Q1 CANACCORD FINANCIAL INC.

First Quarter Fiscal 2011 Report to Shareholders

REPORTS FISCAL FIRST QUARTER 2011 RESULTS

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

VANCOUVER, August 5, 2010 – Canaccord Financial Inc.'s revenue for the first quarter of fiscal year 2011, ended June 30, 2010, was $151.9 million, up 6.1% from the previous quarter. Net income for the first quarter was $4.9 million, down 35.2% from the previous quarter. The quarter's results include $12.4 million of acquisition-related expense items(1) connected to the acquisition of Genuity Capital Markets. Excluding these acquisition-related expense items net of tax, net income was $13.9 million. Diluted earnings per share (EPS) for fiscal Q1/11 were $0.06, a decrease of $0.08 compared to the previous quarter. Excluding acquisition-related expense items, diluted EPS for fiscal Q1/11 were $0.18.

Commenting on the quarter, Paul Reynolds, President and CEO said, "Despite the challenging market environment that existed through much of the quarter, our Q1/11 results reflect the early signs of success we've achieved through our acquisition of Genuity Capital Markets. It's indicative of the momentum we're building across our business as we leverage the expertise and relationships of our expanded capital markets team to provide even more value for our clients."

SEQUENTIAL COMPARISON

First quarter 2011 vs. fourth quarter 2010

- Revenue of $151.9 million, up 6.1% or $8.8 million from $143.1 million
- Expenses of $144.7 million, up 5.1% or $7.0 million from $137.7 million
- Net income of $4.9 million, down 35.2% or $2.7 million from $7.5 million
- Diluted EPS of $0.06 compared to a diluted EPS of $0.14 in the fourth quarter of 2010
- Return on equity (ROE) of 3.7%, down from 7.6%
- On August 4, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on September 10, 2010 with a record date of August 27, 2010

First quarter 2011 vs. fourth quarter 2010 – excluding acquisition-related expense items(1)

- Revenue of $151.9 million, up 6.1% or $8.8 million from $143.1 million
- Expenses of $132.3 million, down 0.3% or $0.4 million from $132.7 million
- Net income of $13.9 million, up 25.5% or $2.8 million from $11.1 million
- Diluted EPS of $0.18 compared to a diluted EPS of $0.21 in the fourth quarter of 2010
- ROE of 10.3%, down from 11.1%(2)

(1) Acquisition-related expense items in connection with the acquisition of Genuity Capital Markets include $11.0 million of acquisition-related costs and $1.4 million of amortization of intangible assets in Q1/11, and $5.0 million of acquisition-related costs in Q4/10. (See Non-GAAP Measures.)
(2) ROE figures excluding acquisition-related expense items, exclude only $11.0 million in acquisition-related costs and $1.4 million of amortization of intangible assets related to the acquisition during fiscal Q1/11, and $5.0 million of acquisition-related costs during fiscal Q4/10.

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- Cash and cash equivalents balance of $570.0 million, down $161.9 million from $731.9 million
- Working capital of $325.0 million, down $33.6 million from $358.6 million
- Total shareholders' equity of $669.6 million, up $267.9 million from $401.7 million
- Book value per diluted common share for the period end was $7.84, up 12.6% or $0.88 from $6.96

FISCAL Q1/11 COMPARED TO FISCAL Q1/10

First quarter 2011 vs. first quarter 2010

- Revenue of $151.9 million, up 10.5% or $14.4 million from $137.5 million
- Expenses of $144.7 million, up 19.1% or $23.2 million from $121.5 million
- Net income of $4.9 million, down 46.5% or $4.2 million from $9.1 million
- Return on equity (ROE) of 3.7%, down from 9.7%
- Diluted EPS of $0.06 compared to a diluted EPS of $0.16

First quarter 2011 vs. first quarter 2010 – excluding acquisition-related expense items(1)

- Revenue of $151.9 million, up 10.5% or $14.4 million from $137.5 million
- Expenses of $132.3 million, up 8.9% or $10.8 million from $121.5 million
- Net income of $13.9 million, up 52.5% or $4.8 million from $9.1 million
- Diluted EPS of $0.18 compared to a diluted EPS of $0.16

Financial condition at end of first quarter 2011 vs. first quarter 2010

- Cash and cash equivalents balance of $570.0 million, down $164.3 million from $734.3 million
- Working capital of $325.0 million, up $23.4 million from $301.6 million
- Total shareholders' equity of $669.6 million, up $284.2 million from $385.4 million
- Book value per diluted common share for the period end was $7.84, up 16.5% or $1.11 from $6.73

SUMMARY OF OPERATIONS

Corporate

- On April 22, 2010, shareholders of Canaccord Financial Inc. approved a share issuance to complete the acquisition of Genuity Capital Markets
- On April 23, 2010, Canaccord Financial Inc. closed its acquisition of Genuity Capital Markets
- The integration of Genuity's operations with Canaccord Adams was completed on May 10, 2010. As a result, Canaccord Adams was renamed Canaccord Genuity
- At Canaccord's Special Meeting of Shareholders held on April 22, 2010, shareholders approved the election of David Kassie and Philip Evershed to Canaccord Financial Inc.'s Board of Directors. David Kassie was appointed Group Chairman. Mr. Kassie and Mr. Evershed were Principals and co-founders of Genuity Capital Markets.
- At Canaccord's fiscal 2010 Annual General Meeting of Shareholders held on June 25, 2010 shareholders approved the election of Matthew Gaasenbeek to Canaccord Financial Inc.'s Board of Directors. Mr. Gaasenbeek, 44, joined Canaccord in January 1994. During his career at Canaccord he has held a variety of roles including Investment Banker, Head of the Investment Banking Mining team, Institutional Salesman, Head of Institutional Sales and Trading, and Head of Capital Markets. He is currently Head of Equities.

Capital Markets

- Canaccord Genuity led 29 transactions globally to raise total proceeds of $1.2 billion(3) during Q1/11.
- Canaccord Genuity participated in a total of 97 transactions globally to raise total proceeds of $2.9 billion(3) during Q1/11.
- During Q1/11, Canaccord Genuity led or co-led the following transactions:
  - $382.8 million for Tahoe Resources Inc. on the TSX
  - Two separate transactions for Artis Real Estate Investment Trust on the TSX totalling $166.9 million
  - $145.0 million for Eacom Timber Corporation on the TSX Venture
  - US$92.0 million for Alphatech Holdings on the NASDAQ
  - US$90.9 million for Rubicon Technologies, Inc. on the NASDAQ
  - US$86.3 million for Northern Oil & Gas on the AMEX
  - $80.0 million for Alliance Grain Traders Inc. on the TSX
  - $75.0 million for Petromanas Energy Inc. on the TSX Venture
  - £48.5 million for Rockhopper Exploration Plc on AIM

(1) Acquisition-related expense items in connection with the acquisition of Genuity Capital Markets include $11.0 million of acquisition-related costs and $1.4 million of amortization of intangible assets in Q1/11, and $5.0 million of acquisition-related costs in Q4/10. (See Non-GAAP Measures.)
(3) Source: FP Infomart and Company information

- During fiscal Q1/11, Canaccord Genuity advised on the following M&A transactions:
  - Advised Corriente Resources Inc. on its sale to Tongling Nonferrous Metals Group Holdings Co., Ltd and China Railway Construction Corporation Limited
  - Advised Goldcorp Inc. on the sale of its Escobal project to Tahoe Resources Inc.
  - Advised Brett Resources on its sale to Osisko Mining Corp.
- Canaccord increased its block trading market share on both the TSX and TSX Venture compared to the previous quarter:
  - *On the TSX:*
    - Based on value, Canaccord's market share on the TSX nearly doubled compared to the previous quarter, with 3.1% in Q1/11 up from 1.6% in Q4/10
    - Based on volume, Canaccord's market share on the TSX grew to 5.5% in Q1/11 from 3.2% in Q4/10
  - *On the TSX Venture:*
    - Based on value, Canaccord ranked first in Canada for block trading market share, with 10.1% of market share in Q1/11, up from fourth place and 7.6% in Q4/10[4]
    - Canaccord ranked second in Canada for block trading market share based on volume, with 12.2% of market share, up from 10.3% in Q4/10
  - Much of this market share increase is attributed to the successful integration of Genuity Capital Markets during the quarter, which added considerable strength and additional client relationships to Canaccord's sales and trading desk
- Canaccord Genuity completed four Private Investment in Public Equity (PIPE) transactions in North America that raised US$117.5 million in proceeds during fiscal Q1/11[5]

Wealth Management

- Assets under administration of $12.6 billion, up 22.3% from $10.3 billion at the end of Q1/10, and down 2.3% from $12.9 billion at the end of Q4/10
- Assets under management of $431 million, down 2.7% from $443 million at the end of Q1/10, and down 3.1% from $445 million at the end of Q4/10
- As at June 30, 2010 Canaccord had 290 Advisory Teams[6], down 45 from 335 Advisory Teams as of June 30, 2009, and down 13 from 303 Advisory Teams as of March 31, 2010
  - This decrease is largely due to an ongoing strategic review of our Wealth Management division and the conversion of corporate branches to the Independent Wealth Management (IWM) platform, where each branch is led by one IA and is counted as one Advisory Team
- During Q1/11, Canaccord Wealth Management welcomed the addition of its Cobourg (Ontario) branch and its second Ottawa branch. Both branches operate on the Independent Wealth Management (IWM) platform
- Canaccord Wealth Management now has 31 offices across Canada, including 11 branches on the IWM platform

Non-GAAP Measures

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

(4) Source: Canada Equity
(5) Source: Placement Tracker. Includes placements for companies incorporated in Canada and the US
(6) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licenced for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average sized book.

TO OUR SHAREHOLDERS

The first three months of fiscal 2011 presented considerable market challenges but despite this we achieved several significant accomplishments for Canaccord Financial. We successfully completed the acquisition of Genuity Capital Markets (Genuity) on April 23, 2010 and subsequently announced the operational integration of our global capital markets businesses under the name Canaccord Genuity. Even at this early stage, we're seeing the promise of the "gold standard" independent investment bank we believed was possible with our combination. Our world-class team of bankers and analysts are working seamlessly in partnership, our advisory business is growing, and we're making significant market share gains in our sales and trading operations. All of this points to excellent receptivity to the added value our expanded capital markets team can provide to clients.

FINANCIAL OVERVIEW

The acquisition of Genuity during the first quarter was a transformative event in Canaccord's business. As such, we believe that a sequential comparison, rather than year over year, offers a more-meaningful perspective on Canaccord's operating performance for Q1/11. A full discussion of our GAAP-based[1] results can be found in the MD&A, which follows this letter.

Despite volatile debt and equity markets around the world during much of the quarter, Canaccord Financial performed relatively well for the three months ended June 30, 2010. Revenue was $151.9 million, a 6.1% increase over the fourth quarter of fiscal 2010, due largely to a significant increase in advisory fees.

Our first quarter results include $11.0 million of acquisition-related charges and $1.4 million of amortization of intangible assets related to the acquisition. Excluding these acquisition-related expense items, expenses declined slightly to $132.3 million, while net income increased 25.5% to $13.9 million from the previous quarter. This quarter's higher net income was partially offset on a per share basis by the issuance of 26.5 million common shares, which was approved by shareholders to facilitate the acquisition of Genuity. Excluding the above mentioned expense items, diluted earnings per share were $0.18 in the first quarter, compared to $0.21 in Q4/10.

Including all acquisition-related expense items, expenses rose 5.1% to $144.7 million from the previous quarter and our reported net income for the first quarter was $4.9 million, a decrease of 35.2%. Diluted earnings per share were $0.06 compared to $0.14 in Q4/10.

Improving ROE remains a focus of the management team, and we are currently implementing several initiatives to help us achieve our long-term ROE target. Excluding acquisition expense items[2], annualized ROE for the first quarter of fiscal 2011 was 10.3%, compared to 11.1% during the fourth quarter of fiscal 2010.

CANACCORD GENUITY

The expanded Canaccord Genuity team delivered solid trading and capital markets performance during turbulent markets in the first quarter. Our Canadian, US and UK teams led 29 transactions globally, raising total proceeds of $1.2 billion. At $100.2 million, Canaccord Genuity's revenue for the three months ended June 30, 2010 was 20% higher than the fourth quarter of fiscal 2010. Excluding acquisition-related expense items, Canaccord Genuity's operating income was $25.8 million before intersegment cost allocations, a 50% increase from the previous three months. Higher revenues were largely behind this increase; however efforts to lower expenses during the quarter also contributed to it. Certain costs were reclassified during Q1/11 to allow better management of our compensation ratios. As part of this reclassification, several expenses previously charged back to compensation pools are now being reported under G&A or communications and technology. Increases in these expense lines this quarter are largely attributed to this reclassification.

This quarter we began disclosing M&A and advisory fee revenue to provide additional transparency of our capital markets performance. It highlights the strength of our M&A and advisory team and the client relationships we've gained through our acquisition of Genuity. Advisory fees for the quarter totalled $20.7 million compared to $8.3 million in the prior period, up nearly 150%.

In Canada, a solid quarter for investment banking and advisory assignments was punctuated by a number of large transactions that included a $383 million deal for Tahoe Resources on the TSX and $145 million for Eacom Timber Corporation on TSX Venture. In sales and trading, the strength of our client relationships helped to drive very strong market share gains, in both value and volume, on the TSX and TSX Venture.

(1) Canadian generally accepted accounting principles
(2) ROE figures excluding acquisition-related expense items, exclude only $11.0 million in acquisition-related costs and $1.4 million of amortization of intangible assets related to the acquisition during fiscal Q1/11, and $5.0 million of acquisition-related costs during fiscal Q4/10.

Canaccord Genuity's US operations had a good first quarter – historically its strongest of the fiscal year – with several successful client transactions on the NASDAQ and AMEX exchanges. During the quarter we added a well-regarded senior equity analyst for wireless technologies, who will add significant depth to our well-recognized capabilities in the technology sector.

Our UK business is dealing well with a very difficult business environment. While underwriting volumes declined, the business is gaining momentum in its sales and trading operations. Our management team continues to do an excellent job of building our UK-based capabilities, recently hiring mining and energy bankers to diversify our offering to clients.

CANACCORD WEALTH MANAGEMENT

The volatile markets that prevailed for much of the first quarter again forced many individual investors to the sidelines. As a result, revenues for Canaccord Wealth Management for the first three months of fiscal 2011 declined to $47.2 million, down 14.2% from the fourth quarter of last year. After intersegment cost allocations, the division lost $1.9 million compared to a loss of $1.1 million in the previous quarter.

Wealth management remains a core business for Canaccord, and we're pleased with the progress that our management team is making on its strategic plan. Their focus is very clearly on lowering the breakeven for the business in order to transform it into a self-sustaining unit. One strategy to reduce costs and minimize the capital investment required to grow revenues is the build-out of the Independent Wealth Management (IWM) platform. During the quarter, Wealth Management added new IWM branches to its platform in Ottawa and Cobourg, Ontario. This grows Canaccord Wealth Management's office count to 31 across Canada, including 11 IWM branches.

LOOKING AHEAD

One of the great advantages of the Genuity acquisition was the addition of substantial strength to Canaccord's executive team and corporate governance. On closing the transaction, Peter Brown became Chairman and Founder of Canaccord Financial Inc., David Kassie was elected as Group Chairman, and Philip Evershed was elected as an executive director. Matt Gaasenbeek, who has served in increasingly senior positions at Canaccord since joining the firm in 1994, was elected as an executive director at the Annual General Meeting. We extend particular, and heartfelt, thanks to Peter Brown, not only for his continuing service to Canaccord but also for the strong, client-focused culture he helped build.

We're very excited about the success of the integration of Canaccord and Genuity, our position in the marketplace and the momentum that is building across our businesses. We believe further cost containment is still possible by extending the expense reduction initiatives and structural changes we undertook last year. Some improvement in operating leverage was evident in the first quarter, but we expect to gain far more in the months immediately ahead. With our new partners from Genuity, and our combined commitment to building a strong business, I have every confidence that we will build new levels of value for all shareholders.

PAUL D. REYNOLDS
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal first quarter 2011 for the three months ended June 30, 2010 – this document is dated August 5, 2010

The following discussion of the financial condition and results of operations for Canaccord Financial Inc. (Canaccord) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three-month period ended June 30, 2010 compared to the corresponding period in the preceding fiscal year. The three-month period ended June 30, 2010 is also referred to as first quarter 2011, Q1/11 and fiscal Q1/11 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three-month period ended June 30, 2010, beginning on page 24 of this report; our Annual Information Form dated May 19, 2010; and the 2010 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2010 (Audited Annual Consolidated Financial Statements) in Canaccord's Annual Report dated May 19, 2010 (the Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2010 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified. The financial information presented in this document is prepared in accordance with Canadian generally accepted accounting principles (GAAP) unless specifically noted. This MD&A is based on unaudited interim and Audited Annual Consolidated Financial Statements prepared in accordance with Canadian GAAP.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

NON-GAAP MEASURES

Certain non-GAAP measures are utilized by Canaccord as measures of financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on average common equity (ROE) as a performance measure.

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

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

Management believes that the non-GAAP measures presented, which include 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. Management believes that these non-GAAP measures will allow for a better evaluation of the operating performance of Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. A limitation of utilizing these non-GAAP measures is that the GAAP accounting effects of the acquisition-related expense items do in fact reflect the underlying financial results of Canaccord's business and these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's GAAP measures of financial performance and the respective non-GAAP measures should be considered together.

BUSINESS OVERVIEW

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and global capital markets. Since its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has 39 offices worldwide, including 31 Wealth Management offices located across Canada. Canaccord Genuity, the international capital markets division, operates in the US, UK, Canada and Barbados.

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

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

Business Environment

Market sentiment deteriorated during fiscal Q1/11 (calendar Q2/10), with widespread investor concerns about European sovereign risk, weakening US economic data and uncertainty around financial system regulatory reform. These factors have contributed to a number of forecasters predicting a double-dip recession could occur in the United States and many other struggling economies.

Growing risk aversion caused many investors to pull back and any investment returns produced by managers at quarter-end were met with aggressive redemptions. Market performance mirrored this sentiment, as market values and trading volumes declined, with market volatility peaking in May and June.

The liquidity injection measures taken by many governments during 2008 and 2009 have been difficult to remove due to stubbornly high unemployment in many countries. This has caused a clear policy divide between newly restrictive European states and the liquidity-injecting US government.

The economic outlook for Canada remains more stable. Employment figures improved and interest rates remained low during fiscal Q1/11, however inflation risks have led to a rise in the bank rate since quarter end. The Bank of Canada predicts the Canadian economy will grow at an annualized rate of 3.5% over calendar 2010, down from the 3.7% previously forecast, but still outpacing forecasts for most other advanced economies.

We expect heightened merger and acquisition (M&A) activity to remain over the next several quarters, as businesses continue to capitalize on the current slow growth cycle and low interest rates. Our outlook for the balance of fiscal 2011 remains cautiously optimistic.

Market Data

Financing values were up significantly on the AIM markets in fiscal Q1/11 (three months ended June 30, 2010) compared to the same quarter last year, while the TSX/TSX Venture were relatively flat. Financing values on the NASDAQ were down compared to the same quarter a year ago. Compared to the previous quarter, financial values were higher on the AIM and on the TSX/TSX Venture, but down on the NASDAQ.

Compared to Q1/10 and Q4/10, the mining sector had the most prominent increases on the AIM during fiscal Q1/11, while financings in the technology sector had the largest percent increases on the TSX/TSX Venture.

Total financing value by exchange

	April 10	*May 10*	*June 10*	*Fiscal Q1/11*	*Change from fiscal Q1/10*	*Change from fiscal Q4/10*
TSX and TSX Venture (C$ billions)	5.0	4.3	5.2	14.5	–	55.9%
AIM (£ billions)	0.5	0.4	0.6	1.5	36.4%	66.7%
NASDAQ (US$ billions)	4.7	1.6	2.7	9.0	(25.0)%	(29.1)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Financing value for relevant AIM industry sectors

(£ millions, except for percentage amounts)	April 10	May 10	June 10	Fiscal Q1/11	Change from fiscal Q1/10	Change from fiscal Q4/10
Oil and gas	£ 244.1	£ 144.8	£ 83.4	£ 472.3	68.1%	146.9%
Mining	94.9	202.1	287.5	584.5	393.2%	227.1%
Pharmaceutical and Biotech	4.3	0.5	18.5	23.3	(63.9)%	(29.0)%
Media	2.5	1.2	1.3	5.0	(78.5)%	(60.6)%
Technology	9.3	9.5	8.9	27.7	(52.0)%	(70.6)%
Total (of relevant sectors)	**£ 355.1**	**£ 358.1**	**£ 399.6**	**£ 1,112.8**	**104.1%**	**118.3%**

Source: LSE AIM Statistics

Financing value for relevant TSX and TSX Venture industry sectors

($ millions, except for percentage amounts)	April 10	May 10	June 10	Fiscal Q1/11	Change from fiscal Q1/10	Change from fiscal Q4/10
Oil and gas	$ 2,128.5	$ 1,042.7	$ 536.7	$ 3,707.9	62.1%	17.2%
Mining	549.2	400.4	712.4	1,662.0	(40.4)%	39.6%
Biotech	19.5	–	33.6	53.1	100.0%	(15.6)%
Media	22.0	–	–	22.0	100.0%	100.0%
Technology	154.3	–	33.4	187.7	348.0%	143.8%
Total (of relevant sectors)	**$ 2,873.5**	**$ 1,443.1**	**$ 1,316.1**	**$ 5,632.7**	**10.0%**	**25.3%**

Source: FP Infomart

About Canaccord's operations

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

Canaccord Genuity

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

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

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

Canaccord Wealth Management

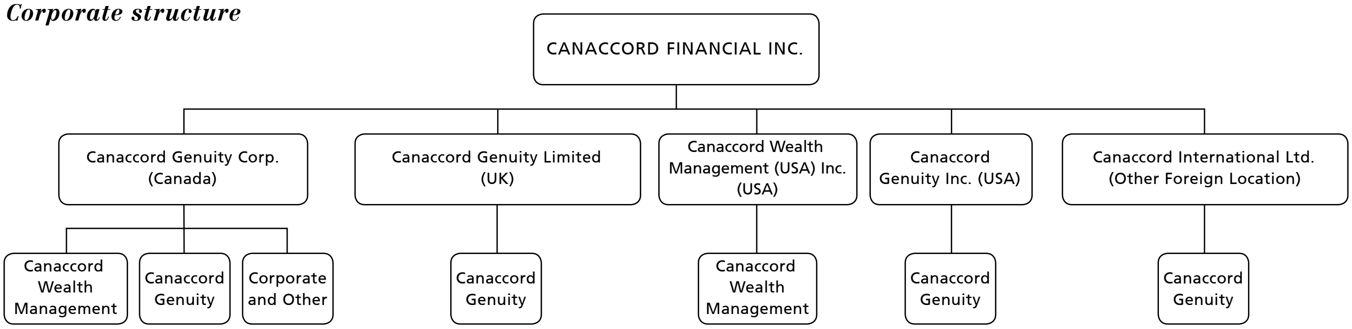
As a leading independent investment dealer, Canaccord Wealth Management has a reputation built on the quality of its investment ideas. We recognize that the growing complexity of many clients' financial circumstances demands experienced Advisory Teams who can provide solutions and ideas that meet our clients' needs. Many of our Investment Advisors have obtained advanced industry designations such as Chartered Financial Analyst or Certified Investment Manager. We continue to provide our advisors with ongoing training opportunities.

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

Corporate and Other

Canaccord's administrative segment, described as Corporate and Other, includes correspondent brokerage services, bank and other interest, 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.

Corporate structure



CONSOLIDATED OPERATING RESULTS

First quarter and fiscal 2011 summary data(1)(4)

(C$ thousands, except per share, number of employee and % amounts)	*Three months ended June 30* 2010	2009	2008	*2010/2009 change*
Canaccord Financial Inc.				
Revenue				
Commission	$ **62,256**	$ 55,456	$ 71,996	12.3%
Investment banking	**55,901**	46,590	50,989	20.0%
Advisory fees	**20,721**	9,296	25,158	122.9%
Principal trading	**5,958**	11,470	5,911	(48.1)%
Interest	**3,144**	3,476	12,329	(9.6)%
Other	**3,937**	11,175	6,325	(64.8)%
Total revenue	$ **151,917**	$ 137,463	$ 172,708	10.5%
Expenses				
Incentive compensation	$ **73,091**	$ 68,463	$ 82,727	6.8%
Salaries and benefits	**15,816**	13,802	15,443	14.6%
Other overhead expenses(2)	**44,787**	39,203	51,009	14.2%
Acquisition-related costs	**10,990**	–	–	n.m.
Total expenses	$ **144,684**	$ 121,468	$ 149,179	19.1%
Income before income taxes	**7,233**	15,995	23,529	(54.8)%
Net income	**4,875**	9,112	16,459	(46.5)%
Earnings per share (EPS) – diluted	**0.06**	0.16	0.31	(62.5)%
Return on average common equity (ROE)	**3.7%**	9.7%	15.7%	(6.1)p.p.
Dividends per share	**0.05**	–	0.125	n.m.
Book value per share – period end	**7.84**	6.73	7.66	16.5%
Total assets	**3,972,910**	2,184,790	2,333,893	81.8%
Total liabilities	**3,303,301**	1,799,394	1,893,991	83.6%
Total shareholders' equity	**669,609**	385,396	439,902	73.7%
Number of employees	**1,640**	1,514	1,698	8.3%
Excluding acquisition-related expense items(3)				
Total expenses	**132,255**	121,468	149,179	8.9%
Income before income taxes	**19,662**	15,995	23,529	22.9%
Net income	**13,894**	9,112	16,459	52.5%
EPS	**0.18**	0.16	0.31	12.5%

(1) Data is considered to be GAAP except for ROE, book value per share, number of employees, dividends per share and figures excluding acquisition-related expense items.
(2) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs. Includes $1.4 million in connection with the amortization of intangible assets acquired through the purchase of Genuity Capital Markets (Genuity).
(3) Acquisition-related expense items in Q1/11 include $11.0 million of acquisition-related costs and $1.4 million of amortization of intangible assets connected to the acquisition of Genuity Capital Markets.
(4) Data includes the results of Genuity since the closing date of April 23, 2010.
p.p.: percentage points
n.m.: not meaningful

Geographic distribution of revenue for the first quarter of fiscal 2011(1)

(C$ thousands, except % amounts)	*Three months ended June 30* 2010	2009	*Year-over-year change*
Canada	**$ 108,918**	$ 87,934	23.9%
UK	**16,445**	20,925	(21.4)%
US	**26,706**	27,179	(1.7)%
Other Foreign Location	**(152)**	1,425	(110.7)%

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

First quarter 2011 vs. first quarter 2010

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other. Revenue for the three months ended June 30, 2010 was $151.9 million, an increase of 10.5% or $14.5 million compared to the same period a year ago.

For the first quarter of fiscal 2011, revenue generated from commissions was up by $6.8 million or 12.3% to $62.3 million compared to the same period a year ago. Revenue growth in our Canaccord Wealth Management segment contributed $5.2 million to this increase.

Investment banking revenue was $55.9 million, an increase of $9.3 million or 20.0%, primarily due to increased capital markets activities from our Canadian operations. The acquisition of Genuity Capital Markets led to the increase in advisory fee revenue, which totalled $20.7 million, up $11.4 million or 122.9%.

Revenue derived from principal trading was $6.0 million, a decline of $5.5 million or 48.1%. During Q1/10, the Company benefited from a more favourable trading environment resulting in higher principal trading revenue. In Q1/11, the Company experienced a dramatic increase in equity market volatility resulting in reduced trading activity to decrease risk exposure, and therefore, lower trading gains for the Company.

Interest revenue was $3.1 million, which decreased by $0.3 million or 9.6%.

Other revenue was $3.9 million, a reduction of $7.2 million or 64.8% which was mainly attributed to a decrease in foreign exchange gains in the quarter. Foreign exchange gains in Q1/10 were exceptionally high due to the large foreign exchange rate fluctuations in that quarter.

First quarter revenue in Canada was $108.9 million, an increase of 23.9% or $21.0 million from the same period a year ago. Despite the challenging market environment, our operations were improved due to a strong pipeline of business and the acquisition of Genuity.

Revenue in the UK was $16.4 million, down 21.4% or $4.5 million compared to the same period a year ago as a result of reduced financing activities. In addition, comparing Q1/11 to Q1/10, the Canadian dollar declined in value in relation to the UK pound resulting in lower gains upon foreign exchange translation. Revenue from Other Foreign Location was $(0.2) million, a decline of 110.7% or $1.6 million because of principal trading losses in this geographic segment.

Revenue in the US was relatively unchanged compared to Q1/10 at $26.7 million, down $0.5 million or 1.7%.

Expenses as a percentage of revenue

	Three months ended June 30 2010	2009	*Year-over-year change*
Incentive compensation	**48.1%**	49.8%	(1.7)p.p
Salaries and benefits	**10.4%**	10.0%	0.4p.p
Other overhead expenses(1)	**29.5%**	28.5%	1.0p.p
Acquisition-related costs	**7.2%**	–	7.2p.p
Total	**95.2%**	88.3%	6.9p.p

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs. Includes $1.4 million in connection with the amortization of intangible assets acquired through the purchase of Genuity.
p.p.: percentage points

First quarter 2011 vs. first quarter 2010

Expenses for the three months ended June 30, 2010 were $144.7 million, up 19.1% or $23.2 million from a year ago.

Incentive compensation expense was $73.1 million for the quarter, up 6.8% or $4.6 million due to an increase in incentive-based revenue. Consolidated incentive compensation as a percentage of total revenue was 48.1%, down 1.7 percentage points. The $2.0 million or 14.6% increase in salaries and benefits expense is partly due to the recognition of some back-office salaries and benefits expense that were previously fully recovered from compensation pools in our Canaccord Genuity segment. In our Corporate and Other segment, we reclassified some expenses from development costs to salaries and benefits expense. The increase in headcount also contributed to the higher salaries and benefits expense in the first quarter fiscal 2011 compared to the prior year.

The total compensation payout (incentive compensation plus salaries) as a percentage of consolidated revenue for Q1/11 was 58.5%, a decline of 1.3 percentage points from 59.8% in Q1/10.

Other overhead expenses

	Three months ended June 30		
(C$ thousands, except % amounts)	*2010*	*2009*	*Year-over-year change*
Trading costs	**$ 7,705**	$ 7,324	5.2%
Premises and equipment	**6,038**	5,882	2.7%
Communication and technology	**6,269**	5,489	14.2%
Interest	**616**	845	(27.1)%
General and administrative	**15,791**	11,888	32.8%
Amortization(1)	**3,284**	1,921	71.0%
Development costs	**5,084**	5,854	(13.2)%
Total other overhead expenses	**$ 44,787**	$ 39,203	14.2%

(1) Includes $1.4 million in connection with the amortization of intangible assets acquired through the purchase of Genuity

First quarter 2011 vs. first quarter 2010

Other overhead expenses increased by 14.2% or $5.6 million from the prior year to $44.8 million for the first quarter of fiscal 2011 mainly due to the $3.9 million increase in general and administrative expense, a $1.4 million increase in amortization expense, and a $0.8 million increase in communication and technology expense.

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

The main contributor to the increase in general and administrative expense was a $2.7 million or 84.9% increase in promotion and travel expense and a $0.9 million or 50.8% increase in office expense. Both expenses were up partly due to an increase in number of employees in Q1/11 compared to Q1/10. Our Canaccord Genuity and Corporate and Other segments also incurred more travel expenses as part of our sales and marketing strategy to further expand revenue growth. Promotion and travel expense was up, also due to the reclassification discussed above.

Amortization expense increased due to a $1.4 million amortization of intangible assets acquired through the purchase of Genuity.

Net income for Q1/11 was $4.9 million compared to $9.1 million the same period a year ago. Diluted EPS were $0.06 in Q1/11 compared to $0.16 in Q1/10. ROE for Q1/11 was 3.7% compared to an ROE of 9.7% in Q1/10. Book value per diluted share for Q1/11 was $7.84 versus $6.73 in Q1/10.

Excluding acquisition-related expense items, net income in Q1/11 was $13.9 million and diluted EPS was $0.18 in Q1/11 compared to $9.1 million and $0.16, respectively, in Q1/10.

Income taxes were $2.4 million for the quarter, reflecting an effective tax rate of 32.6%, a decrease of 10.4 percentage points from 43.0% a year ago. The decrease was mainly due to the changes in valuation allowances as a result of the availability of unrecognized non-capital loss carry forwards.

RESULTS OF OPERATIONS

Canaccord Genuity(1)(4)

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2010	2009	Year-over-year change
Canaccord Genuity			
Revenue	**$ 100,152**	$ 85,497	17.1%
Expenses			
Incentive compensation	**46,591**	45,231	3.0%
Salaries and benefits	**4,021**	3,404	18.1%
Other overhead expenses	**25,176**	20,497	22.8%
Acquisition-related costs	**10,990**	–	n.m.
Total expenses	**$ 86,778**	$ 69,132	25.5%
Income before income taxes(2)	**13,374**	16,365	(18.3)%
Number of employees	**580**	474	22.4%
Excluding acquisition-related expense items(3)			
Total expenses	**74,349**	69,132	7.5%
Income before income taxes	**25,803**	16,365	57.7%

(1) Data is considered to be GAAP except for number of employees and figures excluding acquisition-related expense items.
(2) See "Intersegment Allocated Costs".
(3) Acquisition-related expense items in Q1/11 include $11.0 million of acquisition-related costs and $1.4 million of amortization of intangible assets connected to the acquisition of Genuity Capital Markets.
(4) Data includes the results of Genuity since the closing date of April 23, 2010,
n.m.: not meaningful

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

First quarter 2011 vs. first quarter 2010

Revenue for Canaccord Genuity in Q1/11 was $100.1 million, an increase of 17.1% or $14.6 million from the same quarter a year ago, due to stronger capital markets activity and increased revenue earned following the addition of Genuity.

Revenue from Canadian operations

Canaccord Genuity in Canada generated revenue of $58.1 million in Q1/11, an increase of 59.1% or $21.6 million from Q1/10. Revenue increased despite the challenging market environment due to the acquisition of Genuity. Canadian revenue for Canaccord Genuity was $58.1 million, which represented 58.0% (Q1/10: 42.7%) of Canaccord Genuity's total revenue.

Revenue from UK and Other Foreign Location

Canaccord Genuity's operations in the UK and Europe include providing institutional sales and trading, corporate finance and research services. Revenue derived from capital markets activity outside of Canada, the UK and the US is reported as Other Foreign Location, which includes operations for Canaccord International Limited. Revenue in this business was $16.3 million, which declined 27.1% or $6.1 million from the same period a year ago partly due to lower business activities. In addition, comparing Q1/11 to Q1/10, the Canadian dollar weakened relative to the UK pound resulting in lower gains upon foreign exchange translation. UK and Other Foreign Location revenue of $16.3 million was 16.3% (Q1/10: 26.1%) of Canaccord Genuity's total revenue.

Revenue from US operations

The US operations reflect the capital markets activities of Canaccord Genuity Inc. First quarter 2011 revenue for Canaccord Genuity in the US was $25.8 million (Q1/10: $26.7 million), representing 25.7% (Q1/10: 31.2%) of Canaccord Genuity's total revenue.

Expenses

Expenses for Q1/11 were $86.8 million, up 25.5% or $17.6 million. The higher expenses were mainly attributed to increases in incentive compensation expense of $1.4 million, salaries and benefits expense of $0.6 million, communications and technology expense of $1.1 million, and general administrative expense of $3.1 million. Acquisition-related expense items of $12.4 million were incurred in relation to the purchase of Genuity during the first quarter of fiscal 2011. Acquisition-related expense items include: $6.0 million of severance, $2.8 million of lease termination costs, $1.4 million of amortization of intangible assets, $0.9 million of professional and consulting fees, and $1.4 million of other expenses.

Salaries and benefits expense in Q1/11 experienced an increase of $0.6 million as it includes some back-office salaries and benefits expense that was previously recovered from compensation pools in Q1/10.

The Company recovers certain expense items from compensation pools. These expense recoveries were previously reflected in the related expense items in prior periods, but these recoveries have been reclassified to incentive compensation beginning in Q1/11. Therefore, there has been a decrease in incentive compensation expense with an offsetting increase in promotion and travel, and communication and technology expense in Q1/11.

General and administrative expense was $9.0 million in Q1/11, up $3.1 million or 52.3%. Promotion and travel increased by $2.4 million or 119.1%, as a result of the reclassification discussed above. Travel expense also increased as a result of sales and marketing strategy to expand revenue growth and higher headcount.

Income before income taxes excluding allocated overhead expenses for the quarter was $13.4 million, a decline of $3.0 million or 18.3% from the same quarter a year ago. Income before income taxes was lower in Q1/11 compared to Q1/10 despite higher revenue as a result of the $12.4 million acquisition-related expense items recognized in relation to the purchase of Genuity. Excluding these acquisition-related expense items, income before income taxes in Q1/11 was $25.8 million compared to $16.4 million in Q1/10.

Canaccord Wealth Management[1]

(C$ thousands, except AUM and AUA, which are in C$ millions; number of employees; number of Advisory Teams; and % amounts)	*Three months ended June 30* *2010*	*2009*	*Year-over-year change*
Revenue	**$ 47,207**	$ 40,185	17.5%
Direct expenses			
Incentive compensation	**23,484**	18,643	26.0%
Salaries and benefits	**3,882**	4,246	(8.6)%
Other overhead expenses	**12,337**	12,279	0.5%
Total direct expenses	**$ 39,703**	$ 35,168	12.9%
Income before income taxes[2]	**7,504**	5,017	49.6%
Assets under management (AUM)	**431**	443	(2.7)%
Assets under administration (AUA)	**12,571**	10,341	21.6%
Number of Advisory Teams	**290**	335	(13.4)%
Number of employees	**689**	688	0.1%

(1) Data is considered to be GAAP except for AUM, AUA, number of Advisory Teams and number of employees.
(2) See "Intersegment Allocated Costs".

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

First quarter 2011 vs. first quarter 2010

Revenue from Canaccord Wealth Management was $47.2 million, a growth of $7.0 million or 17.5%, reflecting the improved market conditions compared to the same quarter last year, as well as our strategic initiative in this sector such as the introduction of administration fees for registered accounts. AUA expanded by 21.6% or $2.2 billion to $12.6 billion compared to Q1/10 primarily due to higher market values. AUM decreased by 2.7% year over year. There were 290 Advisory Teams at the end of the first quarter of fiscal 2011, a decline of 45 Advisory Teams largely due to an ongoing strategic review of our Wealth Management division and the conversion of corporate branches to the Independent Wealth Management (IWM) platform, where each branch is led by one IA and is counted as one Advisory Team. Canaccord's fee-based revenue accounted for 14.0% of Canaccord Wealth Management segment's revenue in Q1/11, compared to 13.8% in Q1/10.

Expenses for Q1/11 were $39.7 million, an increase of 12.9% or $4.5 million. In Q1/11 the largest increase in expenses related to incentive compensation expense, which was up 26.0% or $4.8 million. This increase was consistent with the 17.5% growth in incentive-based revenue during this period. Development costs also increased by $0.5 million or 27.7% mainly due to hiring incentives offered to employees in this segment.

Income before income taxes excluding allocated overhead expenses for the quarter was $7.5 million compared to $5.0 million from the same period a year ago. The increase was due to the increase in revenue growth during Q1/11 compared to Q1/10.

Corporate and Other[1]

(C$ thousands, except number of employees and % amounts)	*Three months ended June 30* 2010	2009	*Year-over-year change*
Revenue	**$ 4,558**	$ 11,781	(61.3)%
Direct expenses			
Incentive compensation	**$ 3,016**	$ 4,589	(34.3)%
Salaries and benefits	**7,913**	6,152	28.6%
Other overhead expenses	**7,274**	6,427	13.2%
Total direct expenses	**$ 18,203**	$ 17,168	6.2%
Net loss before taxes[2]	**(13,645)**	(5,387)	(127.8)%
Number of employees	**371**	352	5.3%

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

Canaccord's administrative segment, described as Corporate and Other, includes correspondent brokerage services, bank and other interest, foreign exchange gains and losses and expenses not specifically allocable to either the Canaccord Genuity or Canaccord Wealth Management segments. 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.

First quarter 2011 vs. first quarter 2010

Revenue for the three months ended June 30, 2010 was $4.6 million, a decrease of 61.3% or $7.2 million from the same quarter a year ago. The change was mainly related to a $6.4 million decrease in foreign exchange gains compared to the prior year same quarter. In Q1/10, the markets experienced significant fluctuation in our foreign exchange rate resulting in exceptionally high foreign exchange gains reported by the Company. In the prior year, the Company also recognized $0.8 million of asset-backed commercial paper (ABCP) gain on redemption and interest earned which did not recur in Q1/11 due to the disposal of most of our ABCP marketable securities owned.

Expenses for Q1/11 were $18.2 million, an increase of 6.2% or $1.0 million. There was an increase in salaries and benefits expense by 28.6% or $1.8 million, partly due to the additional employees hired for this segment. Most of the new employees were hired to enhance our operations and support services. Salaries and benefits related to system development were also reclassified from development cost to salaries and benefits expense in Q1/11. This increase in salaries and benefits expense was offset by a decrease in incentive compensation paid as part of our initiatives to review the compensation structure.

General and administrative expense was up by $1.0 million or 46.3% primarily due to additional travel costs incurred by our executives as part of our marketing strategy to expand revenue. General and administrative expense was also up due to higher office and other expenses because of the increase in the number of employees. Development costs also decreased by $0.6 million or 63.2% as a result of the reclassification discussed above.

Overall, loss before income taxes was $13.6 million in the current quarter compared to a loss before income taxes of $5.4 million in the same quarter a year ago.

Intersegment allocated costs

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $9.4 million for the three months ending June 30, 2010 and to Canaccord Genuity such allocable costs were $2.7 million.

FINANCIAL CONDITION

Below are specific changes in selected balance sheet items.

Assets

Cash and cash equivalents were $570.0 million on June 30, 2010 compared to $731.9 million on March 31, 2010. Refer to the Liquidity and Capital Resources section below for more details.

Securities owned were $835.3 million compared with $362.8 million on March 31, 2010, mainly attributable to an increase in corporate and government debt. This increase is mainly attributable to an increase in fixed income activity, holdings in equities and convertible debentures and corporate finance bought deal positions. This increase in fixed income holdings was a result of our continuing corporate initiative to expand the Fixed Income group, which deals in the primary and secondary markets of all fixed income products.

Accounts receivable were $2.2 billion at June 30, 2010 compared to $2.0 billion at March 31, 2010.

Goodwill was $242.1 million and intangible assets was $77.6 million, representing the goodwill and intangible assets acquired from the purchase of Genuity.

Other assets consisting of income taxes receivable, future income taxes, equipment and leasehold improvements, and investment, were $62.7 million compared to $56.3 million at March 31, 2010 mainly due to an increase in income taxes receivable at June 30, 2010.

Liabilities

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At June 30, 2010 Canaccord has available credit facilities with banks in Canada and the UK in the aggregate amount of $413.4 million [March 31, 2010 – $411.4 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities are collateralized by either unpaid client securities and/or securities owned by the Company. On June 30, 2010 there was bank indebtedness of $83.0 million compared to $29.4 million on March 31, 2010 related to these facilities.

Accounts payable were $2.5 billion compared to $2.3 billion at March 31, 2010.

Securities sold short were $703.0 million at June 30, 2010 compared to $364.1 million at March 31, 2010. This increase was a result of the Company's initiative to expand the Fixed Income group.

Non-current future income tax liability increased due to the recognition of a $19.1 million future income tax liability in connection with the intangible assets acquired through the purchase of Genuity.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

LIQUIDITY AND CAPITAL RESOURCES

Canaccord has a capital structure comprised of share capital, retained earnings and accumulated other comprehensive loss. On June 30, 2010 cash and cash equivalents was $570.0 million, a decrease of $161.9 million from $731.9 million as of March 31, 2010. During the quarter ended June 30, 2010 financing activities provided cash in the amount of $38.0 million mainly due to the $53.6 million increase in bank indebtedness. Investing activities used cash in the amount of $50.0 million mainly related to the consideration paid for the acquisition of Genuity. Operating activities used cash in the amount of $152.0 million, which was due to the changes in the working capital. An increase in cash of $1.7 million was attributed to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $161.9 million compared to March 31, 2010.

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

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

		Contractual obligations payments due by period			
(C$ thousands)	*Total*	*Fiscal 2012*	*Fiscal 2013– Fiscal 2014*	*Fiscal 2015– Fiscal 2016*	*Thereafter*
Premises and equipment operating leases	128,803	23,294	40,463	32,742	32,304

OUTSTANDING SHARE DATA

	Outstanding shares as of June 30	
	2010	*2009*
Issued shares excluding unvested shares(1)	**74,961,240**	49,118,377
Issued shares outstanding(2)	**82,307,930**	55,233,820
Issued shares outstanding – diluted(3)	**85,357,030**	57,244,652
Average shares outstanding – basic	**67,930,712**	48,165,290
Average shares outstanding – diluted	**76,217,241**	55,331,249

(1) Excludes 4,488,146 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs, and 2,858,544 unvested shares purchased by employee benefit trust for the long term incentive plan (LTIP).
(2) Includes 4,488,146 unvested shares that are outstanding relating to share purchase loans for recruitment and retention programs, and 2,858,544 unvested shares purchased by employee benefit trust for the LTIP.
(3) Includes 3,049,100 of share issuance commitments.

The Company renewed its normal course issuer bid (NCIB) and is currently entitled to acquire up to 2,767,974 of its shares from September 3, 2009 to September 2, 2010; this number represents 5% of its shares outstanding as of August 28, 2009. There were nil shares purchased through the NCIB between September 3, 2009 and June 30, 2010. The Company files a notice with the TSX when it has a present intention to acquire shares, and shareholders may obtain this notice, without charge, upon request to the Company.

The Company acquired 100% of Genuity for consideration consisting of 26.5 million Canaccord common shares and cash of $58.0 million. At August 5, 2010 Canaccord had 82,307,930 common shares issued and outstanding, an increase of 27,074,110 common shares from June 30, 2009 due to shares issued in connection with the acquisition of Genuity and stock compensation plans. See Note 5 of the Unaudited Interim Consolidated Financial Statements for more information regarding the acquisition of Genuity.

STOCK-BASED COMPENSATION PLANS

Stock options

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

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

Long term incentive plan

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

INTERNATIONAL FINANCIAL CENTRE

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

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the year. On June 30, 2010 forward contracts outstanding to sell US dollars had a notional amount of US$10.1 million, an increase of $4.1 million from a year ago. Forward contracts outstanding to buy US dollars had a notional amount of US$21.0 million, an increase of US$18.0 million compared to a year ago. The fair value of these contracts was nominal. Some of Canaccord's operations in the US and UK are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

RELATED PARTY TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

The following is a summary of Canaccord's critical accounting estimates. Canaccord's accounting policies are in accordance with Canadian GAAP and are described in Note 1 to the Audited Annual Consolidated Financial Statements. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgment based on available information. Actual results or amounts could differ from estimates, and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

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

Provisions

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

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

Tax

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Canaccord operates within different tax jurisdictions and is subject to their individual assessments. Tax filings can involve complex issues, which may require an extended period of time to resolve in the event of a dispute or re-assessment by tax authorities. Accounting standards require a valuation allowance when it is more likely than not that all or a portion of a future income tax asset will not be realized prior to its expiration. Although realization is not assured, Canaccord believes that, based on all evidence, it is more likely than not that all of the future income tax assets, net of the valuation allowance, will be realized. Canaccord believes that adequate provisions for income taxes have been made for all years.

Consolidation of variable interest entities

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

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

Goodwill and other intangible assets

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

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

Stock-based compensation plans

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company uses the fair value method to account for such awards. Under this method, the Company measures the fair value of stock-based awards as of the grant date and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in contributed surplus. In the case where vesting is also dependent on performance criteria, the cost is recognized over the vesting period in accordance with the rate at which such performance criteria are achieved (net of estimated forfeitures). Otherwise, the cost is recognized on a graded basis. When stock-based compensation awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

CHANGE IN ACCOUNTING POLICIES

Business Combinations and Consolidated Financial Statements

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

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

Business combinations from April 1, 2010

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

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

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

Business combinations prior to April 1, 2010

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards (IFRS)

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

The Company is currently in the process of evaluating the potential impact of IFRS on the consolidated financial statements. The Company's consolidated financial performance and financial position as disclosed in the current Canadian GAAP financial statements may differ significantly when presented in accordance with IFRS. Some of the significant differences identified between IFRS and Canadian GAAP may have a material effect on the Company's consolidated financial statements.

In order to prepare for the conversion to IFRS, the Company has developed an IFRS conversion plan, which includes the following three phases:

1. Diagnostic phase – This phase involves preparing the high-level impact assessment of the significant differences between IFRS and Canadian GAAP that may have a material impact on the Company's financial statements. The procedures in this phase will prioritize the areas that will be affected.

2. Design and planning – This phase includes identification, evaluation and selection of accounting policies in accordance with IFRS. Mock financial statements will be prepared during this phase and quantitative impacts will be determined. Operational plans will be completed to evaluate the impact of conversion on information technology, internal control over financial reporting, training, and communication to internal and external stakeholders.

3. Implementation and post-implementation review - This phase involves execution of the plans prepared in the phases described above. It will also include collecting information required for IFRS-compliant financial statements, implementing IFRS in business processes, obtaining Audit Committee approval of IFRS financial statements and provide any further training for employees for revised systems.

The Company is in the design and planning phase of the changeover plan. The Company is currently focusing on the areas that will have the most significant impact on the consolidated financial statements. Assessment of the application of IFRS 1 *"First-Time Adoption of International Financial Reporting Standards"* (IFRS 1) is also ongoing. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirements for full retrospective application of IFRS.

During the quarter ended June 30, 2010, the Company prepared mock IFRS financial statements and presented this to the Audit Committee. The mock IFRS financial statements highlighted to the Audit Committee the significant note disclosure changes and changes to the presentation of the financial statements.

It is noted that both the AcSB and the IASB have significant workplans to change certain accounting standards. The AcSB is continuously making changes to converge some standards to align with IASB before the changeover date, while the IASB is modifying its standards to meet the needs of the current economic environment. For example, the IASB published discussion papers, exposure drafts, and revised standards proposing significantly different accounting models in the following areas that may materially impact, if any, the Company's consolidated financial statements: lease accounting, financial instruments and revenue recognition. The Company will continue to monitor the progress of these changes and assess the impact on the changeover implementation plan. Due to the uncertainties of the proposed standards, the Company has not been able to evaluate the quantitative impacts expected on its consolidated financial statements.

The Company has identified the following areas below that contain significant differences based on current Canadian GAAP and IFRS as of the date of this MD&A.

Financial instruments

The IASB recently issued IFRS 9 *"Financial Instruments"*, which specifically addresses the recognition and measurement of financial assets. Financial assets are initially measured at fair value and classified as either amortized cost or fair value. This differs from the current CICA Handbook Section 3855 *"Financial Instruments: Recognition and Measurement"* in that financial assets are initially measured at fair value, and they are classified as held for trading, held to maturity, loans and receivables, or available for sale.

Under Canadian GAAP, any gains or losses from available for sale assets are recognized in other comprehensive income; however, this classification does not exist under IFRS. Any changes in fair value or amortization of amortized cost financial assets are recognized into net income directly. This difference between Canadian GAAP and IFRS is not expected to have a significant quantitative impact on the Company's financial statements upon conversion given the trading nature of the business. The Company reviewed the measurement basis for each financial instrument and noted that there is no significant difference in measurement basis between Canadian GAAP and IFRS.

Transaction costs are also required to be capitalized as part of the fair value of the financial asset upon initial recognition under IFRS. Canadian GAAP allows for the option to expense transaction costs as incurred or capitalized as part of the fair value of the financial asset.

Stock-based compensation

IFRS 2 *"Share-Based Payment"* requires that cash-settled share-based payments to employees be measured based on fair values of the awards at initial and subsequent measurement. Under CICA Handbook Section 3870 *"Stock-Based Compensation and Other Stock-Based Payments"*, cash-settled share-based payments are measured at intrinsic value of the awards. As the Company's share-based payments are all equity-settled payments, this difference will not have an impact on the financial statements.

A forfeiture rate is required to be estimated in IFRS while this is optional under Canadian GAAP. As a result, under IFRS, amortization of share-based payments will be different compared to the expense recorded under Canadian GAAP. The forfeiture rate under Canadian GAAP will be estimated using the historical forfeiture rate of the LTIP since inception. The Company is currently determining the quantitative impact this will have on our opening balance sheet.

Business combinations

The CICA recently issued Handbook Section 1582 *"Business Combinations"* which harmonizes Canadian guidance to IFRS 3 *"Business Combinations"*. This standard requires additional use of fair value measurements, transaction costs to be expensed and increased financial statement notes disclosure. Although this standard is not required to be applied for the Company until business combinations for which the acquisition date is on or after April 1, 2011, the Company adopted this standard to reduce the impact of IFRS changeover. This standard was adopted in connection with the acquisition of Genuity Capital Markets in April 2010.

The Company recognized past business combinations in accordance with CICA Handbook Section 1581 *"Business Combinations"*, which is significantly different from IFRS 3. However, IFRS 1 *"First-Time Adoption of International Financial Reporting Standards"* permits the Company to elect not to apply IFRS 3 retrospectively to past business combinations.

Revenue recognition

Per CICA Handbook Section 3400 *"Revenue"*, revenue is recognized when performance is completed and collectibility is reasonably assured. Performance relating to services rendered and long-term contracts is determined using the percentage completion method or the completed contract method. Per International Accounting Standard (IAS) 18 *"Revenue"*, revenue should be recognized based on the stage of completion of the transaction at the end of the reporting period when the following conditions are satisfied: amount of revenue can be reasonably determined; it is probable that the economic benefits of the transaction will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Accounting for revenue under Canadian GAAP and IFRS is similar except for some differences in the accounting for long-term contracts where the completed contract method is permitted under Canadian GAAP but not under IFRS. This may have an impact on the revenue recognition of our investment banking revenue.

IFRS 1 – First-Time Adoption

IFRS 1 *"First-time adoption of International Financial Reporting Standards"* states that IFRS is to be applied retrospectively with some optional exemptions and mandatory exceptions to this requirement. The Company has reviewed this section and will be proposing the election of certain relevant exemptions to the Audit Committee for approval in fiscal 2011.

After review of the significant differences between IFRS and Canadian GAAP, there may be some impacts to our information technology and data systems, internal control of financial reporting, or disclosure controls and procedures. Assessment of the impact of our information technology and data systems due to the capitalization of transaction costs to the fair value of financial instruments is yet to be completed. The changeover is not anticipated to significantly change the design of our disclosure controls and procedures or our internal controls of financial reporting based on our operations as of today.

As part of the design and planning stage, the Company is currently assessing the impact that changes in the financial statements upon changeover to IFRS will have on our business activities. The considerations include the impact it will have on our debt covenants, risk management, training and compensation arrangements or other material contracts.

The IFRS implementation team includes senior management, finance personnel and external advisors. The IFRS implementation team routinely attends training conferences and seminars and continuously monitors any IFRS updates to assess any upcoming changes that will affect the Company.

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

BUSINESS COMBINATION

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

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

Changes in internal control over financial reporting

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

DIVIDEND POLICY

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

DIVIDEND DECLARATION

On August 4, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on September 10, 2010 with a record date of August 27, 2010.

HISTORICAL QUARTERLY INFORMATION

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

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

	Fiscal 2011	*Fiscal 2010*				*Fiscal 2009*			
(C$ thousands, except per share amounts)	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Revenue									
Canaccord Genuity	**$100,152**	$ 83,496	$116,090	$ 78,475	$ 85,497	$ 64,972	$ 49,250	$ 58,336	$ 104,793
Canaccord Wealth Management	**47,207**	54,990	51,733	40,138	40,185	37,255	33,532	43,844	57,853
Corporate and Other	**4,558**	4,647	5,374	5,131	11,781	4,769	4,406	8,649	10,062
Total revenue	**$151,917**	$ 143,133	$ 173,197	$123,744	$137,463	$106,996	$ 87,188	$110,829	$ 172,708
Net income	**4,875**	7,526	15,113	6,746	9,112	3,666	(62,378)	(5,398)	16,459
EPS – basic	**$ 0.07**	$ 0.15	$ 0.31	$ 0.14	$ 0.19	$ 0.07	$ (1.27)	$ (0.11)	$ 0.35
EPS – diluted	**$ 0.06**	$ 0.14	$ 0.27	$ 0.12	$ 0.16	$ 0.07	$ (1.27)	$ (0.11)	$ 0.31

RISKS

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

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

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

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

ADDITIONAL INFORMATION

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

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at (in thousands of dollars)	*June 30, 2010*	*March 31, 2010*
ASSETS		
Current		
Cash and cash equivalents	**$ 569,953**	$ 731,852
Securities owned [note 3]	**835,261**	362,755
Accounts receivable [notes 4 and 11]	**2,185,305**	1,972,924
Income taxes receivable	**5,287**	–
Future income taxes	**13,418**	13,190
Total current assets	**3,609,224**	3,080,721
Investment	**5,000**	5,000
Equipment and leasehold improvements	**39,001**	38,127
Intangible assets [note 6]	**77,611**	–
Goodwill [note 6]	**242,074**	–
	$ 3,972,910	$ 3,123,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$ 82,992**	$ 29,435
Securities sold short [note 3]	**702,976**	364,137
Accounts payable and accrued liabilities [notes 4 and 11]	**2,483,250**	2,308,146
Income taxes payable	**–**	5,385
Subordinated debt [note 8]	**15,000**	15,000
Total current liabilities	**3,284,218**	2,722,103
Future income taxes [note 5]	**19,083**	–
	3,303,301	2,722,103
Commitments and contingencies [note 14]		
Shareholders' equity		
Common shares [note 9]	**454,974**	185,691
Contributed surplus	**50,628**	57,351
Retained earnings	**194,735**	194,007
Accumulated other comprehensive loss	**(30,728)**	(35,304)
Total shareholders' equity	**669,609**	401,745
	$ 3,972,910	$ 3,123,848

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands of dollars, except per share amounts)	*For the three months ended* June 30, 2010	*For the three months ended* June 30, 2009
REVENUE		
Commission	**$ 62,256**	$ 55,456
Investment banking	**55,901**	46,590
Advisory fees	**20,721**	9,296
Principal trading	**5,958**	11,470
Interest	**3,144**	3,476
Other	**3,937**	11,175
	151,917	137,463
EXPENSES		
Incentive compensation	**73,091**	68,463
Salaries and benefits	**15,816**	13,802
Trading costs	**7,705**	7,324
Premises and equipment	**6,038**	5,882
Communication and technology	**6,269**	5,489
Interest	**616**	845
General and administrative	**15,791**	11,888
Amortization [note 6]	**3,284**	1,921
Development costs	**5,084**	5,854
Acquisition-related costs [note 5]	**10,990**	–
	144,684	121,468
Income before income taxes	**7,233**	15,995
Income tax expense (recovery) [note 7]		
Current	**2,646**	4,561
Future	**(288)**	2,322
	2,358	6,883
Net income for the period	**$ 4,875**	**$ 9,112**
Basic earnings per share [note 9[iv]]	**$ 0.07**	$ 0.19
Diluted earnings per share [note 9[iv]]	**$ 0.06**	$ 0.16

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the three months ended	
(in thousands of dollars)	*June 30, 2010*	*June 30, 2009*
Net income for the period	$ **4,875**	$ 9,112
Other comprehensive income, net of taxes		
Net change in unrealized gains on translation of self-sustaining foreign operations	**4,576**	284
Comprehensive income for the period	$ **9,451**	$ 9,396

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

	As at and for the three months ended	
(in thousands of dollars)	*June 30, 2010*	*June 30, 2009*
Common shares, opening	$ **185,691**	$ 183,619
Shares issued in connection with the acquisition of Genuity Capital Markets [note 5]	**271,948**	–
Shares issued in connection with the long term incentive plan (LTIP) [note 10]	**1,867**	1,629
Acquisition of common shares for LTIP [note 10]	**(4,357)**	(4,461)
Release of vested common shares from employee benefit trust [note 10]	**8,768**	4,486
Unvested share purchase loans	**(8,943)**	(205)
Common shares, closing	**454,974**	185,068
Contributed surplus, opening	**57,351**	44,383
Stock-based compensation [note 10]	**(6,693)**	296
Unvested share purchase loans	**(30)**	1,551
Contributed surplus, closing	**50,628**	46,230
Retained earnings, opening	**194,007**	160,868
Net income for the period	**4,875**	9,112
Dividends	**(4,147)**	–
Retained earnings, closing	**194,735**	169,980
Accumulated other comprehensive loss, opening	**(35,304)**	(16,166)
Other comprehensive income for the period	**4,576**	284
Accumulated other comprehensive loss, closing	**(30,728)**	(15,882)
Shareholders' equity	$ **669,609**	$ 385,396

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands of dollars)	*For the three months ended* June 30, 2010	June 30, 2009
OPERATING ACTIVITIES		
Net income for the period	**$ 4,875**	$ 9,112
Items not affecting cash		
Amortization	**3,284**	1,921
Stock-based compensation expense	**7,288**	5,268
Future income tax expense	**(288)**	2,322
Changes in non-cash working capital		
Increase in securities owned	**(466,246)**	(34,789)
Increase in accounts receivable	**(202,976)**	(95,038)
(Increase) decrease in income taxes receivable	**(14,057)**	3,732
Increase (decrease) in securities sold short	**338,614**	(23,322)
Increase in accounts payable and accrued liabilities	**177,499**	142,230
Cash (used) provided by operating activities	**(152,007)**	11,436
FINANCING ACTIVITIES		
Issuance of shares in connection with stock-based compensation plans	**1,867**	–
Acquisition of common shares for long term incentive plan	**(4,357)**	(4,461)
Decrease in unvested common share purchase loans	**(8,943)**	1,346
Dividends paid	**(4,147)**	–
Change in bank indebtedness	**53,557**	30,188
Repayment of subordinated debt	**–**	(10,000)
Cash provided by financing activities	**37,977**	17,073
INVESTING ACTIVITIES		
Acquisition of Genuity Capital Markets	**(37,997)**	–
Net liabilities acquired from Genuity Capital Markets	**(11,227)**	–
Disposal of equipment and leasehold improvement	**(339)**	(452)
Proceeds on net redemption of investment in ABCP	**–**	894
Cash (used) provided by investing activities	**(49,563)**	442
Effect of foreign exchange on cash balances	**1,694**	4,144
(Decrease) increase in cash position	**(161,899)**	33,095
Cash position, beginning of period	**731,852**	701,173
Cash position, end of period	**$ 569,953**	$ 734,268
Supplemental cash flow information		
Interest paid	**$ 501**	$ 791
Income taxes paid	**16,117**	824

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

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

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

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

Goodwill

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

Intangible assets

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

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

Impairment testing of goodwill and intangible assets with indefinite lives

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

Recent accounting pronouncements

International Financial Reporting Standards (IFRS)

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

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

2. CHANGE IN ACCOUNTING POLICIES

Business Combinations and Consolidated Financial Statements

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

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

Business combinations from April 1, 2010

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

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

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

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

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

Business combinations prior to April 1, 2010

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

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

3. SECURITIES OWNED AND SECURITIES SOLD SHORT

	June 30, 2010		March 31, 2010	
	Securities owned	*Securities sold short*	*Securities owned*	*Securities sold short*
Corporate and government debt	**$ 691,409**	**$ 685,537**	$ 282,686	$ 342,916
Equities and convertible debentures	**142,936**	**17,439**	79,098	21,221
Investment in ABCP	**916**	**–**	971	–
	$ 835,261	**$ 702,976**	$ 362,755	$ 364,137

As at June 30, 2010 corporate and government debt maturities range from 2010 to 2060 [March 31, 2010 – 2010 to 2060] and bear interest ranging from 1.00% to 14.00% [March 31, 2010 – 0.50% to 14.00%].

4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	June 30, 2010	*March 31, 2010*
Brokers and investment dealers	**$ 1,064,451**	$ 932,408
Clients	**521,602**	503,733
RRSP cash balances held in trust	**520,396**	475,220
Other	**78,856**	61,563
	$ 2,185,305	$ 1,972,924

Accounts payable and accrued liabilities

	June 30, 2010	*March 31, 2010*
Brokers and investment dealers	**$ 1,013,329**	$ 949,595
Clients	**1,299,054**	1,188,545
Other	**170,867**	170,006
	$ 2,483,250	$ 2,308,146

Accounts payable to clients include $520.4 million [March 31, 2010 – $475.2 million] payable to clients for RRSP cash balances held in trust.

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client accounts. Interest on margin loans and amounts due to clients is based on a floating rate [June 30, 2010 – 5.50%–6.25% and 0.05%–0.00%, respectively; March 31, 2010 – 5.25%%–6.25% and 0.05%–0.00%, respectively].

5. BUSINESS COMBINATION

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

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

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

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

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

Consideration paid		
Cash	$	58,000
Common shares issued (26.5 million shares @ $10.26 per share)		271,900
	$	329,900
Net assets acquired		
Net tangible assets		28,212
Identifiable intangible assets		79,050
Future income tax liability		(19,436)
Goodwill		242,074
	$	329,900

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

The above amounts are estimates, which were made by management at the time of the preparation of these unaudited interim financial statements based on information then available. Amendments may be made to these amounts as values subject to estimates are finalized.

6. GOODWILL AND INTANGIBLE ASSETS

		Identifiable intangible assets				
	Goodwill	*Brand names*	*Customer relationships*	*Sales backlog*	*Non-competition*	*Total*
Gross amount						
Balance, April 1, 2010	–	–	–	–	–	–
Additions	242,074	44,930	25,450	1,633	7,037	79,050
Balance, June 30, 2010	242,074	44,930	25,450	1,633	7,037	79,050
Amortization						
Balance, April 1, 2010	–	–	–	–	–	–
Amortization	–	–	428	750	261	1,439
Balance, June 30, 2010	–	–	428	750	261	1,439
Net book value						
June 30, 2010	$ 242,074	$ 44,930	$ 25,022	$ 883	$ 6,776	$ 77,611

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

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

The amortization of intangible assets is recognized in the statement of operations as part of amortization expense.

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

Impairment testing of goodwill and intangible assets

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

7. INCOME TAXES

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

	For the three months ended	
	June 30, 2010	June 30, 2009
Income taxes at the estimated statutory rate	$ 2,015	$ 4,673
Difference in tax rates in foreign jurisdictions	148	(124)
Non-deductible items affecting the determination of taxable income	603	324
Change in valuation allowance related to US operating losses	(1,151)	(818)
Change in FIT asset – reversal period of temporary differences	(358)	1,293
Change in accounting and tax base estimate	1,101	1,535
Income tax expense – current and future	$ 2,358	$ 6,883

8. SUBORDINATED DEBT

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

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of the Investment Industry Regulatory Organization of Canada (IIROC).

9. COMMON SHARES

	June 30, 2010		March 31, 2010	
	Number of shares	Amount	Number of shares	Amount
Common shares	82,307,930	$ 528,368	55,571,133	$ 254,553
Unvested share purchase loans	(4,488,146)	(44,223)	(4,475,468)	(35,280)
Held for long term incentive plan [note 10]	(2,858,544)	(29,171)	(3,201,274)	(33,582)
	74,961,240	$ 454,974	47,894,391	$ 185,691

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

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

[ii] Issued and fully paid

Common shares	*Number of shares*		*Amount*
Balance, June 30, 2009	55,233,820	$	251,047
Shares issued in connection with stock compensation plans [note 10]	378,749		3,677
Shares cancelled	(41,436)		(171)
Balance, March 31, 2010	55,571,133		254,553
Shares issued in relation to the acquisition of Genuity, net of issuance costs [note 5]	26,500,000		271,948
Shares issued in connection with stock compensation plans [note 10]	236,797		1,867
Balance, June 30, 2010	82,307,930	$	528,368

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

[iv] Earnings per share

	For the three months ended			
		June 30, 2010		*June 30, 2009*
Basic earnings per share				
Net income for the period	$	**4,875**	$	9,112
Weighted average number of common shares (number)		**67,930,712**		48,165,290
Basic earnings per share	$	**0.07**	$	0.19
Diluted earnings per share				
Net income for the period	$	**4,875**	$	9,112
Weighted average number of common shares (number)		**67,930,712**		48,165,290
Dilutive effect of unvested shares (number)		**4,488,146**		3,886,761
Dilutive effect of stock options (number)		**119,447**		–
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 10]		**3,266,585**		3,102,761
Dilutive effect of share issuance commitment in connection with long term incentive plan (number) [note 10]		**412,351**		176,437
Adjusted weighted average number of common shares (number)		**76,217,241**		55,331,249
Diluted earnings per share	$	**0.06**	$	0.16

10. STOCK-BASED COMPENSATION PLANS

Stock options
The Company grants stock options to purchase common shares of the Company to independent directors and senior managers. Stock options to independent directors vest over a four-year period and expire seven years after the grant date or 30 days after the participant ceases to be a director. Stock options to senior 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 stock options was $9.82 at June 30, 2010.

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

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

	Number of options	Weighted average exercise price ($)
Balance, June 30, 2009	350,000	$ 12.46
Granted	2,099,993	8.12
Balance, March 31, 2010	2,449,993	9.91
Granted	150,000	8.39
Balance, June 30, 2010	**2,599,993**	**$ 9.82**

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

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

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

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

Compensation expense of $435 has been recognized for the three months ended June 30, 2010 (for the three months ended June 30, 2009 – $62).

Long term incentive plan

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

The costs of the RSUs are amortized over the vesting period of three years. Compensation expense of $6,853 has been recognized for the three months ended June 30, 2010 (for the three months ended June 30, 2009 – $5,206).

	For the three months period ended	
	June 30, 2010	June 30, 2009
Number of awards outstanding:		
Awards outstanding, beginning of period	**5,317,945**	4,602,385
Granted	**1,548,841**	908,324
Vested	**(1,082,163)**	(536,046)
Forfeitures	**(14,751)**	–
Awards outstanding, end of period	**5,769,872**	4,974,663

	For the three months period ended	
	June 30, 2010	June 30, 2009
Number of common shares held by Trust:		
Common shares held by Trust, beginning of period	**3,201,274**	3,075,300
Acquired	**499,000**	571,929
Released on vesting	**(841,730)**	(395,070)
Common shares held by Trust, end of period	**2,858,544**	3,252,159

11. RELATED PARTY TRANSACTIONS

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

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

	June 30, 2010	March 31, 2010
Accounts receivable	$ 34,818	$ 39,534
Accounts payable and accrued liabilities	85,726	82,299

12. SEGMENTED INFORMATION

The Company has two operating segments:

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

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

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

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

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

	For the three months ended							
	June 30, 2010				June 30, 2009			
	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues	**$ 100,152**	**$ 47,207**	**$ 4,558**	**$ 151,917**	$ 85,497	$ 40,185	$ 11,781	$ 137,463
Expenses excluding undernoted	**71,159**	**36,651**	**17,516**	**125,326**	65,230	32,661	15,802	113,693
Amortization	**2,348**	**619**	**317**	**3,284**	958	602	361	1,921
Development costs	**2,281**	**2,433**	**370**	**5,084**	2,944	1,905	1,005	5,854
Acquisition-related costs [note 5]	**10,990**	**–**	**–**	**10,990**	–	–	–	–
Income (loss) before income taxes	**$ 13,374**	**$ 7,504**	**$ (13,645)**	**$ 7,233**	$ 16,365	$ 5,017	$ (5,387)	$ 15,995

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

	For the three months ended	
	June 30, 2010	June 30, 2009
Canada		
Revenue	$ **108,918**	$ 87,934
Equipment and leasehold improvements	**28,711**	30,564
Goodwill and identifiable intangible assets	**319,222**	–
United Kingdom and Other Foreign Location		
Revenue	$ **16,293**	$ 22,350
Equipment and leasehold improvements	**4,809**	6,792
United States		
Revenue	$ **26,706**	$ 27,179
Equipment and leasehold improvements	**5,481**	7,010

13. CAPITAL MANAGEMENT

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

Type of capital	Carrying amount	As a percentage of capital
June 30, 2010		
Common shares	$ **454,974**	**66.5%**
Contributed surplus	**50,628**	**7.4%**
Retained earnings	**194,735**	**28.4%**
Accumulated other comprehensive loss	**(30,728)**	**(4.5)%**
Shareholders' equity	**669,609**	**97.8%**
Subordinated debt	**15,000**	**2.2%**
	$ **684,609**	**100.0%**
March 31, 2010		
Common shares	185,691	44.6%
Contributed surplus	57,351	13.8%
Retained earnings	194,007	46.6%
Accumulated other comprehensive loss	(35,304)	(8.5)%
Shareholders' equity	401,745	96.5%
Subordinated debt	15,000	3.5%
	416,745	100.0%

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

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

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

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

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

14. COMMITMENTS AND CONTINGENCIES

Commitments

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

2012	$ 23,294
2013	21,495
2014	18,968
2015	17,815
2016	14,927
Thereafter	32,304
	$ 128,803

Contingencies

During the period, there have been no material changes to the Company's contingencies from those described in Note 16 of the March 31, 2010 Audited Annual Consolidated Financial Statements as filed on SEDAR on May 19, 2010 except for the following:

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

15. SUBSEQUENT EVENT

On August 4, 2010 the Board of Directors considered the dividend policy and approved a quarterly dividend of $0.05 per share payable on September 10, 2010 with a record date of August 27, 2010.

16. COMPARATIVE FIGURES

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

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS

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

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

STOCK EXCHANGE LISTING

TSX: CF
AIM: CF.

GENERAL SHAREHOLDER INQUIRIES AND INFORMATION

Jamie Kokoska
Manager, Investor Relations & Communications
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
Managing Director, Global Head of Marketing & Communications
Telephone: (416) 869-3875
Email: scott.davidson@canaccord.com

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

FISCAL 2011 EXPECTED DIVIDEND[1] EARNINGS RELEASE DATES

	Expected earnings release date	*Dividend record date*	*Dividend payment date*
Q1/11	August 5, 2010	August 27, 2010	September 10, 2010
Q2/11	November 4, 2010	November 19, 2010	December 10, 2010
Q3/11	February 10, 2011	March 4, 2011	March 15, 2011
Q4/11	May 18, 2011	June 3, 2011	June 15, 2011

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

SHAREHOLDER ADMINISTRATION

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

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

FINANCIAL INFORMATION

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

AUDITOR

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

CORPORATE WEBSITE

www.canaccordfinancial.com

CANACCORD Financial