenue in this segment, mainly attributable to volatile market conditions. Excluding acquisition-related expense items, income before income taxes for the six months ended September 30, 2011 was $17.1 million compared to $47.2 million for the same period last year.

CANACCORD WEALTH MANAGEMENT[1]

(C$ thousands, except AUM and AUA (in C$ millions), employees, Advisory Teams, and % amounts)	Three months ended September 30 **2011**	2010	Quarter-over-quarter change	Six months ended September 30 **2011**	2010	YTD-over-YTD change
Revenue	**$ 47,412**	$ 44,539	6.5%	**$ 102,195**	$ 91,746	11.4%
Expenses						
Incentive compensation	**23,776**	21,561	10.3%	**52,002**	44,842	16.0%
Salaries and benefits	**3,327**	4,817	(30.9)%	**7,265**	8,699	(16.5)%
Other overhead expenses	**10,224**	12,223	(16.4)%	**21,577**	24,560	(12.1)%
Total expenses	**37,327**	38,601	(3.3)%	**80,844**	78,101	3.5%
Income before income taxes[2]	**$ 10,085**	$ 5,938	69.8%	**$ 21,351**	$ 13,645	56.5%
Assets under management	**$ 574**	$ 473	21.4%			
Assets under administration	**$ 14,635**	$ 13,895	5.3%			
Number of Advisory Teams	**271**	280	(3.2)%			
Number of employees	**686**	665	3.2%			

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

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

Second quarter 2012 vs. second quarter 2011

Revenue from Canaccord Wealth Management was $47.4 million, an increase of $2.9 million or 6.5%, mainly due to a $1.4 million increase in commission revenue. Despite the challenging market environment, this segment has experienced revenue growth, reflecting the Company's strategic initiatives in this sector.

AUA was up 5.3% or $0.7 billion, to $14.6 billion, compared to Q2/11, primarily due to additions from new clients. AUM increased by 21.4% year over year. There were 271 Advisory Teams at the end of the second quarter of fiscal 2012, a decrease of 9 from a year ago due to an ongoing strategic review of the Canaccord Wealth Management segment and the conversion of corporate branches to the Independent Wealth Management (IWM) platform. Canaccord's fee-based revenue was 4.2 percentage points higher than the same quarter of the prior year and accounted for 19.4% of Canaccord Wealth Management's revenue during the second quarter 2012.

Expenses for Q2/12 were $37.3 million, a decrease of 3.3% or $1.3 million. This change was mainly due to a $1.5 million decrease in salaries and benefits expense and a $1.6 million decrease in general and administrative expense, offset by a $2.2 million increase in incentive compensation expense. The increase in incentive compensation expense was consistent with higher commission revenue in the second quarter of fiscal year 2012. The incentive compensation ratio was 50.1% in Q2/12 compared to 48.4% in Q2/11.

Salaries and benefits expense was $1.5 million lower than in Q2/11 due to non-recurring restructuring costs incurred in the same quarter last year.

General and administrative expense decreased by $1.6 million compared to the same quarter a year ago due to non-recurring rebranding and client settlement expenses incurred in Q2/11. Development costs were also down by $0.4 million due to lower hiring incentives offered in Q2/12.

Income before income taxes excluding allocated overhead expenses for the quarter was $10.1 million compared to $5.9 million from the same period a year ago. Revenue growth in this segment as well as cost containment efforts resulted in the higher income before income taxes.

First-half fiscal year 2012 vs. first-half fiscal year 2011

Revenue from Canaccord Wealth Management was $102.2 million during the first half of fiscal 2012, an increase of $10.4 million from the same period in the prior year. This growth was attributable to an increase in commission revenue of $4.5 million and an increase in investment banking revenue of $2.5 million, offset by a slight decline in advisory fee revenue of $0.3 million. Fee-related revenue as a percentage of total Canaccord Wealth Management revenue increased to 18.1% compared to 14.6% in Q2/11.

Expenses for the six months ended September 30, 2011 were $80.8 million, up $2.7 million or 3.5% from the same period prior year. Incentive compensation expense grew by $7.2 million or 16.0%, in line with the 11.4% growth in total revenue. Salaries and benefits expense decreased by $1.4 million due to reasons discussed above. The total compensation expense payout as a percentage of revenue for the first six months of fiscal 2012 was 58.0%, a slight decrease of 0.4 percentage points from 58.4% for the same period a year ago.

General and administrative expense decreased by $2.0 million or 24.8% as a result of a decrease in client settlement expense. A decrease in office expense of $0.7 million related to non-recurring rebranding costs incurred in first-half fiscal 2011 further contributed to the decrease in general and administrative expense. Development costs expense was $0.9 million or 18.5% lower in Q2/12 compared to the same period last year as a result of lower hiring incentives offered during the first half of fiscal 2012.

Income before income taxes excluding allocated overhead expenses for the first half of fiscal 2012 was $21.4 million compared to $13.6 million for the same period a year ago.

CORPORATE AND OTHER[1]

	Three months ended September 30		Quarter-over-	Six months ended September 30		YTD-over-YTD
(C$ thousands, except employees and % amounts)	**2011**	2010	quarter change	**2011**	2010	change
Revenue	**$ 2,636**	$ 7,783	(66.1)%	**$ 10,259**	$ 12,341	(16.9)%
Expenses						
Incentive compensation	**1,186**	2,722	(56.4)%	**4,419**	5,756	(23.2)%
Salaries and benefits	**7,454**	7,351	1.4%	**15,422**	15,264	1.0%
Other overhead expenses	**6,904**	8,388	(17.7)%	**15,249**	15,662	(2.6)%
Acquisition-related costs	**1,513**	—	n.m.	**1,513**	—	n.m.
Total expenses	**17,057**	18,461	(7.6)%	**36,603**	36,682	(0.2)%
Loss before income taxes[2]	**$ (14,421)**	$ (10,678)	(35.1)%	**$ (26,344)**	$ (24,341)	(8.2)%
Number of employees	**384**	369	4.1%			
Excluding acquisition-related expense items[3]						
Total expenses	**$ 15,544**	$ 18,461	(15.8)%	**$ 35,090**	$ 36,682	(4.3)%
Loss before income taxes	**(12,908)**	(10,678)	(20.9)%	**(24,831)**	(24,341)	(2.0)%

(1) Data is considered to be IFRS except for number of employees.

(2) Loss before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 21.

(3) Refer to the Selected Financial Information Excluding Acquisition-Related Expense Items table on page 13.

n.m.: not meaningful

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

Second quarter 2012 vs. second quarter 2011

Revenue for the three months ended September 30, 2011 was $2.6 million, a decline of 66.1% or $5.1 million from the same quarter a year ago. The change was mainly related to a $6.2 million decrease in foreign exchange gains, offset by a $0.8 million increase in interest revenue. The appreciation of the Canadian dollar led to foreign exchange losses in Q2/12.

Expenses for Q2/12 were $17.1 million, a decrease of $1.4 million or 7.6% due to lower incentive compensation and premises and equipment expense. Incentive compensation expense declined as a result of lower group profitability. Premises and equipment expense decreased due to cost containment efforts in this segment, as well as reallocation of certain expenses to the Canaccord Genuity segment.

During Q2/12, the Company also incurred $1.5 million of acquisition-related costs to facilitate potential acquisitions that were not pursued.

Overall, loss before income taxes was $14.4 million in Q2/12, compared to $10.7 million in the same quarter a year ago.

First-half fiscal year 2012 vs. first-half fiscal year 2011

Revenue was $10.3 million, down $2.1 million, primarily attributable to lower foreign exchange gains in first-half fiscal year 2012. The appreciation of the Canadian dollar during the first half of fiscal year 2012 resulted in foreign exchange losses reported in this period.

Expenses for the first half of fiscal 2012 were $36.6 million, a slight decrease of $0.1 million. Incentive compensation expense declined by $1.3 million or 23.2% due to lower group profitability.

Overall, loss before income taxes was $26.3 million compared to $24.3 million for the same period a year ago.

INTERSEGMENT ALLOCATED COSTS

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses, and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $8.2 million and to Canaccord Genuity were $3.1 million for the three months ended September 30, 2011. For the six months ended September 30, 2011, $16.9 million was allocated to Canaccord Wealth Management and $6.1 million to Canaccord Genuity.

FINANCIAL CONDITION

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

Assets

Cash and cash equivalents were $691.1 million on September 30, 2011 compared to $954.1 million on March 31, 2011. Refer to the Liquidity and Capital Resources section below for more details.

Securities owned were $1.3 billion on September 30, 2011 compared with $0.9 billion on March 31, 2011, mainly attributable to an increase in holdings of corporate and government debt.

Accounts receivable were $3.3 billion at September 30, 2011 compared to $2.8 billion at March 31, 2011, mainly due to an increase in receivables from brokers and investment dealers.

Goodwill was $245.3 million and intangible assets were $72.1 million at September 30, 2011, representing the goodwill and intangible assets acquired from the purchase of Genuity and The Balloch Group Limited.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments were $69.6 million compared to $48.3 million at March 31, 2011. The increase in other assets is mainly due to the higher income taxes receivable balance as at September 30, 2011.

Liabilities

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At September 30, 2011, Canaccord had available credit facilities with banks in Canada, the US and the UK in the aggregate amount of $622.2 million [March 31, 2011 – $434.6 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On September 30, 2011, there was no bank indebtedness outstanding, compared to $13.6 million on March 31, 2011.

Securities sold short were $1.1 billion at September 30, 2011 compared to $0.7 billion at March 31, 2011 due to an increase in both corporate and government debt, and equities and convertible debentures.

Accounts payable, including provisions, was $3.7 billion and remained consistent with the balance at March 31, 2011 of $3.6 billion.

Other liabilities including income taxes payable, subordinated debt and deferred tax liabilities were $21.1 million at September 30, 2011 compared to $47.1 million at March 31, 2011. The decrease was mainly due to a decrease in income taxes payable.

OFF-BALANCE SHEET ARRANGEMENTS

A subsidiary of the Company has entered into irrevocable secured standby letters of credit from a financial institution totalling $2.4 million (US$2.3 million) [March 31, 2011 – $2.2 million (US$2.3 million)] as rent guarantees for its leased premises in Boston, New York and San Francisco.

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive loss. On September 30, 2011, cash and cash equivalents were $691.1 million, a decrease of $263.0 million from $954.1 million as of March 31, 2011. During the six months ended September 30, 2011, financing activities provided cash in the amount of $50.7 million, mainly due to the issuance of Series A Preferred Shares, as discussed on page 23, partially offset by the acquisition of common shares for LTIP awards of $24.7 million, cash dividends paid for common shares of $16.7 million, and the $13.6 million change in bank indebtedness. Investing activities used cash in the amount of $5.6 million, primarily related to the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $317.2 million, which was largely due to increases in accounts receivables and other changes in non-cash working capital items. An increase in cash of $9.2 million was attributable to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $263.0 million compared to March 31, 2011.

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

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

The following table summarizes Canaccord's long term contractual obligations on September 30, 2011:

Contractual obligations payments due by period (C$ thousands)	Total	Fiscal 2013	Fiscal 2014– Fiscal 2015	Fiscal 2016– Fiscal 2017	Thereafter
Premises and equipment operating leases	132,815	23,850	44,023	31,459	33,483

OUTSTANDING COMMON SHARE DATA

Outstanding common shares as of September 30	**2011**	2010
Issued shares excluding unvested shares[1]	**76,232,324**	74,551,609
Issued shares outstanding[2]	**83,321,696**	82,552,764
Issued shares outstanding – diluted[3]	**86,189,984**	84,532,360
Average shares outstanding – basic	**75,644,041**	70,836,180
Average shares outstanding – diluted	**84,175,154**	79,577,578

(1) Excludes 3,506,816 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 3,582,556 unvested shares purchased by an employee benefit trust for the LTIP.
(2) Includes 3,506,816 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 3,582,556 unvested shares purchased by an employee benefit trust for the LTIP.
(3) Includes 2,868,288 of share issuance commitments.

The Company has filed a notice for a normal course issuer bid (NCIB) to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.4% of the Company's outstanding common shares as of September 30, 2011. No shares were repurchased through the NCIB between June 13, 2011 and September 30, 2011.

As of November 10, 2011, the Company has 83,945,492 common shares issued and outstanding.

PREFERRED SHARES

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

At September 30, 2011, the aggregate net proceeds after deducting issue costs, net of deferred taxes of $1.0 million, were $110.8 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

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

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

SHARE-BASED PAYMENT PLANS

Share options

The Company grants share options to purchase common shares of the Company to independent directors and senior managers. The independent directors and senior managers have been granted options to purchase up to an aggregate of 2,482,675 common shares of the Company. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the share options is $9.83 per common share.

Long-term incentive plan

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

Deferred share units

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

Common share purchase loans

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

INTERNATIONAL FINANCIAL CENTRE

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

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On September 30, 2011, forward contracts outstanding to sell US dollars had a notional amount of US$15.8 million, an increase of US$5.0 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$14.3 million, an increase of US$4.2 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in the US, the UK and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

RELATED PARTY TRANSACTIONS

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

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

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

BUSINESS COMBINATION

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

The purchase agreement grants the Company a call option to purchase the remaining 50% interest in BGF. The option will be exercisable by the Company for a three-month period commencing on November 1, 2016 at a price to be determined at that time by reference to Canaccord BGF profits.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

FUTURE CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Financial instruments

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

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

Presentation of Financial Statements

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

Other standards

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

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

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

IFRS 11 – "Joint Arrangements" (IFRS 11)

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

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

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

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

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Based on an evaluation performed as of March 31, 2011, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of our disclosure controls and procedures were effective as defined under *National Instrument 52-109.* During the six months ended September 30, 2011, there were no changes that would have materially affected, or are reasonably likely to materially affect, Canaccord's disclosure controls and procedures.

Changes in internal control over financial reporting

An evaluation of the Company's internal control over financial reporting was performed as of March 31, 2011. Based on this evaluation, the President & CEO and the Executive Vice President & CFO concluded that Canaccord's internal control over financial reporting is designed and operating effectively as defined under *National Instrument 52-109* and that there are no material weaknesses. There were no changes in internal control over financial reporting that occurred during the six months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

DIVIDEND POLICY

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

DIVIDEND DECLARATION

On November 10, 2011, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on December 15, 2011, with a record date of December 2, 2011. The Company also declared a cash dividend of $0.34375 per Series A Preferred Share payable on January 3, 2012, with a record date of December 16, 2011.

HISTORICAL QUARTERLY INFORMATION

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

The following table provides selected quarterly financial information for the nine most recently completed financial quarters ended September 30, 2011. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as indications of future performance.

(C$ thousands, except per share amounts)[1]	**Fiscal 2012**		Fiscal 2011				Fiscal 2010		
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	IFRS	**IFRS**	IFRS	IFRS	IFRS	IFRS	CGAAP	CGAAP	CGAAP
Revenue									
Canaccord Genuity	**$ 69,452**	**$ 97,377**	$ 163,771	$ 177,758	$ 96,963	$ 100,152	$ 83,496	$ 116,090	$ 78,475
Canaccord Wealth Management	**47,412**	**54,783**	72,704	68,599	44,539	47,207	54,990	51,733	40,138
Corporate and Other	**2,636**	**7,623**	11,120	8,477	7,783	4,558	4,647	5,374	5,131
Total revenue	**$ 119,500**	**$ 159,783**	$ 247,595	$ 254,834	$ 149,285	$ 151,917	$ 143,133	$ 173,197	$ 123,744
Net income (loss)	**(5,278)**	**13,195**	41,323	42,997	10,251	5,172	7,526	15,113	6,746
Earnings (loss) per common share – basic	**$ (0.09)**	**$ 0.17**	$ 0.55	$ 0.57	$ 0.14	$ 0.08	$ 0.15	$ 0.31	$ 0.14
Earnings (loss) per common share – diluted	**$ (0.09)**	**$ 0.16**	$ 0.49	$ 0.51	$ 0.12	$ 0.07	$ 0.14	$ 0.27	$ 0.12

(1) The Company adopted IFRS effective April 1, 2011. All financial information provided in fiscal 2012 and for the four quarters of fiscal 2011 are in accordance with IFRS. Figures for the three quarters of fiscal 2010 are in accordance with CGAAP.

RISKS

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

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. An investment in the common or preferred shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord's business. Canaccord is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to interest rate risk and credit spread risk as a result of its principal trading in fixed income securities. Canaccord Wealth Management revenue is dependent on trading volumes and, as such, is dependent on the level of market activity and investor confidence.

Canaccord Genuity's revenue is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations, changes in business conditions and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position.

The financial services business is subject to extensive regulation in Canada, the US, the UK and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on Canaccord's business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the firm's regulated subsidiaries' target ratios as set out by the respective regulators, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that some of the Company's subsidiaries are subject to are listed in Note 16 of Canaccord's 2011 Audited Annual Consolidated Financial Statements.

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

ADDITIONAL INFORMATION

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

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	**Notes**	**September 30, 2011**	March 31, 2011
ASSETS			
Current			
Cash and cash equivalents		**$ 691,114**	$ 954,068
Securities owned	**6**	**1,316,755**	947,185
Accounts receivable	**8, 17**	**3,270,356**	2,828,812
Income taxes receivable		**18,776**	—
Total current assets		**5,297,001**	4,730,065
Deferred tax assets		**1,791**	1,503
Investment	**9**	**5,934**	5,934
Equipment and leasehold improvements		**43,120**	40,818
Intangible assets	**11**	**72,063**	73,923
Goodwill	**11**	**245,257**	245,257
		$ 5,665,166	$ 5,097,500
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness		**$ —**	$ 13,580
Securities sold short	**6**	**1,117,268**	722,613
Accounts payable and accrued liabilities	**8, 17**	**3,657,893**	3,551,124
Provisions	**20**	**5,430**	6,151
Income taxes payable		**—**	23,977
Subordinated debt		**15,000**	15,000
Total current liabilities		**4,795,591**	4,332,445
Deferred tax liabilities		**6,082**	8,163
		4,801,673	4,340,608
Shareholders' equity			
Preferred shares	**13**	**110,818**	—
Common shares	**14**	**468,313**	467,050
Contributed surplus		**49,179**	52,167
Retained earnings		**228,485**	238,647
Accumulated other comprehensive income (loss)		**6,698**	(972)
Total shareholders' equity		**863,493**	756,892
		$ 5,665,166	$ 5,097,500

See accompanying notes

On behalf of the Board:

PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Unaudited Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)	Notes	For the three months ended **September 30, 2011**	 September 30, 2010	For the six months ended **September 30, 2011**	 September 30, 2010
REVENUE					
Commission		**$ 60,299**	$ 63,002	**$ 121,327**	$ 125,258
Investment banking		**29,799**	51,236	**89,657**	107,137
Advisory fees		**21,664**	13,215	**44,195**	33,936
Principal trading		**(1,379)**	9,597	**574**	15,555
Interest		**7,590**	5,436	**15,447**	8,580
Other		**1,527**	6,799	**8,083**	10,736
		119,500	149,285	**279,283**	301,202
EXPENSES					
Incentive compensation		**61,838**	70,538	**139,452**	143,023
Salaries and benefits		**14,163**	16,322	**31,280**	32,138
Trading costs		**7,742**	7,241	**16,707**	14,946
Premises and equipment		**6,727**	6,640	**13,559**	12,678
Communication and technology		**6,752**	6,779	**13,141**	13,048
Interest		**1,967**	1,673	**4,375**	2,289
General and administrative		**16,263**	15,990	**32,537**	31,781
Amortization		**2,947**	3,706	**5,852**	6,990
Development costs		**5,041**	5,787	**10,571**	11,079
Acquisition-related costs	**10**	**2,956**	—	**2,956**	10,990
		126,396	134,676	**270,430**	278,962
Income (loss) before income taxes		**(6,896)**	14,609	**8,853**	22,240
Income taxes (recovery)	**12**				
Current		**(374)**	3,234	**2,451**	5,880
Deferred		**(1,244)**	1,124	**(1,515)**	937
		(1,618)	4,358	**936**	6,817
Net income (loss) for the period		**$ (5,278)**	$ 10,251	**$ 7,917**	$ 15,423
Weighted average number of common shares outstanding (thousands)					
Basic		**76,073**	74,235	**75,644**	70,836
Diluted		**83,922**	82,976	**84,175**	79,578
Earnings (loss) per common share					
Basic	**14iv**	**$ (0.09)**	$ 0.14	**$ 0.08**	$ 0.22
Diluted	**14iv**	**$ (0.09)**	$ 0.12	**$ 0.07**	$ 0.19
Dividends per common share	**15**	**$ 0.10**	$ 0.05	**$ 0.20**	$ 0.10

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	For the three months ended **September 30, 2011**	 September 30, 2010	For the six months ended **September 30, 2011**	 September 30, 2010
Net income (loss) for the period	**$ (5,278)**	$ 10,251	**$ 7,917**	$ 15,423
Other comprehensive income (loss)				
Net change in unrealized gains (losses) on translation of foreign operations	**8,359**	(186)	**7,670**	4,390
Comprehensive income for the period	**$ 3,081**	$ 10,065	**$ 15,587**	$ 19,813

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

As at and for the six months ended (in thousands of Canadian dollars)	**Notes**	**September 30, 2011**	September 30, 2010
Preferred shares, opening		**$ —**	$ —
Shares issued, net of share issuance costs	**13**	**110,818**	—
Preferred shares, closing		**110,818**	—
Common shares, opening		**467,050**	185,691
Shares issued in connection with the acquisition of Genuity Capital Markets (Genuity)		**—**	271,900
Shares issued in connection with share-based payments		**4,874**	5,162
Acquisition of common shares for long-term incentive plan (LTIP)		**(24,719)**	(14,688)
Release of vested common shares from employee benefit trust		**12,602**	14,518
Cancellation of shares in connection with the acquisition of Genuity		**(606)**	—
Net unvested share purchase loans		**9,112**	(4,713)
Common shares, closing		**468,313**	457,870
Contributed surplus, opening		**52,167**	58,103
Share-based payments		**(1,248)**	(8,851)
Cancellation of shares in connection with the acquisition of Genuity		**606**	—
Unvested share purchase loans		**(2,346)**	2,510
Contributed surplus, closing		**49,179**	51,762
Retained earnings, opening		**238,647**	158,138
Net income for the period		**7,917**	15,423
Common shares dividends	**15**	**(16,190)**	(8,354)
Preferred shares dividends, including related tax impact	**15**	**(1,889)**	—
Retained earnings, closing		**228,485**	165,207
Accumulated other comprehensive income (loss), opening		**(972)**	1,301
Other comprehensive income		**7,670**	4,390
Accumulated other comprehensive income, closing		**6,698**	5,691
Shareholders' equity		**$ 863,493**	$ 680,530

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six months ended (in thousands of Canadian dollars)	**Notes**	**September 30, 2011**	September 30, 2010
OPERATING ACTIVITIES			
Net income for the period		**$ 7,917**	$ 15,423
Items not affecting cash			
Amortization		**5,852**	6,990
Deferred income tax expense (recovery)		**(1,515)**	937
Share-based compensation expense	**16iv**	**22,553**	19,053
Changes in non-cash working capital			
Increase in securities owned		**(368,641)**	(900,138)
Increase in accounts receivable		**(426,889)**	(1,012,304)
(Increase) decrease in income taxes receivable		**(43,203)**	122
Increase in securities sold short		**394,224**	871,743
Increase in accounts payable, accrued liabilities, and provisions		**92,462**	947,334
Cash used by operating activities		**(317,240)**	(50,840)
FINANCING ACTIVITIES			
Issuance of Series A Preferred Shares, net of share issuance costs		**110,818**	—
Acquisition of common shares for LTIP		**(24,719)**	(14,688)
Cash dividends paid on common shares		**(16,748)**	(8,354)
Cash dividends paid on preferred shares		**(1,693)**	—
Issuance of shares in connection with share-based payments		**555**	—
Decrease in net vesting of share purchase loans		**(3,945)**	(9,589)
Bank indebtedness		**(13,580)**	35,298
Cash provided by financing activities		**50,688**	2,667
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		**(5,604)**	(763)
Acquisition of Genuity		**—**	(37,997)
Net liabilities acquired from Genuity		**—**	(11,227)
Cash used in investing activities		**(5,604)**	(49,987)
Effect of foreign exchange on cash balances		**9,202**	3,216
Decrease in cash position		**(262,954)**	(94,944)
Cash position, beginning of period		**954,068**	731,852
Cash position, end of period		**$ 691,114**	$ 636,908
Supplemental cash flow information			
Interest paid		**$ 4,145**	$ 2,048
Income taxes paid		**$ 47,075**	$ 19,746

See accompanying notes

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 1. CORPORATE INFORMATION

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

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

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

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

NOTE 2. BASIS OF PREPARATION

Statement of compliance

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

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

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

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 10, 2011.

NOTE 3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Financial instruments

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

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

Presentation of Financial Statements

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

Other standards

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

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

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

IFRS 11 – "Joint Arrangements" (IFRS 11)

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

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

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

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

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

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

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

NOTE 4. FIRST-TIME ADOPTION OF IFRS

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

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

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

The accompanying note disclosure provides details on the principal adjustments made by the Company in restating its CGAAP shareholders' equity, net income and comprehensive income for the three and six months ended September 30, 2010.

Exemptions applied

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

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

Estimates

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

Reconciliation of financial position as reported under CGAAP to IFRS

Company reconciliation of financial position as at September 30, 2010:

	CGAAP	Share-based payments	Foreign exchange translation	Financial instruments	Provisions	Income taxes	IFRS
Notes		A	B	C	D	E	
ASSETS							
Current							
Cash and cash equivalents	$ 636,908	$ —	$ —	$ —	$ —	$ —	$ 636,908
Securities owned	1,268,897	—	—	—	—	—	1,268,897
Accounts receivable	2,987,415	—	—	—	—	—	2,987,415
Income taxes receivable	5,567	—	—	—	—	—	5,567
Future income taxes	15,136	—	—	—	—	(15,136)	—
Total current assets	4,913,923	—	—	—	—	(15,136)	4,898,787
Deferred tax assets	—	—	—	—	—	1,076	1,076
Investment	5,000	—	—	1,732	—	—	6,732
Equipment and leasehold improvements	37,463	—	—	—	—	—	37,463
Intangible assets	75,784	—	—	—	—	—	75,784
Goodwill	242,074	—	—	—	—	—	242,074
	$ 5,274,244	$ —	$ —	$ 1,732	$ —	$ (14,060)	$ 5,261,916
LIABILITIES							
Current							
Bank indebtedness	$ 64,733	$ —	$ —	$ —	$ —	$ —	$ 64,733
Securities sold short	1,236,229	—	—	—	—	—	1,236,229
Accounts payable and accrued liabilities	3,257,737	—	—	—	(5,584)	—	3,252,153
Provisions	—	—	—	—	5,584	—	5,584
Subordinated debt	15,000	—	—	—	—	—	15,000
Total current liabilities	4,573,699	—	—	—	—	—	4,573,699
Deferred tax liabilities	21,273	—	—	—	—	(13,586)	7,687
	4,594,972	—	—	—	—	(13,586)	4,581,386
SHAREHOLDERS' EQUITY							
Common shares	457,870	—	—	—	—	—	457,870
Contributed surplus	52,079	(317)	—	—	—	—	51,762
Retained earnings	200,237	317	(35,304)	—	—	(43)	165,207
Accumulated other comprehensive income (loss)	(30,914)	—	35,304	1,732	—	(431)	5,691
Total shareholders' equity	679,272	—	—	1,732	—	(474)	680,530
	$ 5,274,244	$ —	$ —	$ 1,732	$ —	$ (14,060)	$ 5,261,916

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

The following is a reconciliation of the Company's net income and comprehensive income reported in accordance with CGAAP to its net income and comprehensive income in accordance with IFRS for the three and six months ended September 30, 2010:

		Three months ended September 30, 2010			Six months ended September 30, 2010		
	Notes	CGAAP	Effect of transition	IFRS	CGAAP	Effect of transition	IFRS
REVENUE							
Commission		$ 63,002	$ —	$ 63,002	$ 125,258	$ —	$ 125,258
Investment banking		51,236	—	51,236	107,137	—	107,137
Advisory fees		13,215	—	13,215	33,936	—	33,936
Principal trading		9,597	—	9,597	15,555	—	15,555
Interest		5,436	—	5,436	8,580	—	8,580
Other		6,799	—	6,799	10,736	—	10,736
		149,285	—	149,285	301,202	—	301,202
EXPENSES							
Incentive compensation	A	71,823	(1,285)	70,538	144,914	(1,891)	143,023
Salaries and benefits		16,322	—	16,322	32,138	—	32,138
Trading costs		7,241	—	7,241	14,946	—	14,946
Premises and equipment		6,640	—	6,640	12,678	—	12,678
Communication and technology		6,779	—	6,779	13,048	—	13,048
Interest		1,673	—	1,673	2,289	—	2,289
General and administrative		15,990	—	15,990	31,781	—	31,781
Amortization		3,706	—	3,706	6,990	—	6,990
Development costs	A	5,172	615	5,787	10,256	823	11,079
Acquisition-related costs		—	—	—	10,990	—	10,990
		135,346	(670)	134,676	280,030	(1,068)	278,962
Income before income taxes		13,939	670	14,609	21,172	1,068	22,240
Income taxes (recovery)							
Current		3,234	—	3,234	5,880	—	5,880
Deferred	E	994	130	1,124	706	231	937
		4,228	130	4,358	6,586	231	6,817
Net income		$ 9,711	$ 540	$ 10,251	$ 14,586	$ 837	$ 15,423
Other comprehensive income (loss), net of taxes		(186)	—	(186)	4,390	—	4,390
Comprehensive income		$ 9,525	$ 540	$ 10,065	$ 18,976	$ 837	$ 19,813

Notes to the reconciliation of financial position as at September 30, 2010 and reconciliations of net income and comprehensive income for the three- and six-month periods ended September 30, 2010

A. Share-based payment

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

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

B. Foreign exchange translation

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

C. Financial instruments

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

D. Provisions

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

E. Income taxes

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

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

F. Material adjustments to the statement of cash flows

There is no significant impact on the presentation of the Company's consolidated statement of cash flows for the six months ended September 30, 2010. Adjustments include the effects on comprehensive income and non-cash operating items as a result of the transition adjustments described above.

NOTE 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements should be read in conjunction with the accounting policies disclosed in Notes 2 and 5 of the Company's unaudited interim condensed consolidated financial statements as at and for the three months ended June 30, 2011. The following disclosure provides additional information regarding commission revenue recognition.

Revenue recognition

Commission revenue consists of revenue generated through commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and are recorded as part of commission revenues. Facilitation losses for the three and six months ended September 30, 2011 were $7.6 million and $20.2 million [September 30, 2010 – $6.4 million and $14.6 million].

NOTE 6. SECURITIES OWNED AND SECURITIES SOLD SHORT

	September 30, 2011		March 31, 2011	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 1,223,060	$ 1,101,406	$ 816,363	$ 689,509
Equities and convertible debentures	93,695	15,862	130,822	33,104
	$ 1,316,755	$ 1,117,268	$ 947,185	$ 722,613

As at September 30, 2011, corporate and government debt maturities ranged from 2011 to 2060 [March 31, 2011 – 2011 to 2060] and bear interest ranging from 0.50% to 14.00% [March 31, 2011 – 0.50% to 14.00%].

NOTE 7. FINANCIAL INSTRUMENTS

Presented below is a fair value hierarchy that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses inputs based on quoted prices, Level 2 uses observable inputs other than quoted prices and Level 3 uses inputs that are not based on observable market data.

		Estimated fair value September 30, 2011		
	September 30, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 691,114	$ 691,114	$ —	$ —
Securities owned[1]	1,316,755	1,309,451	6,702	602
Investment	5,934	—	—	5,934
Securities sold short	1,117,268	1,117,268	—	—

(1) Securities owned includes $602 of investment in asset-backed commercial paper (ABCP) and $6,702 of broker warrants.

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

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

Securities lending and borrowing

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
September 30, 2011	$ 81,478	$ 56,738	$ 54,025	$ 79,106
March 31, 2011	117,187	51,364	52,075	119,295

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

NOTE 8. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	September 30, 2011	March 31, 2011
Brokers and investment dealers	**$ 2,038,847**	$ 1,426,005
Clients	**649,836**	789,896
RRSP cash balances held in trust	**513,058**	553,802
Other	**68,615**	59,109
	$ 3,270,356	$ 2,828,812

Accounts payable and accrued liabilities

	September 30, 2011	March 31, 2011
Brokers and investment dealers	**$ 2,237,732**	$ 1,649,601
Clients	**1,289,411**	1,642,532
Other	**130,750**	258,991
	$ 3,657,893	$ 3,551,124

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

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the clients' accounts. Interest on margin loans and on amounts due to clients is based on a floating rate [September 30, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2011 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at September 30, 2011, the allowance for doubtful accounts was $12.1 million [March 31, 2011 – $12.0 million].

NOTE 9. INVESTMENT

	September 30, 2011	March 31, 2011
Available for sale	**$ 5,934**	$ 5,934

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

NOTE 10. BUSINESS COMBINATION

On July 31, 2011, the Company announced that it had signed a definitive agreement to acquire a 50% interest in BGF Capital Group Pty Ltd (BGF), a boutique investment bank based in Australia, with offices in Melbourne, Sydney and Hong Kong. The transaction was completed on November 1, 2011 for consideration consisting of 623,796 Canaccord common shares valued at $5.7 million [AUD$5.5 million] and cash of $36.5 million [AUD$34.7 million]. The shares issued were valued at $9.20 per common share based on the closing share price as of November 1, 2011, the closing date of the transaction, in accordance with IFRS 3, "*Business Combinations*". All of the Canaccord common shares issued as part of the purchase price were placed in escrow at closing and will be released ratably over five years. Subsequent to the closing of the transaction, BGF was rebranded as Canaccord BGF [Note 21].

The purchase agreement grants the Company a call option to purchase the remaining 50% interest in BGF. The option will be exercisable by the Company for a three-month period commencing on November 1, 2016 at a price to be determined at that time by reference to Canaccord BGF profits.

Total costs expensed related to this transaction were $1.4 million for the six months ended September 30, 2011. These costs consist mostly of professional and consulting fees.

The Company is in the process of determining the purchase price allocation for this acquisition and will disclose the preliminary allocation in its unaudited interim condensed consolidated financial statements for the nine months ending December 31, 2011.

In addition, the Company incurred and expensed $1.5 million of costs related to professional and consulting fees incurred for prospective acquisitions not pursued.

NOTE 11. GOODWILL AND OTHER INTANGIBLE ASSETS

		Identifiable intangible assets				
	Goodwill	Brand names	Customer relationships	Sales backlog	Non-competition	Total
Gross amount						
Balance, April 1, 2010	$ —	$ —	$ —	$ —	$ —	$ —
Additions – Genuity	242,074	44,930	25,450	1,633	7,037	79,050
Additions – TBG	3,183	—	—	—	—	—
Impairment	—	—	—	—	—	—
Balance, March 31, 2011	245,257	44,930	25,450	1,633	7,037	79,050
Impairment	—	—	—	—	—	—
Balance, September 30, 2011	**245,257**	**44,930**	**25,450**	**1,633**	**7,037**	**79,050**
Accumulated amortization						
Balance, April 1, 2010	—	—	—	—	—	—
For the year ended March 31, 2011						
Amortization	—	—	(2,172)	(1,633)	(1,322)	(5,127)
Impairment	—	—	—	—	—	—
Balance, March 31, 2011	—	—	(2,172)	(1,633)	(1,322)	(5,127)
For the six-month period ended September 30, 2011						
Amortization	—	—	(1,156)	—	(704)	(1,860)
Impairment	—	—	—	—	—	—
Balance, September 30, 2011	**—**	**—**	**(3,328)**	**(1,633)**	**(2,026)**	**(6,987)**
Net book value						
March 31, 2011	245,257	44,930	23,278	—	5,715	73,923
September 30, 2011	**245,257**	**44,930**	**22,122**	**—**	**5,011**	**72,063**

Impairment testing of goodwill and identifiable intangible assets with indefinite lives

Goodwill and branding acquired through the acquisition of Genuity have been allocated to the Canadian segment of the Canaccord Genuity cash-generating unit for impairment testing. Goodwill acquired through the acquisition of TBG has been allocated to the Asian segment of the Canaccord Genuity cash-generating unit for impairment testing.

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

There have been no changes to circumstances or events that would indicate the carrying value of goodwill and intangibles has been impaired at September 30, 2011. As a result, no interim impairment testing has been performed. The annual impairment testing for goodwill and intangible assets with indefinite lives will be performed at March 31, 2012 assuming no circumstances or events arise that require earlier impairment testing.

NOTE 12. INCOME TAXES

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

	For the three months ended		For the six months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
Income taxes at the statutory rate (F2012: 25.7%; F2011: 27.9%)	**$ (1,767)**	$ 4,026	**$ 2,272**	$ 6,141
Difference in tax rates in foreign jurisdictions	**(286)**	(197)	**51**	(49)
Non-deductible items affecting the determination of taxable income	**854**	309	**1,333**	912
Change in accounting and tax base estimate	**(1,731)**	334	**(2,032)**	1,050
Change in deferred tax asset – reversal period of temporary difference	**(285)**	230	**(655)**	257
Utilization of tax losses and other temporary differences previously not recognized	**1,597**	(344)	**(33)**	(1,494)
Income tax expense (recovery) – current and deferred	**$ (1,618)**	$ 4,358	**$ 936**	$ 6,817

NOTE 13. PREFERRED SHARES

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

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

At September 30, 2011, the aggregate net proceeds after deducting issue costs, net of deferred taxes of $1.0 million, were $110.8 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

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

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

NOTE 14. COMMON SHARES

	September 30, 2011		March 31, 2011	
	Amount	**Number of shares**	Amount	Number of shares
Issued and fully paid	**$ 538,144**	**83,321,696**	$ 533,876	82,809,623
Unvested share purchase loans	**(26,911)**	**(3,506,816)**	(36,018)	(4,501,992)
Held for LTIP	**(42,920)**	**(3,582,556)**	(30,808)	(2,903,991)
	$ 468,313	**76,232,324**	$ 467,050	75,403,640

[i] Authorized

Unlimited common shares without par value

[ii] Issued and fully paid

	Number of shares	Amount
Balance, April 1, 2010	55,571,133	$ 254,553
Shares issued in relation to the acquisition of Genuity	26,500,000	271,900
Shares issued in connection with share-based payment plans [note 16]	823,144	7,969
Shares cancelled	(84,654)	(546)
Balance, March 31, 2011	82,809,623	533,876
Shares issued in connection with share-based payment plans [note 16]	571,121	4,874
Shares cancelled	(59,048)	(606)
Balance, September 30, 2011	**83,321,696**	**$ 538,144**

During the six months ended September 30, 2011, the Company cancelled 59,048 escrow shares issued in connection with the acquisition of Genuity.

The Company has filed a notice for a normal course issuer bid (NCIB) to allow for the purchase of up to 2,000,000 of its common shares through the facilities of the TSX from June 13, 2011 to June 12, 2012. The purchase of common shares under the NCIB will enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.4% of the Company's outstanding common shares. No shares were repurchased through the NCIB between June 13, 2011 and September 30, 2011.

[iii] Common share purchase loans

The Company provides forgivable common share purchase loans to employees in order to purchase common shares. The unvested balance of forgivable common share purchase loans is presented as a deduction from share capital.

The forgivable common share purchase loans are amortized over the vesting period. The difference between the unvested and unamortized values is included in contributed surplus.

[iv] Earnings (loss) per common share

	For the three months ended		For the six months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
Basic earnings (loss) per common share				
Net income (loss) for the period	**$ (5,278)**	$ 10,251	**$ 7,917**	$ 15,423
Preferred share dividends, including related tax impact	**(1,799)**	—	**(1,889)**	—
Net income (loss) available to common shareholders	**$ (7,077)**	$ 10,251	**$ 6,028**	$ 15,423
Weighted average number of common shares (number)	**76,073,220**	74,235,155	**75,644,041**	70,836,180
Basic earnings (loss) per share	**$ (0.09)**	$ 0.14	**$ 0.08**	$ 0.22
Diluted earnings (loss) per common share				
Net income (loss) available to common shareholders	**$ (7,077)**	$ 10,251	**$ 6,028**	$ 15,423
Weighted average number of common shares (number)	**76,073,220**	74,235,155	**75,644,041**	70,836,180
Dilutive effect of unvested shares (number)	**3,506,816**	4,744,750	**3,506,816**	4,744,750
Dilutive effect of share options (number)	**366,049**	184,745	**576,922**	152,550
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 16]	**3,653,908**	3,476,002	**3,947,604**	3,526,132
Dilutive effect of share issuance commitment in connection with LTIP (number) [note 16]	**321,992**	335,047	**499,771**	317,966
Adjusted weighted average number of common shares (number)	**83,921,985**	82,975,699	**84,175,154**	79,577,578
Diluted earnings (loss) per common share	**$ (0.09)**	$ 0.12	**$ 0.07**	$ 0.19

NOTE 15. DIVIDENDS

Common shares dividends

The Company declared the following common shares dividends during the six months ended September 30, 2011:

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

On November 10, 2011, the Board of Directors approved a cash dividend of $0.10 per common share payable on December 15, 2011 to common shareholders of record as at December 2, 2011 [Note 21].

Preferred shares dividends

On August 3, 2011, the Board approved an initial cash dividend of $0.37295 per Series A Preferred Share payable on September 30, 2011 and with a record date of September 16, 2011. Total dividend paid was $1,693.

On November 10, 2011, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on January 3, 2012 and with a record date of December 16, 2011 [Note 21].

NOTE 16. SHARE-BASED PAYMENT PLANS

[i] Share options

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

The following is a summary of the Company's share options as at September 30, 2011 and changes during the periods then ended:

	Number of options	Weighted average exercise price
Balance, April 1, 2010	2,449,993	$ 9.91
Granted	150,000	8.39
Exercised	(58,659)	9.47
Balance, March 31, 2011	2,541,334	9.82
Granted	—	—
Exercised	(58,659)	(9.47)
Balance, September 30, 2011	**2,482,675**	**$ 9.83**

The following table summarizes the share options outstanding as at September 30, 2011:

	Options outstanding			Options exercisable	
Range of exercise price	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$ 23.13	100,000	2.62 years	$ 23.13	100,000	$ 23.13
7.21–9.48	2,382,675	4.89 years	9.27	135,091	8.38
$7.21–23.13	**2,482,675**	**4.80 years**	**$ 9.83**	**235,091**	**$ 13.40**

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

[ii] Long-term incentive plan

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

There were 2,319,479 RSUs [March 31, 2011 – 2,713,726 RSUs] granted in lieu of cash compensation to employees during the six months ended September 30, 2011. The Trust purchased 1,807,491 [March 31, 2011 – 1,695,553] number of common shares for the period ended September 30, 2011.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the six months ended September 30, 2011 was $13.39 (March 31, 2011 – $9.77).

	Number
Awards outstanding, April 1, 2010	5,317,945
Grants	2,713,726
Vested	(2,680,631)
Forfeited	(95,212)
Awards outstanding, March 31, 2011	5,255,828
Grants	2,319,479
Vested	(1,641,388)
Forfeited	(27,139)
Awards outstanding, September 30, 2011	**5,906,780**

	Number
Common shares held by the Trust, April 1, 2010	3,201,274
Acquired	1,695,553
Released on vesting	(1,992,836)
Common shares held by the Trust, March 31, 2011	2,903,991
Acquired	1,807,491
Released on vesting	(1,128,926)
Common shares held by the Trust, September 30, 2011	**3,582,556**

[iii] Deferred share units

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

During the six months ended September 30, 2011, the Company granted 12,198 DSUs. The carrying amount of the liability relating to DSUs at September 30, 2011 was $116.

[iv] Share-based compensation expense

	For the three months ended		For the six months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
Share options	**$ 361**	$ 456	**$ 762**	$ 891
Long-term incentive plan	**7,210**	4,450	**14,770**	10,776
Forgivable common share purchase loans [note 14 iii]	**3,009**	3,679	**6,905**	7,386
Deferred share units	**116**	—	**116**	—
Total share-based compensation expense	**$ 10,696**	$ 8,585	**$ 22,553**	$ 19,053

NOTE 17. RELATED PARTY TRANSACTIONS

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

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

	September 30, 2011	March 31, 2011
Accounts receivable	**$ —**	$ 29
Accounts payable and accrued liabilities	**23,334**	24,754

NOTE 18. SEGMENTED INFORMATION

The Company operates in two industry segments as follows:

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

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

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

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on operating results.

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

	For the three months ended							
	September 30, 2011				September 30, 2010			
	Canaccord Genuity	**Canaccord Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 67,625**	**$ 44,041**	**$ 244**	**$ 111,910**	$ 95,652	$ 41,983	$ 6,214	$ 143,849
Interest revenue	**1,827**	**3,371**	**2,392**	**7,590**	1,311	2,556	1,569	5,436
Expenses, excluding undernoted	**64,462**	**34,715**	**14,308**	**113,485**	70,791	35,538	17,181	123,510
Amortization	**2,057**	**554**	**336**	**2,947**	2,788	575	343	3,706
Development costs	**2,536**	**1,978**	**527**	**5,041**	2,786	2,425	576	5,787
Interest expense	**1,514**	**80**	**373**	**1,967**	1,249	63	361	1,673
Acquisition-related costs	**1,443**	**—**	**1,513**	**2,956**	—	—	—	—
Income (loss) before income taxes	**$ (2,560)**	**$ 10,085**	**$ (14,421)**	**$ (6,896)**	$ 19,349	$ 5,938	$ (10,678)	$ 14,609

	For the six months ended							
	September 30, 2011				September 30, 2010			
	Canaccord Genuity	**Canaccord Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 163,198**	**$ 95,432**	**$ 5,206**	**$ 263,836**	$ 195,823	$ 86,888	$ 9,911	$ 292,622
Interest revenue	**3,631**	**6,763**	**5,053**	**15,447**	1,292	4,858	2,430	8,580
Expenses, excluding undernoted	**138,573**	**75,510**	**32,593**	**246,676**	141,327	71,928	34,359	247,614
Amortization	**3,859**	**1,195**	**798**	**5,852**	5,136	1,194	660	6,990
Development costs	**5,686**	**3,957**	**928**	**10,571**	5,275	4,858	946	11,079
Interest expense	**3,422**	**182**	**771**	**4,375**	1,451	121	717	2,289
Acquisition-related costs	**1,443**	**—**	**1,513**	**2,956**	10,990	—	—	10,990
Income (loss) before income taxes	**$ 13,846**	**$ 21,351**	**$ (26,344)**	**$ 8,853**	$ 32,936	$ 13,645	$ (24,341)	$ 22,240

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

	For the three months ended		For the six months ended	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
Canada	**$ 91,743**	$ 109,493	**$ 214,833**	$ 218,411
United Kingdom	**9,338**	18,338	**18,584**	34,783
United States	**18,586**	21,093	**45,781**	47,799
Other Foreign Locations	**(167)**	361	**85**	209
	$ 119,500	$ 149,285	**$ 279,283**	$ 301,202

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

	Canada	United Kingdom	United States	Other Foreign Locations	Total
As at September 30, 2011					
Equipment and leasehold improvements	$ 30,979	$ 3,757	$ 8,085	$ 299	$ 43,120
Goodwill	242,074	—	—	3,183	245,257
Non-current assets	352,136	4,612	7,897	3,520	368,165
As at March 31, 2011					
Equipment and leasehold improvements	30,596	4,079	5,896	247	40,818
Goodwill	242,074	—	—	3,183	245,257
Non-current assets	353,755	5,052	5,166	3,462	367,435

NOTE 19. CAPITAL MANAGEMENT

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss), and is further complemented by subordinated debt. The following table summarizes our capital as at September 30, 2011 and March 31, 2011:

Type of capital	**September 30, 2011**	March 31, 2011
Preferred shares	**$ 110,818**	$ —
Common shares	**468,313**	467,050
Contributed surplus	**49,179**	52,167
Retained earnings	**228,485**	238,647
Accumulated other comprehensive income (loss)	**6,698**	(972)
Shareholders' equity	**863,493**	756,892
Subordinated debt	**15,000**	15,000
	$ 878,493	$ 771,892

NOTE 20. PROVISIONS AND CONTINGENCIES

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. At each balance sheet date, the company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the six months ended September 30, 2011:

Balance, March 31, 2011	$ 6,151
Additions	871
Utilized	(1,191)
Recoveries	(401)
Balance, September 30, 2011	**$ 5,430**

Commitments, litigation proceedings and contingent liabilities

During the period ended September 30, 2011, there were no material changes to the Company's commitments or contingencies from those described in Note 17 of the 2011 Audited Annual Consolidated Financial Statements except:

Canaccord Genuity Corp., among others, is a defendant named in a class action proceeding initiated in the Ontario Superior Court of Justice in 2010. The plaintiff in the action claims, among other things, damages under the *Securities Act* (Ontario) of $50 million and punitive damages of $5 million alleging certain misrepresentations in a prospectus filed by Allen-Vanguard Inc. for which Canaccord, among others, acted as underwriter. The plaintiff has agreed to the dismissal of this action.

NOTE 21. SUBSEQUENT EVENTS

[i] Acquisition of BGF

As announced on July 31, 2011, the Company had signed a definitive agreement to acquire a 50% interest in BGF. This transaction closed on November 1, 2011, and BGF was rebranded as Canaccord BGF [Note 10].

[ii] Dividends

On November 10, 2011, the Board of Directors approved a quarterly dividend of $0.10 per common share payable on December 15, 2011 with a record date of December 2, 2011. The Company also declared a cash dividend of $0.34375 per Series A Preferred Share payable on January 3, 2012 and with a record date of December 16, 2011.

Shareholder Information

CORPORATE HEADQUARTERS

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

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

STOCK EXCHANGE LISTING

Common shares:
TSX: CF
AIM: CF.

Preferred shares:
TSX: CF.PR.A.

CORPORATE WEBSITE

www.canaccordfinancial.com

GENERAL SHAREHOLDER INQUIRIES AND INFORMATION

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

MEDIA RELATIONS AND INQUIRIES FROM INSTITUTIONAL INVESTORS AND ANALYSTS

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

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

FISCAL 2012 EXPECTED DIVIDEND EARNINGS RELEASE DATES[1]

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q1/12	August 4, 2011	September 16, 2011	September 30, 2011	August 26, 2011	September 15, 2011
Q2/12	November 10, 2011	December 16, 2011	January 3, 2012	December 2, 2011	December 15, 2011
Q3/12	February 9, 2012	March 16, 2012	April 2, 2012	March 2, 2012	March 15, 2012
Q4/12	May 23, 2012	June 15, 2012	July 3, 2012	June 1, 2012	June 15, 2012

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

SHAREHOLDER ADMINISTRATION

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

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

FINANCIAL INFORMATION

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AUDITOR

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

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