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Canaccord Capital Inc.

Third Quarter 2005 Report to Shareholders

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CANACCORD CAPITAL

CANACCORD CAPITAL INC. REPORTS THIRD QUARTER 2005 RESULTS

Strength in European capital markets continues to deliver growth in revenue

VANCOUVER, February 2, 2005 – Canaccord Capital Inc. (CCI: TSX) announced that its net income for the nine-month period ended December 31, 2004 (year-to-date fiscal 2005), was $31.3 million, up $11.9 million from the same period a year ago. Revenue for the nine-month period was $289.9 million, up $38.4 million compared to the same period a year ago, and diluted earnings per share (EPS) were $0.72, up $0.17 from the first nine months of fiscal 2004. For the three-month period ended December 31, 2004 (third quarter fiscal 2005), net income was $16.7 million, up $5.4 million from the same period a year ago. Revenue for the third quarter was $123.7 million, up $5.1 million compared to the same quarter a year ago. Diluted EPS was $0.36, up $0.04 from the previous year.

"I am pleased to announce another successful quarter led by exceptional growth from our Global Capital Markets group, particularly in the European market" said Peter M. Brown, Chairman & CEO. Michael G. Greenwood, President & COO, continued "Our ongoing strategy has been to diversify our revenue sources among geographic areas and business segments. We believe this business model provides shareholders with unique long term growth opportunities, while minimizing the cyclical impact of any one market. This is a significant competitive advantage for Canaccord among our independent Canadian peers."

Highlights of year-to-date fiscal 2005 results for the nine months ended Dec. 31, 2004, compared to the year-to-date fiscal 2004 results for the nine months ended Dec. 31, 2003:

- Net income of $31.3 million, up $11.9 million from $19.4 million
- Diluted EPS of $0.72, up $0.17 from $0.55
- Return on equity (ROE) of 19.6%, down from a return on average capital employed (ROCE) of 31.3% (this reduction in ROE is partially attributable to the additional equity resulting from the issuance of $70 million in common shares from the Initial Public Offering on June 30, 2004)
- Revenue of $289.9 million, up $38.4 million, or 15%, from $251.5 million
- Expenses of $234.4 million were up $23.2 million, or 11%, from $211.2 million
- Operating income before other items of $55.5 million, up 38% from $40.3 million
- Book value per common share at the period end grew to $4.69, up $2.17 from $2.52

Highlights of third quarter fiscal 2005 results compared with third quarter fiscal 2004 results:

- Net income of $16.7 million, up $5.4 million from $11.3 million
- Diluted EPS of $0.36, up $0.04 from $0.32
- ROE of 32.1%, down from a ROCE of 51.4%
- Revenue of $123.7 million, up $5.1 million, or 4%, from $118.6 million
- Expenses of $96.4 million, down 1% from $97.5 million
- Operating income before other items of $27.2 million, up 29% from $21.1 million
- A normal common share dividend of $0.05 per share and a special distribution of $0.15 per share were declared by the Board of Directors payable on March 10, 2005, to shareholders of record on February 23, 2005
- A normal course issuer bid was commenced on December 29, 2004 to acquire shares for resale to new employees, existing employees and clients of CCI and CCI affiliates. The total shares available for repurchase are 5% of CCI's total outstanding common shares

Chairman & CEO's Message

I am pleased to announce an outstanding quarter led by exceptional growth from our Global Capital Markets group, particularly in the European market. Our revenue and bottom line continue to grow on both a quarterly and a year-to-date basis, which is a reflection of our robust franchise, the quality of our employees and partners and the geographic diversity of our business units and revenue streams. Furthermore, diluted EPS increased over both time periods, even though the number of shares outstanding grew substantially as a result of the issuance of common shares associated with our Initial Public Offering (IPO) last June. Revenue growth outpaced expense growth, contributing to our increase in profitability. Fiscal 2004 was a record year for Canaccord, the result of pent up demand in the North American equity markets, particularly in sectors where we have made strategic resource allocations – Metals and Mining, Energy, Real Estate, Income Trusts, Health Sciences, Technology and Diversified Industries. I am proud to report that these strong results are continuing into fiscal 2005, reflecting our commitment to prudent management and operational excellence. Our progress in fiscal 2005 reflects Canaccord's unique advantages among Canadian independent investment dealers – our diversified geographic focus areas, business segments, product lines and Investment Advisor composition.

Historical seasonality trends continue in fiscal 2005

In my first two messages to shareholders this fiscal year, I described the historical impact of seasonal variances in the capital markets on Canaccord's business. The second half of each fiscal year has traditionally contributed between 60 and 65% of our annual revenue. This historical trend has continued into the third quarter of fiscal 2005, which contributed 43% of our overall year-to-date revenue. However, it is unlikely the fourth quarter of fiscal 2005 will be as strong as the fourth quarter of fiscal 2004, as it was the second best quarter in Canaccord's history.

Prudent capital management pays dividends

With these strong results I am pleased to inform you that our Board of Directors has approved a special distribution of $0.15 per common share, which is in addition to our normal dividend, which again this quarter has been declared at $0.05 per share. Canaccord's balance sheet benefited from the equity capital raised from our IPO and our performance so far this year has further added to this solid capital base. This special distribution allows us to distribute excess capital, while balancing present success against future needs. We have a variety of tools at hand to manage our capital, but at this time, our common share dividend policy continues to be to pay out approximately 25% of annual net income, subject to the Board's discretion.

On December 22, 2004, the Company implemented a normal course issuer bid prior to the end of the quarter. This buyback was initiated to take advantage of our low trading multiple, to facilitate the resale of shares after the release from escrow and, as necessary, for the maintenance of an orderly market. In this regard, the Company put a process in place to facilitate the trading of any CCI shares by employees wanting to buy or sell. I am pleased to inform you that of the available 3.8 million employee owned shares that were released from escrow on December 27, 2004, approximately 330,000 shares were submitted for sale – a small percentage of the amount available. Approximately 280,000 shares were sold to our employees and clients. As a result, approximately 50,000 shares were bought and immediately resold back into the market through the normal course issuer bid under the terms of British Columbia corporate legislation, which allows normal course issuer bid resales. To enhance the alignment between the interests of our external shareholders and those of our large employee shareholders holding 50,000 or more shares prior to the IPO, a four year escrow agreement was instituted at the time of the IPO whereby 25% of their holdings will be released on each anniversary date for four years. The first anniversary is on June 30, 2005, at which time approximately 6.4 million shares will be released from escrow. Canaccord may again leverage the buyback program for resale purposes when employee shareholders come out of the trading blackout on February 4, 2005.

During the quarter and subsequent to quarter end, the Board approved the implementation and usage of two employee stock purchase plans for existing employees, which is estimated to cost the Company approximately 1% of annual consolidated revenue. The plans will facilitate the rebalancing of employee share ownership over time and should assist us in maintaining both a high level of employee ownership, while also allowing us to preserve our entrepreneurial spirit.

Paul Reynolds and Mark Maybank to lead Global Capital Markets group

Over the past 10 years Canaccord has been developing its Global Capital Markets (GCM) group in two key markets – North America and Europe. Fiscal 2004 was a watershed year in the development of these operations, as the GCM group continued to deliver high levels of client service and record revenue. Our GCM revenue of $212 million in fiscal 2004 was a reflection of our success in creating value for our clients. Building market-leading relationships with both issuers and buy-side clients is the central aim of our continuing development.

With the start of fiscal 2005, we escalated the process of integrating the North American and European operations of the Global Capital Markets group. I am proud to announce that, as of April 1, 2005, the Board has appointed Paul Reynolds, currently President & COO of Canaccord Capital (Europe) Limited, to Vice Chair, Head of Global Capital Markets. In addition, Mark Maybank, currently Executive Vice President & Director of Research of Canaccord Capital Corporation, has been appointed Managing Director, Head of Research and Global Capital Markets Operations. The full integration of our capabilities in North American and European markets will strengthen our ability to offer our clients differentiated services on a sustainable basis.

In addition, the Global Capital Markets compensation structure has been reorganized effective April 1, 2005. The incentive compensation payout for our GCM staff will change to a flat 50% of revenue, plus a further 5% payout of GCM gross revenue that includes allocated support staff expenses and a portion of net profits of the business unit, for a total compensation payout ratio of approximately 55%. An additional 3% will be allocated to cover applicable National Health Insurance taxes for UK based employees. In addition to the revised compensation structure in the GCM group, the senior executive team has agreed to a change in its corporate performance bonus structure that reduces bonuses otherwise payable by 28% for fiscal 2005 and onwards. This restructuring in compensation will reduce the overall company compensation expense ratio to align it more closely with the interests and expectations of our external shareholders.

Canaccord's employees continue to invest in their communities

All of us at Canaccord were particularly moved by the tragic events that have occurred, and are still occurring, in Asia. The Company and our employees personally donated a combined total of $350,000 within two weeks of the disaster to help the relief effort – an investment in communities that are far away, but close to our hearts at this time of need. This contribution is a reflection of our shared values and continues Canaccord's long tradition of reinvesting in our communities, with many of our employees contributing significant personal time, money and expertise to various charities and organizations on the local, national and international stages. I am very proud of all of our employees for how quickly and how generously they gave to this effort and the spirit in which they interact with the communities around them.

In closing, as Canada's pre-eminent independent full service investment dealer, we will continue to strive to effectively execute on our vision, generating client and shareholder value. I look forward to updating you in early May on the completion of our inaugural fiscal year as a public company.

Peter M. Brown
Chairman & Chief Executive Officer

Letter from the President & COO

At Canaccord, our ongoing strategy has been to diversify our revenue sources among geographic areas and business segments. We believe this business model provides shareholders with unique long term growth opportunities, while minimizing the cyclical impact of any one market. This diversification is a significant competitive advantage for Canaccord among our independent Canadian peers. Our revenue for the quarter was $123.7 million, up 4% for the quarter and up 15% for the nine months ending December 31, 2004, compared to the same periods a year ago. Our expense control this quarter helped drive more of that revenue to the bottom line, with net income increasing by $5.4 million, or 48.6%, to $16.7 million this quarter. We were pleased to see that the seasonal upswing in revenue once again occurred in the third fiscal quarter in comparison to the first two quarters this year, consistent with past historical trends. Fiscal 2004 was a record year for Canaccord and we are pleased with the continued strength of our performance into fiscal 2005.

Canaccord has reached a new level of growth and profitability

Our performance so far this year stands out from an historical perspective – our nine-month revenue was just $5 million shy of our full fiscal year 2000 revenue, which was at the height of the last bull market. More importantly, the profitability of the Company has improved greatly from that time, with our year-to-date net income equalling $31.3 million compared to a full year net income of $27.4 million in 2000. This performance is a result of investments made in our business during the down periods to broaden our product offerings and services, attract and retain highly qualified individuals and improve our technological capabilities, which are now reaping benefits for the Company.

Global Capital Markets continues to be the 2005 growth engine

The increase in revenue in the third quarter was largely a result of our Global Capital Markets operations, which generated a 9% increase in revenue compared to the same quarter last year. The success in this business is a reflection of the fact that we are leading in more and in larger transactions in both North America and Europe. In addition, our strategy of targeting the Alternative Investment Market (AIM), the world's leading small-cap growth market and the junior arm of the London Stock Exchange (LSE), is paying dividends. As of December 2004, Canaccord was the Nominated Adviser (Nomad) to 40 companies listed on the AIM, a 90% increase in the number of Nomad relationships from a year ago. This unique level of involvement with our clients heightens our ability to meet their development needs, a competitive advantage that is a result of long term investment in our diverse focus areas.

Private Client Services driving sustainable and profitable revenue

A key aspect in the transformation of Canaccord has been to reduce the volatility in our revenue stream without losing the ability to capitalize on strong markets. I am particularly proud of the progress that our Private Client Services segment has made in reducing volatility. There are a variety of proxies for this progress beyond revenue, including our growing assets under administration (AUA), which were up 28% over a year ago, and the increasing number and improving mix of our Investment Advisors (IAs), which now stands at 426 individuals, up by a net of 18 new people from last year. A significant portion of the growth in AUA is reflected in the assets brought over with new IAs and attracted to the Company by our existing advisor force. We have also added two new branches in key target markets – White Rock, British Columbia and Halifax, Nova Scotia. These branches will not only contribute to the growth of our company, but will also further diversify our revenue on a geographic basis.

Canaccord's ongoing development of an outstanding suite of wealth management tools continued in fiscal 2005. We believe that it is important to continue to add to our product base to maintain our leadership in this area and create an environment that will be attractive to IAs currently at bank owned dealers. Furthermore, the demographic and socio-economic trends in Canada are all demonstrating the importance of having a comprehensive wealth management offering that not only includes a diverse product selection, but that puts the "advisor" role firmly in the hands of the IA. To build on the momentum of the growth of our proprietary Independence Accounts, we have recently secured agreements with four external money managers to be implemented in the fourth quarter. Adding sub-advisors to our managed account program will alleviate potential client concentration issues and attract incremental assets. We are also working with Manulife Bank to develop a unique high interest savings account – a bank account that is traded like a mutual fund – which will be rolled out to our IAs and clients this month. Furthermore, to support the role of our IAs in the wealth management process, we continue to evaluate the leading client service tools in the areas of relationship management, client profiling and investment policy for possible inclusion in our suite of offerings. These programs should begin to provide returns to our shareholders in fiscal 2006 and beyond.

The credit for our continued strong performance goes to our employees and partners, without whom we would not be Canada's leading independent full service broker dealer. I look forward to reporting our end of year results to you next quarter.

Michael G. Greenwood
President & Chief Operating Officer

Management's Discussion & Analysis

Third quarter ending December 31, 2004 – this document is dated February 2, 2005.

The following discussion of Canaccord Capital Inc.'s (Canaccord) financial condition and results of operations is provided to enable a reader to assess material changes in financial condition and results of operations for the three- and nine-month periods ended December 31, 2004, compared to the corresponding periods in the preceding fiscal year, with an emphasis on the most recent three-month period. Canaccord's fiscal year end is March 31. Canaccord's third quarter fiscal 2005 for the three-month period ended December 31, 2004, is also referred to as third quarter 2005 and as Q3/05 in the following discussion. Canaccord's year-to-date fiscal 2005 for the nine-month period ended December 31, 2004, is also referred to as year-to-date 2005 and as 9 Mos. YTD/05 in the following discussion. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the three- and nine-month periods ended December 31, 2004, beginning on page 17 of this report, and Management's Discussion and Analysis (MD&A) and the audited consolidated financial statements for the fiscal year ended March 31, 2004, in Canaccord's final Prospectus dated June 23, 2004 (the Prospectus). There has been no material change to the information contained in the annual MD&A for fiscal 2004 except as disclosed in this MD&A and in the MD&As for Q1/05 and Q2/05. Canaccord's financial information is expressed in Canadian dollars and is prepared in accordance with Canadian generally accepted accounting principles (GAAP). All the financial data below is unaudited except for the fiscal year end data.

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 regarding Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. 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, which 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 financial statements and its Prospectus 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.

Overview:

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

Canaccord's strong capital base enables the Company to support expansion in Private Client Services and Global Capital Markets and to respond quickly to competitive changes in the industry. Canaccord's independent ownership structure, with over 62% of its outstanding shares employee owned, is key to promoting an entrepreneurial culture and providing a distinct recruiting advantage for attracting and retaining highly qualified professionals.

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.

Operating income before other items is a non-GAAP performance measure, which is calculated as income before income taxes before amortization, development costs and restructuring and other costs. Reconciliation between operating income before other items and income before income taxes is included in the interim consolidated statements of operations and retained earnings in the consolidated financial statements. Management uses operating income before other items as a measure of financial performance.

Capital employed is a non-GAAP measure of capital. Capital employed was capital in the business, which included shareholders' equity and convertible debentures. On June 30, 2004, the convertible debentures were converted to share capital. Return on average capital employed (ROCE) is net income divided by average capital employed during the period, expressed as a percentage. Management used this measure to assess the financial performance relative to average capital employed. As the capital base of Canaccord now comprises only common shareholders' equity, management now uses return on average common equity (ROE) as a performance measure, and when comparing to results up to June 30, 2004, management uses ROCE as the comparison.

Assets under administration (AUA) is a non-GAAP measure of client assets that is common to the wealth management aspects of the private client services industry. AUA is the market value of client assets administered by Canaccord in respect of which Canaccord earns commissions or fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Canaccord's method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses this measure to assess operational performance of the Private Client Services business segment.

Consolidated overview:

Nine months year-to-date summary data[1]:

(C$ thousands, except per share, employee and % amounts)	For the nine months ended December 31, 2004	December 31, 2003	Increase (decrease)	
Revenue	**289,849**	251,470	38,379	15.3%
Expenses	**234,364**	211,150	23,214	11.0%
Operating income before other items	**55,485**	40,320	15,165	37.6%
Other items	**8,156**	8,973	(817)	(9.1)%
Net income	**31,272**	19,437	11,835	60.9%
Earnings per share (EPS) – diluted	**0.72**	0.55	0.17	30.9%
Return on average common equity (ROE)[2] /return on average capital employed (ROCE)[3]	**19.6%**	31.3%		
Book value per common share – period end	**4.69**	2.52	2.17	86.1%
Number of employees	**1,288**	1,164	124	10.7%

(1) Some of this data is considered to be non-GAAP. See above – "Non-GAAP measures".
(2) The lower ROE for fiscal 2005 periods compared to fiscal 2004 partially reflects the issuance of $70 million in common equity on June 30, 2004.
(3) Effective June 30, 2004, Canaccord's capital in the business consisted of only common shareholders' equity. Management uses ROE for analysis purposes, but as Canaccord's historical capital in the business involved elements other than common equity, such as convertible debentures, comparisons to historical periods are to ROCE.

Net income for the nine-month period was $31.3 million, up $11.9 million, or 60.9%, from a year ago. Nine-month diluted EPS was $0.72, up $0.17, or 30.9%, and reflects strong growth in earnings during the first nine months of fiscal 2005 compared to the same period a year ago. Year-to-date ROE was 19.6% compared to a ROCE of 31.3% a year ago. The reduction in ROE partially reflects the additional equity resulting from the issuance from treasury of $70 million in common shares from the Initial Public Offering (IPO) on June 30, 2004.

Nine-month revenue was $289.9 million, up $38.4 million, or 15.3%, compared to the same period a year ago and is primarily due to an increase in capital markets activity in Europe during the first nine months of fiscal 2005.

Expenses year-to-date for fiscal 2005 were $234.4 million, up $23.2 million, or 11.0%, from a year ago, reflecting an increase in incentive compensation of $10.4 million and an increase in salary and benefits of $6.2 million. These expenses are largely due to the addition of 124 net new employees as of December 31, 2004 compared to December 31, 2003. The additional employees were hired to support building out future revenue activity in our business segments and additional staff to support the increased requirements of being a public company.

Nine-month operating income before other items for fiscal 2005 was $55.5 million, up 37.6%, compared to the same period a year ago.

Income taxes were $16.1 million for the year to date, reflecting an effective tax rate of 33.9% so far this year compared to 38.0% for the same period a year ago. The lower effective tax rate in fiscal 2005 is related to the geographical composition of net income for the Company and lower federal statutory taxes in Canada. Our effective income tax rate may vary from time to time. A further discussion of our taxes is provided in the Critical accounting estimates section of the MD&A on page 15.

Third fiscal quarter summary data[1]:

(C$ thousands, except per share and % amounts)	For the three months ended December 31, 2004	December 31, 2003	Increase (decrease)	
Revenue	**123,683**	118,639	5,044	4.3%
Expenses	**96,420**	97,524	(1,104)	(1.1)%
Operating income before other items	**27,263**	21,115	6,148	29.1%
Other items	**2,674**	3,085	(411)	(13.3)%
Net income	**16,743**	11,267	5,476	48.6%
EPS – diluted	**0.36**	0.32	0.04	12.5%
ROE[2]/ROCE[3]	**32.1%**	51.4%		

(1) Some of this data is considered to be non-GAAP. See above – "Non-GAAP measures".
(2) The lower ROE for fiscal 2005 periods compared to fiscal 2004 partially reflects the issuance of $70 million in common equity on June 30, 2004.
(3) Effective June 30, 2004, Canaccord's capital in the business consisted of only common shareholders' equity. Management uses ROE for analysis purposes, but as Canaccord's historical capital in the business involved elements other than common equity, such as convertible debentures, comparisons to historical periods are to ROCE.

Net income for the quarter was $16.7 million, up $5.4 million from $11.3 million for the same quarter a year ago. Diluted EPS was $0.36, up $0.04. ROE was 32.1% compared to a ROCE of 51.4% a year ago. The reduction in ROE is partially due to the issuance of common shares from treasury for the IPO on June 30, 2004.

Revenue for the quarter of $123.7 million was up $5.1 million, or 4.3%, from $118.6 million compared to a year ago and largely reflects increased activity in Global Capital Markets.

Expenses for the quarter of $96.4 million were down $1.1 million, or 1.1%, from $97.5 million a year ago, mainly due to decreases in incentive compensation of $4.5 million compared to the same quarter a year ago. This decrease is largely due to the relatively higher incentive compensation payouts in Q3/04 than in Q3/05, partially reflecting a decrease in executive compensation and employee bonuses compared to a year ago and also timing differences for payout ratio levels in Global Capital Markets in North America. The decrease in executive compensation reflects a permanent change in the structure of how corporate performance bonuses are paid to senior officers of Canaccord, which was implemented this quarter. This overall reduction in expenses occurred despite the hiring of 124 new employees compared to the same quarter a year ago, to support the additional requirements of being a public company and to support expansion and future revenue growth in our business segments.

Operating income before other items for the quarter of $27.2 million was up $6.1 million from $21.1 million a year ago, reflecting the fact that revenue increased more than expenses.

Income taxes were $7.8 million for the quarter, reflecting an effective tax rate of 31.9% this quarter compared to 37.5% a year ago. The changes in income taxes occurred for the same reasons described above in the year-to-date discussion.

Book value per common share grew 86.1% to $4.69, up $2.17 from $2.52 a year ago. This increase largely reflects the issuance from treasury of 6,829,268 common shares in connection with our IPO.

Industry outlook:

North American equity markets ended the 2004 calendar year on a positive note. In Canada, the TSX was up 12.5% from last year, outperforming major North American equity markets. The performance of the TSX was largely driven by a global demand for resource-related equities. Encouraged by this demand the value of secondary financings climbed to $22.7 billion from $17.9 billion in 2003, pushing the total financings, including IPOs, up 32% to $38.4 billion in 2004 from $29.1 billion the year before. Although the Canadian economy continues to face the challenges of a strong currency and rising interest rates, the overall economy is still expected to remain buoyant in 2005 with resource-related equities continuing to drive performance in the short term.

In Europe, equity markets performed exceptionally well for the 2004 calendar year. Specifically, the Alternative Investment Market (AIM), which is the global market for smaller growing companies and the junior arm of the London Stock Exchange (LSE), has enjoyed an extremely successful year. AIM has attracted over 340 new issues which is more than double the number in 2003. Total financing raised was $6.2 billion for the year and represents almost two and a half times the amount raised in 2003. The success of this market is largely due to the lower costs and less stringent regulations than those imposed on companies seeking a full listing on the main market of the LSE and has been fuelled by investor demand for small to mid-cap resource-related equities.

Results of operations:

Revenue:

	Revenue for the nine months ended					
(C$ thousands, except % amounts)	December 31, 2004		December 31, 2003		Increase	
Private Client Services	**121,785**	**42.0%**	115,316	45.9%	6,469	5.6%
Global Capital Markets	**158,210**	**54.6%**	126,333	50.2%	31,877	25.2%
Other	**9,854**	**3.4%**	9,821	3.9%	33	0.3%
Total	**289,849**		251,470		38,379	15.3%

For the first nine months of fiscal year 2005, consolidated revenue grew $38.4 million and reflects solid growth in Global Capital Markets revenue, which increased by $31.9 million, or 25.2%, compared to the first nine months of fiscal year 2004.

(C$ thousands, except % amounts)	Revenue for the three months ended December 31, 2004		December 31, 2003		Increase (decrease)	
Private Client Services	**46,964**	**38.0%**	48,540	40.9%	(1,576)	(3.2)%
Global Capital Markets	**72,368**	**58.5%**	66,515	56.1%	5,853	8.8%
Other	**4,351**	**3.5%**	3,584	3.0%	767	21.4%
Total	**123,683**		118,639		5,044	4.3%

Consolidated revenue grew $5.1 million in the third quarter over the third quarter of last year and principally reflects solid growth from our European segment of Global Capital Markets, which increased its revenue by 37.1% compared to the same quarter a year ago.

Geographic revenue:

Revenue from the UK and Europe is derived entirely from Global Capital Markets activity, while revenue in North America is derived from Private Client Services, Global Capital Markets, and Other segments.

(C$ thousands, except % amounts)	Geographic revenue for the nine months ended December 31, 2004		December 31, 2003		Increase	
Canada	**206,594**	**71.3%**	203,435	80.9%	3,159	1.6%
UK	**83,255**	**28.7%**	48,035	19.1%	35,220	73.3%
Total	**289,849**		251,470		38,379	15.3%

Nine-month revenue in North America was up $3.2 million, or 1.6%, while revenue in the UK and Europe increased by $35.2 million, or 73.3%, reflecting robust market activity in Europe resulting in increased corporate finance activity for our Global Capital Markets team in Europe.

(C$ thousands, except % amounts)	Geographic revenue for the three months ended December 31, 2004		December 31, 2003		Increase (decrease)	
Canada	**82,101**	**66.4%**	88,301	74.4%	(6,200)	(7.0)%
UK	**41,582**	**33.6%**	30,338	25.6%	11,244	37.1%
Total	**123,683**		118,639		5,044	4.3%

Revenue for the third quarter in North America was down by 7.0% from a year ago due to unusually strong activity in this market during the same quarter a year ago. Private Client Services and Global Capital Markets revenue declined by $1.6 million and $5.4 million, respectively, compared to the same quarter last year. Revenue in the UK and Europe increased 37.1%, largely due to steady demand for resource-related companies listed on the LSE and AIM. The table on page 26 of the interim unaudited consolidated financial statements provides further detail on Canaccord's geographic results.

Expenses:

(C$ thousands, except % amounts)	Expenses and expenses as a % of revenue for the nine months ended December 31, 2004		December 31, 2003		Increase	
Incentive compensation	**143,643**	**49.6%**	133,270	53.0%	10,373	7.8%
Salaries and benefits	**32,585**	**11.2%**	26,420	10.5%	6,165	23.3%
Other overhead expenses[(1)]	**58,136**	**20.1%**	51,460	20.5%	6,676	13.0%
Total	**234,364**		211,150		23,214	11.0%

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

Incentive compensation

For the nine months ended December 31, 2004, incentive compensation, as a percentage of revenue, decreased to 49.6% compared to 53.0% for the first nine months of fiscal year 2004. The lower payout ratio for fiscal 2005 to date partially reflects timing differences in the payout levels in Global Capital Markets in North America, which is discussed in more detail on page 13. The full fiscal 2005 payout ratio is likely to increase from 49.6%, as pre-determined payout targets have been achieved in Global Capital Markets in North

America. However, any increases in the payout ratio for the full fiscal year will be partially offset by the decrease in executive compensation discussed on page 14, which is a permanent change, implemented in the third fiscal quarter of 2005, in how corporate performance bonuses are paid to senior officers of Canaccord Capital Inc. The dollar amount paid out increased by $10.4 million for the first nine months of fiscal year 2005 compared to last year, which largely reflects the growth in revenue compared to the same period a year ago.

Salaries and benefits and other overhead expenses

Salaries and benefits and other overhead expenses increased by $12.8 million during the first nine months of fiscal 2005. This increase is largely due to a company wide talent retention initiative to remunerate salaried employees in all business segments relative to current market levels, plus an increase of 124 net new employees for the first nine months of fiscal 2005 compared to the same period a year ago. The majority of these new employees were hired to support our expansion plans in our various business segments such as Global Capital Markets in Calgary and Europe and to support Canaccord's transition to a publicly traded entity.

General and administrative

Included as a component of other overhead expenses are general and administrative expenses, which increased by $5.6 million for the first nine months of the fiscal year 2005 reflecting increases in such items as insurance and professional fees, travel and client expenses.

Expenses and expenses as a % of revenue for the three months ended

(C$ thousands, except % amounts)	December 31, 2004		December 31, 2003		Increase (decrease)	
Incentive compensation	**65,449**	**52.9%**	69,927	58.9%	(4,478)	(6.4)%
Salaries and benefits	**10,957**	**8.9%**	9,181	7.7%	1,776	19.3%
Other overhead expenses[1]	**20,014**	**16.2%**	18,416	15.5%	1,598	8.7%
Total	**96,420**		97,524		(1,104)	(1.1)%

[1] Consists of trading costs, premises and equipment, communication and technology, interest and general and administrative expenses.

Incentive compensation

Incentive compensation, as a percentage of revenue, decreased to 52.9% in the third quarter of 2005 from 58.9% compared to the same quarter a year ago. Similar to the above year-to-date discussion of incentive compensation payout ratios, the lower payout ratio partially reflects timing differences in Global Capital Markets in North America. The dollar amount paid out decreased by $4.5 million in the third quarter compared to last year, principally due to a change in bonus payouts and payout targets.

Salaries and benefits and other overhead expenses

Salaries and benefits and other overhead expenses increased by $3.4 million for the quarter and were largely driven by the overall growth of the Company. In addition to a company wide talent retention initiative in connection with the remuneration for salaried employees in all business segments relative to current market levels, there was an increase of 124 net new employees in the third quarter 2005 compared to the same quarter a year ago. The majority of these new employees were hired to support the expansion and future growth strategies in Private Client Services and Global Capital Markets and to support Canaccord's transition to a publicly traded entity.

General and administrative

General and administrative expenses, which increased $1.9 million for the quarter, consist of $2.2 million in professional fees, $1.3 million in promotion and travel expenses and $0.9 million in client expenses, partially offset by a $2.5 million decrease in our allowance for unsecured receivables.

Operating income before other items:

Operating income before other items reflects the factors that impacted revenue and expenses as discussed above. Operating income before other items was $27.2 million, up $6.1 million, or 29.1%, from the same quarter a year ago due to operating leverage as revenue grew at a greater rate than expenses.

Other items:

Other items are principally related to developing and upgrading Canaccord's information technology platform, incentive payments to new hires and restructuring costs.

Other items for the nine months ended

(C$ thousands)	December 31, 2004	December 31, 2003
Amortization	**2,233**	2,814
Development costs	**5,923**	5,844
Restructuring and other costs	**–**	315
Total	**8,156**	8,973

Other items for the three months ended

(C$ thousands)	December 31, 2004	December 31, 2003
Amortization	**802**	1,027
Development costs	**1,872**	2,058
Restructuring and other costs	**–**	–
Total	**2,674**	3,085

Development costs

Development costs include hiring incentives and systems development costs. Hiring incentives are often required when Canaccord hires new Investment Advisors (IAs) or capital markets professionals. Systems development costs are expenditures that Canaccord has made in conjunction with the development of its information technology platform.

	Development costs for the nine months ended	
	December 31,	December 31,
(C$ thousands)	**2004**	**2003**
Hiring incentives	**2,349**	2,560
Systems development	**3,574**	3,284
Total	**5,923**	5,844

	Development costs for the three months ended	
	December 31,	December 31,
(C$ thousands)	**2004**	**2003**
Hiring incentives	**796**	748
Systems development	**1,076**	1,310
Total	**1,872**	2,058

Net income for the period:

Net income for the year-to-date fiscal 2005 was $31.3 million, up $11.9 million, or 60.9%, compared to net income of $19.4 million for the same period a year ago. This increase in earnings is mainly due to a strong start to fiscal 2005 in both primary business segments during the first quarter and continued revenue growth in Global Capital Markets largely due to favourable market conditions in Europe throughout the year. Diluted EPS for the nine months year-to-date 2005 was $0.72, up $0.17, or 30.9%, from a year earlier. The slower increase in EPS relative to net income is largely due to the dilutive impact of the issuance from treasury of 6,829,268 common shares from the IPO on June 30, 2004.

Net income for the quarter was $16.7 million, up $5.4 million, or 48.6%, compared to net income of $11.3 million for the same quarter a year ago. The increase in earnings is primarily due to European market activity capitalized on by our Global Capital Markets group as demand for resource-related equities continues to drive performance. Diluted EPS was $0.36, up $0.04, or 12.5%, from a year earlier. The slower increase in EPS relative to net income is due to the dilutive impact of the issuance from treasury of 6,829,268 common shares from the IPO on June 30, 2004.

Business segment results:

Detailed financial results for the business segments are shown on page 25 of the interim consolidated financial statements.

Private Client Services

Private Client Services revenue is principally derived from trading commissions generated from a diverse client base of individuals and high net worth accounts. Revenue derived from client activity is very closely tied to general stock market performance and trading activity.

	Private Client Services summary for the nine months ended			
	December 31,	December 31,		
(C$ thousands, except % amounts)	**2004**	**2003**	**Increase (decrease)**	
Revenue	**121,785**	115,316	6,469	5.6%
Expenses	**84,998**	76,464	8,534	11.2%
Other items	**2,759**	4,022	(1,263)	(31.4)%
Income before income taxes	**34,028**	34,830	(802)	(2.3)%

Nine-month revenue was up $6.5 million, or 5.6%, from the same period a year ago.

Nine-month expenses were up $8.5 million, or 11.2%, which was higher than revenue growth for the first nine months of fiscal 2005 compared to the first nine months of fiscal year 2004. Due to a change in cost allocation methodology at the beginning of fiscal 2005, variable trading costs are applied directly to the relevant business group. For the first nine months of fiscal year 2005 variable trading costs of $5.6 million were directly applied to Private Client Services. Without this newly allocated cost, expenses for the year to date would have increased by 3.9%, which is less than revenue growth of 5.6%.

Nine-month income before income taxes for Private Client Services was $34.0 million, down 2.3% from the same period a year ago. The increase in revenue was less than the increase in expenses, mainly resulting from a change in allocation of variable trading costs.

Private Client Services summary for the three months ended

(C$ thousands, except assets under administration which is in C$ millions, employees and Investment Advisors which are in single digits, and % amounts)	December 31, 2004	December 31, 2003	Increase (decrease)	
Revenue	**46,964**	48,540	(1,576)	(3.2)%
Expenses	**31,783**	31,833	(50)	(0.2)%
Other items	**1,005**	1,198	(193)	(16.1)%
Income before income taxes	**14,176**	15,509	(1,333)	(8.6)%
Assets under administration	**8,998**	7,049	1,949	27.6%
Number of Investment Advisors	**426**	408	18	4.4%
Number of employees	**685**	635	50	7.9%

Revenue from Private Client Services for the quarter was down by $1.6 million, or 3.2%, from a year ago, due to particularly strong market activity in North American equity markets during the same quarter last year. The 27.6% growth in AUA largely reflects the increase in value of equities in the North American capital markets and the addition of assets transferred with newly hired IAs. There were 426 IAs at the end of the third quarter of 2005, up 18 from a year ago. For fiscal 2005 year-to-date, and in light of a very competitive recruiting environment, we successfully added 40 new IAs. Our recruitment strategy continues to be to recruit IAs that have a focus on growth in AUA and fee-based business. For the quarter ended December 31, 2004, a total of 50 new employees were hired to support the overall expansion of our Private Client Services compared to the same quarter a year ago. The majority of these new hires include IA assistants and general administrative support staff. A key highlight for this quarter includes two new branch offices in White Rock, British Columbia and Halifax, Nova Scotia. Private Client Services currently has a total of 28 offices across Canada.

Expenses for the third quarter were down 0.2%, largely reflecting a decline in incentive compensation expense of $1.2 million, or 5.1%, compared to the same quarter a year ago. The decline in overall expenses for this business segment occurred despite a change in cost allocation methodology during the first half of fiscal 2005 where variable trading costs are now applied directly to the relevant business group. These costs represent an increase of $1.9 million compared to a year ago. Without this newly allocated cost for the quarter, expenses for the period would have decreased 6.2%, which was a larger drop than the 3.2% decrease in revenue.

Income before income taxes for the quarter was down $1.3 million, or 8.6%, largely reflecting a decline in revenue and the reallocation of trading costs to the business group that incurred the expense in the quarter compared to the same quarter a year ago.

Global Capital Markets

Global Capital Markets revenue is generated from commissions and fees earned in connection with corporate finance and underwriting transactions, as well as net trading gains and losses from Canaccord's principal and international trading operations. Accordingly, this revenue is directly affected by levels of corporate activity, and economic and business conditions.

Global Capital Markets summary for the nine months ended

(C$ thousands, except % amounts)	December 31, 2004	December 31, 2003	Increase (decrease)	
Revenue	**158,210**	126,333	31,877	25.2%
Expenses	**111,332**	90,657	20,675	22.8%
Other items	**1,321**	1,378	(57)	(4.1)%
Income before income taxes	**45,557**	34,298	11,259	32.8%

Nine-month revenue of $158.2 million was up $31.9 million, or 25.2% from the same period a year ago.

Nine-month expenses were $111.3 million, up $20.7 million, or 22.8%, of which $10.9 million is largely due to the increase in incentive compensation. Return on capital goals were exceeded earlier in the year in the European business of Global Capital Markets resulting in accelerated payouts, which has contributed to the incentive compensation expense growth. Also contributing to the increase in expenses is the change in cost allocations where variable trading costs are directly applied to the relevant business group. Without this newly allocated trading cost, expenses would have only increased 19.3%.

Overall, income before income taxes was up $11.3 million, or 32.8%, compared to the first nine months of fiscal year 2004. This increase is largely due to the strong capital markets activity in Europe where revenue increased by $35.2 million, or 73.3%, compared to the first nine months of fiscal 2004.

Global Capital Markets summary for the three months ended (C$ thousands, except employees which is in single digits, and % amounts)	December 31, 2004	December 31, 2003	Increase (decrease)	
Revenue	**72,368**	66,515	5,853	8.8%
Expenses	**50,655**	48,483	2,172	4.5%
Other items	**403**	447	(44)	(9.8)%
Income before income taxes	**21,310**	17,585	3,725	21.2%
Number of employees	**268**	240	28	11.7%

Revenue from Global Capital Markets for the quarter was up $5.9 million, or 8.8%, compared to the same quarter a year ago and is largely attributed to the continued growth and performance in European capital markets. In Europe, revenue increased by $11.2 million, up 37.1% for the quarter. Of this revenue, $1.2 million is recurring revenue for this segment which is a direct result of our advisory role as a broker to six companies listed on the LSE and a Nominated Adviser (Nomad) to 40 companies listed on the AIM as of December 31, 2004. In North America, revenue for the quarter was $30.8 million, down $5.4 million when compared to the same quarter a year ago. This decrease is due to lower activity levels compared to the prior year. Compared to the second quarter of 2005, revenue in North America was up $9.4 million. According to the Financial Post Data Group, Canaccord continued to maintain its number one ranking as the company with the highest number of deal participations in equity offerings for the last three consecutive quarters. For the quarter ended December 31, 2004, we participated in 122 deals that raised over $6.9 billion in total proceeds.

International Trading revenue for the quarter was down by $1.4 million, or 23.6%, due to relatively slower trading activity in the North American equity markets compared to the same quarter a year ago. Revenue from Registered Trading business was $2.3 million this quarter, down from $3.2 million a year ago, but improved by $2.1 million over the second quarter of 2005. The improvement is partly due to better market conditions, but also due to structural changes implemented earlier this fiscal year, which included a reduction in the number of traders.

Expenses for the quarter increased 4.5% compared to the same quarter a year ago, largely reflecting an increase in salary and benefits, general and administrative costs, and variable trading costs. For the quarter ended December 31, 2004, 28 new employees were hired over the same quarter a year ago to support and expand our presence in key markets where we expect strong revenue growth opportunities for the future. Principally, these new employees were hired in Corporate Finance in Canada and Europe and for our New Issues Services team.

For the quarter, incentive compensation expense was down 1.6% compared to the same quarter a year ago. The lower incentive compensation payout ratio for this quarter of 55.2% compared to the level of 61.0% in the same quarter last year partially reflects timing differences in the payout levels in Global Capital Markets in North America. Both the European and North American operations of Global Capital Markets agreed to a two level payout ratio linked to return on capital measures prior to the fiscal year. The European team entered into the higher payout level during Q2/05, whereas the team in North America reached this point at the end of Q3/05, but the North American team had reached that point earlier in the quarter in Q3/04. Therefore, the Q4/05 incentive compensation payout ratio is likely to increase from 55.2% this quarter. Total incentive compensation expense in Europe was $25.7 million for the quarter, up 25.6% compared to the same quarter a year ago. A component of total incentive compensation expense in Europe is the National Health Insurance (NHI) tax, which is a UK payroll tax equal to approximately 12% to 13% of incentive compensation payouts. For the quarter, the NHI tax was $1.4 million, up $0.4 million, compared to the same quarter a year ago.

Starting fiscal 2006, a new incentive payout compensation schedule will be implemented to better align our Global Capital Markets teams in Canada and Europe. The incentive compensation payout for our Global Capital Markets staff will change to a flat 50% of revenue, plus a further 5% payout of Global Capital Markets gross revenue that includes allocated support staff expenses and a portion of net profits of the business unit, for a total compensation payout ratio of approximately 55%. An additional 3% will be allocated to cover applicable National Health Insurance taxes for UK based employees. These agreements do not apply to the International Trading, Registered Trading and Fixed Income business units within Global Capital Markets, which already have payout agreements that total less than 55% of revenue and contribute to approximately 13% of compensation expenses for the overall segment.

Trading costs increased by $0.7 million compared to the same quarter a year ago due to the allocation of variable trading costs from the Other business segment. Without the newly allocated trading costs, expenses for the quarter would have only increased 2.2%.

Income before income taxes for the quarter was up $3.7 million, or 21.2%, reflecting the fact that revenue increased at a higher rate than expenses.

Other segment

The Other segment includes correspondent brokerage services, interest, foreign exchange revenue and expenses not specifically allocable to Private Client Services and Global Capital Markets.

(C$ thousands, except % amounts)	Other segment summary for the nine months ended December 31, 2004	December 31, 2003	Increase (decrease)	
Revenue	**9,854**	9,821	33	0.3%
Expenses	**38,034**	44,029	(5,995)	(13.6)%
Other items	**4,076**	3,573	503	14.1%
Income before income taxes	**(32,256)**	(37,781)	5,525	14.6%

Revenue for the first nine months of fiscal year 2005 was $9.9 million, up 0.3% compared to the first nine months of fiscal year 2004.

Nine-month expenses decreased by 13.6%, largely due to substantial decreases in trading costs of $8.0 million, which is related to a change in cost allocation where variable trading costs are now allocated directly to business segments. For the nine-month period, $8.7 million was allocated to Private Client Services and Global Capital Markets. Without this change in cost allocation, total expenses for the Other segment would have increased 6.2%.

Nine-month loss before income taxes was $32.3 million, a 14.6% improvement from the same period a year ago, reflecting reductions in expenses that were greater than the increase in revenue.

(C$ thousands, except employees which is in single digits, and % amounts)	Other segment summary for the three months ended December 31, 2004	December 31, 2003	Increase (decrease)	
Revenue	**4,351**	3,584	767	21.4%
Expenses	**13,982**	17,208	(3,226)	(18.7)%
Other items	**1,266**	1,440	(174)	(12.1)%
Income before income taxes	**(10,897)**	(15,064)	4,167	27.7%
Number of employees	**335**	289	46	15.9%

Revenue for the quarter related to treasury activities was $2.9 million, up $0.5 million, or 22.4%, compared to the same quarter a year ago. The increase in revenue is largely attributed to an increase in interest revenue of $0.7 million, reflecting higher volumes in short term investments.

Expenses for the quarter were down $3.2 million largely due to reductions in trading costs of $3.0 million. The reduction was due to the change in cost allocation where variable trading costs are applied directly to each business group. Also contributing to the decline in expenses was incentive compensation down $2.6 million from a year ago, which was largely offset by increases in other expenses of $2.4 million. The decrease in incentive compensation is due to a decline of $2.7 million in employee bonuses and of $1.0 million in executive compensation. The increases in expenses were largely related to a $2.1 million increase in general and administrative expenses and the $0.6 million increase in salaries and benefits. The salaries and benefits increases are primarily because the number of employees increases by 46 compared to the same quarter a year ago. The majority of these new employees were hired to support Canaccord's transition to a publicly traded entity and the overall growth of the Company via the production side of Global Capital Markets and Private Client Services. As a result of the overall reduction in expenses, loss before income taxes was $10.9 million in the third quarter of fiscal 2005, a $4.1 million, or 27.7%, improvement compared to a loss of $15.1 million in the same quarter a year ago.

Financial conditions:

Below are certain changes in selected balance sheet items.

Accounts receivable

Client security purchases are entered into either on a cash or margin basis. When securities are purchased on margin, the Company extends a loan to the client for the purchase of securities, using securities purchased and/or securities in the client's account as collateral. Therefore, client account receivable balances, which were $252.8 million as at December 31, 2004, may vary significantly on a day-to-day basis and are based on trading volumes and market prices. As at December 31, 2004, total accounts receivable were $719.5 million compared with $997.6 million as at March 31, 2004.

Call loans

Loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. Amounts borrowed pursuant to these call loan facilities, at December 31, 2004, totalled $6.3 million compared with $2.5 million as at March 31, 2004.

Cash and cash equivalents

Cash and cash equivalents were $256.2 million as of December 31, 2004 compared to $92.0 million as of March 31, 2004. Significant cash sources or uses of cash include the repayment of $10.0 million in subordinated debt on July 30, 2004, the issuance of share capital for net proceeds of $71.5 million, decreases in securities owned of $191.6 million and securities sold short of $191.7 million as at December 31, 2004.

Liquidity and capital resources:

Canaccord's capital in the business has historically been provided through retained earnings, the sale of equity securities, convertible debentures and subordinated debt in the form of bank loans. Canaccord now has a capital structure completely underpinned by share capital, retained earnings, and cumulative foreign currency translation adjustments.

As at December 31, 2004, total cash and cash equivalents were $256.2 million, compared to $92.0 million as of March 31, 2004. For the nine months ended December 31, 2004, operating activities were a source of cash in the amount of $109.8 million, which was primarily due to net changes in non-cash working capital items, net income and items not affecting cash. For the nine months ended December 31, 2004, financing activities provided cash in the amount of $67.8 million, which was primarily due to a net issuance of share capital, an increase in notes payable and repayment of subordinated debt. Investing activities used cash in the amount of $15.7 million, which was primarily due to an increase in notes receivable and the purchase of equipment and leasehold improvements.

The increases in notes payable and notes receivable correspond to each other and are in connection with Canaccord's Immigrant Investor Program of Quebec.

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

Outstanding share data:

	Outstanding shares as of	
	December 31, 2004	**December 31, 2003**
Shares outstanding – basic[(1)]	**45,416**	28,887
Shares outstanding – diluted[(2)]	**46,129**	37,587
Average shares outstanding – basic	**45,388**	28,154
Average shares outstanding – diluted	**46,101**	37,134

(1) Excludes 713,071 unvested shares outstanding, which relate to share purchase loans. See Note 8 of the interim unaudited consolidated financial statements on page 22.

(2) Includes 713,071 unvested shares referred to in footnote[(1)] above.

As of December 31, 2004, Canaccord had 46.1 million common shares issued and outstanding on a diluted basis, up 9.0 million from over a year ago, partially reflecting the issuance of shares from the IPO and various other share issuances throughout the year.

Canaccord has received shareholder approval for a stock option plan; however, there are no existing grants at this time and no current intention to give out grants under the stock option plan. During the quarter and subsequent to quarter end, the Board approved the implementation of the usage of employee stock purchase plans for existing employees, which is estimated to cost the Company approximately 1% of annual consolidated revenue.

On December 29, 2004, Canaccord commenced a normal course issuer bid to purchase up to 2,306,463 of its common shares through the facilities of the Toronto Stock Exchange. Under British Columbia corporate legislation, Canaccord is permitted to purchase and hold its own shares without any requirement for cancellation. The purchase of common shares under the normal course issuer bid will enable the Company to acquire shares for resale to new employees, existing employees, and clients of Canaccord and Canaccord affiliates. The total number of shares which may be repurchased under this program are 5% of Canaccord's total outstanding common shares.

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 interim unaudited consolidated financial statements for the fiscal third quarter ended December 31, 2004. The accounting policies described below require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements. Because of their nature, estimates require judgement based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements.

Revenue recognition and valuation of securities

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

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

Provisions

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

Tax

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

Related party transactions:

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

Dividend policy:

Canaccord intends to pay dividends on the outstanding common shares equal to approximately 25% of annual net income. Although dividends are expected to be declared and paid quarterly, the Board of Directors, in its sole discretion, will determine the amount and timing of any dividends or distributions. Such determination will depend on general business conditions and Canaccord's financial condition, results of operations and capital requirements and such other factors as the Board determines to be relevant.

Dividend declaration:

The Board of Directors of Canaccord declared, on February 1, 2005, a normal common share dividend of $0.05 per share and a special distribution of $0.15 per share to be payable on March 10, 2005, with a record date of February 23, 2005. The common share dividend payment to common shareholders (excluding the special distribution) will total approximately $2.3 million, or approximately 13.8% of third quarter net income. Total declared dividends for the nine-month period ended December 31, 2004, are approximately $6.9 million, or approximately 22.1% of nine-month net income. The special distribution to common shareholders will total approximately $6.9 million.

Risks:

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. Revenue from Private Client Services activity is dependent on trading volumes and, as such, is dependent on the level of market activity and investor confidence. Revenue from Global Capital Markets activity is dependent on financing activity by corporate issuers and the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations and the level of Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position. Furthermore, Canaccord's business is cyclical and thus experiences considerable variations in revenue and income from quarter to quarter and year to year due to the factors discussed above. These factors are beyond Canaccord's control and, accordingly, revenue and net income will fluctuate, as they have historically.

An investment in the common shares involves a number of risks, some of which, including market, liquidity, credit, operational, legal and regulatory risks, could be substantial and are inherent in Canaccord's business.

Additional information:

Additional information relating to Canaccord, including Canaccord's Prospectus and Annual Information Form, can be found on SEDAR at www.sedar.com.

Interim Consolidated Balance Sheets

(Unaudited)

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" part 4.3(3)(a)

The comparative consolidated financial statements for the three-month and nine-month periods ended December 31, 2003, presented in these interim consolidated financial statements have not been reviewed by an external auditor.

As at	(in thousands of dollars)	
	December 31, 2004 $	**March 31, 2004 $**
		[Restated – Note 1]
ASSETS		
Current		
Cash and cash equivalents	**256,158**	91,966
Securities owned, at market *[note 2]*	**184,895**	376,447
Accounts receivable *[notes 4 and 9]*	**719,508**	997,621
Future income taxes	**1,834**	–
Total current assets	**1,162,395**	1,466,034
Equipment and leasehold improvements	**13,904**	12,373
Notes receivable *[note 5]*	**41,055**	28,765
Deferred charges	**266**	1,194
	1,217,620	1,508,366
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Call loans	**6,311**	2,541
Securities sold short, at market *[note 2]*	**90,033**	281,723
Accounts payable and accrued liabilities *[notes 4 and 9]*	**862,582**	1,048,395
Income taxes payable	**3,259**	16,905
Future income taxes	**–**	973
Total current liabilities	**962,185**	1,350,537
Notes payable *[note 5]*	**41,055**	28,765
Convertible debentures *[note 6]*	**–**	20,377
Subordinated debt *[note 7]*	**–**	10,000
Total liabilities	**1,003,240**	1,409,679
Contingencies *[note 11]*		
Shareholders' equity		
Share capital *[note 8]*	**151,156**	60,409
Cumulative foreign currency translation adjustment	**(1,258)**	265
Retained earnings	**64,482**	38,013
Total shareholders' equity	**214,380**	98,687
	1,217,620	1,508,366

See accompanying notes

Interim Consolidated Statements of Operations and Retained Earnings

(Unaudited)

	(in thousands of dollars, except per share amounts)			
	For the three months ended		For the nine months ended	
	December 31, 2004 $	December 31, 2003 $	**December 31, 2004 $**	December 31, 2003 $
		[Restated – Note 1]		[Restated – Note 1]
REVENUE				
Private client services	**46,964**	48,540	**121,785**	115,316
Global capital markets	**72,368**	66,515	**158,210**	126,333
Other	**4,351**	3,584	**9,854**	9,821
	123,683	118,639	**289,849**	251,470
EXPENSES				
Incentive compensation	**65,449**	69,927	**143,643**	133,270
Salaries and benefits	**10,957**	9,181	**32,585**	26,420
Trading costs	**4,377**	4,666	**12,370**	12,018
Premises and equipment	**2,875**	3,184	**8,824**	9,308
Communication and technology	**3,524**	3,114	**10,318**	9,344
Interest	**908**	1,019	**3,080**	2,826
General and administrative	**8,330**	6,433	**23,544**	17,964
	96,420	97,524	**234,364**	211,150
Operating income before other items	**27,263**	21,115	**55,485**	40,320
Other items				
Amortization	**802**	1,027	**2,233**	2,814
Development costs	**1,872**	2,058	**5,923**	5,844
Restructuring and other costs	**–**	–	**–**	315
	2,674	3,085	**8,156**	8,973
Income before income taxes	**24,589**	18,030	**47,329**	31,347
Income taxes	**7,846**	6,763	**16,057**	11,910
Net income for the period	**16,743**	11,267	**31,272**	19,437
Retained earnings, beginning of period	**50,044**	8,751	**38,013**	2,352
Dividends				
Stock dividend	**–**	–	**–**	(1,357)
Cash dividend	**(2,305)**	–	**(4,610)**	–
Excess on redemption of common shares *[note 8]*	**–**	(1,469)	**(193)**	(1,883)
Retained earnings, end of period	**64,482**	18,549	**64,482**	18,549
Basic earnings per share *[note 8]*	**0.37**	0.40	**0.77**	0.69
Diluted earnings per share *[note 8]*	**0.36**	0.32	**0.72**	0.55

See accompanying notes

Interim Consolidated Statements of Cash Flows

(Unaudited)

	(in thousands of dollars)			
	For the three months ended		For the nine months ended	
	December 31, 2004 $	December 31, 2003 $	**December 31, 2004 $**	December 31, 2003 $
OPERATING ACTIVITIES				
Net income for the period	**16,743**	11,267	**31,272**	19,437
Items not affecting cash				
Amortization	**1,169**	1,177	**2,833**	3,173
Future income taxes (recovery)	**(225)**	173	**(2,807)**	706
Changes in non-cash working capital				
Decrease (increase) in securities owned	**120,716**	(48,202)	**191,552**	(66,427)
Decrease (increase) in accounts receivable	**291,701**	6,966	**278,113**	(195,139)
Decrease (increase) in income taxes recoverable	**701**	–	**–**	558
Increase (decrease) in securities sold short	**(100,763)**	55,373	**(191,690)**	27,816
Increase (decrease) in accounts payable and accrued liabilities	**(237,149)**	(15,926)	**(185,813)**	209,925
Increase (decrease) in income taxes payable	**3,259**	6,524	**(13,646)**	10,304
Cash provided by operating activities	**96,152**	17,352	**109,814**	10,353
FINANCING ACTIVITIES				
Increase in notes payable	**1,804**	4,923	**12,290**	5,365
Redemption of convertible debentures	**–**	(42)	**(20)**	(52)
Decrease in subordinated debt	**–**	–	**(10,000)**	–
Issuance of share capital (net of issuance costs)	**219**	7,532	**71,528**	8,625
Decrease (increase) in unvested common share purchase loans	**56**	86	**(952)**	(140)
Redemption of share capital	**–**	(4,603)	**(379)**	(7,234)
Dividends paid	**(2,305)**	–	**(4,610)**	–
Cash provided by (used in) financing activities	**(226)**	7,896	**67,857**	6,564
INVESTING ACTIVITIES				
Purchase of equipment and leasehold improvements	**(2,333)**	(1,075)	**(3,764)**	(1,506)
Increase in notes receivable	**(1,804)**	(4,923)	**(12,290)**	(5,365)
Increase in deferred charges	**–**	–	**328**	–
Cash used in investing activities	**(4,137)**	(5,998)	**(15,726)**	(6,871)
Unrealized foreign exchange loss (gain)	**175**	445	**(1,523)**	(69)
Increase in cash and cash equivalents	**91,964**	19,695	**160,422**	9,977
Cash and cash equivalents, beginning of period	**157,883**	90,306	**89,425**	100,024
Cash and cash equivalents, end of period	**249,847**	110,001	**249,847**	110,001
Cash and cash equivalents is comprised of:				
Cash and cash equivalents	**256,158**	110,001	**256,158**	110,001
Call loans	**(6,311)**	–	**(6,311)**	–
	249,847	110,001	**249,847**	110,001
Supplemental cash flow information				
Interest paid	**158**	675	**1,217**	1,967
Income taxes paid	**4,205**	143	**24,593**	666

See accompanying notes

Notes to Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended December 31, 2004 (in thousands of dollars, except per share amounts)

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

Historically, the Company's operating results are characterized by a seasonal pattern and it earns the majority of its revenue in the last two quarters of its fiscal year.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

These interim unaudited consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. These interim 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, 2004 ("Audited Annual Consolidated Financial Statements") except as noted below. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the Audited Annual Consolidated Financial Statements.

The preparation of these interim unaudited consolidated financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments (which include only normal, recurring 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 the results expected for the full year.

Canadian generally accepted accounting principles

On April 1, 2004, the Company adopted the requirements of The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1100, "*Generally Accepted Accounting Principles*". This section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The implementation of CICA Section 1100 impacted the classification of Convertible Debentures [Note 6] and Subordinated Debt [Note 7]. These interim consolidated financial statements have been adjusted to reflect the reclassification of these items as liabilities from the capital section of the balance sheet. In addition, this implementation has affected the presentation of client interest revenue and expense which had been previously netted.

Hedging relationships

On April 1, 2004, the Company prospectively adopted the requirements of CICA Accounting Guideline 13, "*Hedging Relationships*" ("AcG 13") which provides detailed guidance on the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The implementation of AcG 13 did not have a material impact on the interim unaudited consolidated financial statements.

2. SECURITIES OWNED AND SECURITIES SOLD SHORT

	December 31, 2004		March 31, 2004	
	Securities owned $	Securities sold short $	Securities owned $	Securities sold short $
Corporate and government debt	**159,578**	**74,994**	327,224	275,285
Equities and convertible debentures	**25,317**	**15,039**	49,223	6,438
	184,895	**90,033**	376,447	281,723

As at December 31, 2004, corporate and government debt maturities range from 2005 to 2051 [March 31, 2004 – 2005 to 2054] and bear interest ranging from 2.05% to 14% [March 31, 2004 – 2.35% to 14%].

3. FINANCIAL INSTRUMENTS

Foreign exchange risk

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

Forward contracts outstanding at December 31, 2004:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$19.5	$1.22	January 6, 2005	$0.1
To buy US dollars	$7.0	$1.22	January 6, 2005	($0.1)

Forward contracts outstanding at March 31, 2004:

	Notional amounts (millions of USD)	Average price (CAD/USD)	Maturity	Fair value (millions of USD)
To sell US dollars	$22.75	$1.32	April 5, 2004	$0.1
To buy US dollars	$20.75	$1.32	April 5, 2004	($0.1)

4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable

	December 31, 2004 $	March 31, 2004 $
Brokers and investment dealers	**198,778**	471,073
Clients	**252,788**	268,062
RRSP cash balances held in trust	**248,995**	237,806
Other	**18,947**	20,680
	719,508	997,621

Accounts payable and accrued liabilities

	December 31, 2004 $	March 31, 2004 $
Brokers and investment dealers	**185,595**	247,944
Clients	**584,802**	698,999
Other	**92,185**	101,452
	862,582	1,048,395

Accounts payable to clients include $248,995 [March 31, 2004 – $237,806] payable to clients for RRSP cash balances held in trust.

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client accounts. Interest on margin loans and amounts due to clients is based on a floating rate [December 31, 2004 – 6.25% and 1.25%, respectively, and March 31, 2004 – 6.00% and 1.00%, respectively].

5. IMMIGRANT INVESTOR PROGRAM OF QUEBEC

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

[a] Notes receivable

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

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

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

[b] Notes payable

Notes payable are collateralized by the notes receivable with interest capitalized annually and repayable at maturity. The notes payable bear interest ranging from 4.57% to 7.27% (weighted average at December 31, 2004 – 5.81%) and mature between 2007 and 2010 [March 31, 2004 – 4.57% to 7.27% with a weighted average of 5.98%, maturing between 2007 and 2009].

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

	December 31, 2004 $	March 31, 2004 $
2007	**6,701**	6,385
2008	**12,535**	12,004
2009	**10,782**	10,376
2010	**11,037**	–
	41,055	28,765

6. CONVERTIBLE DEBENTURES

	December 31, 2004 $	March 31, 2004 $
2006 debentures	–	10,377
2007 debenture	–	10,000
	–	20,377

On June 22, 2004, the 2006 and 2007 debentures were either redeemed or converted into share capital as part of a reorganization of capital [see Note 8 (ii)].

Each 2006 debenture issued by the Company was either redeemed (in whole or in part, including a 5% premium) or exchanged for Class B common shares of the Company at a rate of one such share for each $2.57275 of principal amount.

The 2007 debenture issued by the Company was either redeemed (in whole or in part) or exchanged for Class C common shares of the Company at a rate of one such share for each $2.9823 of principal amount.

7. SUBORDINATED DEBT

	December 31, 2004 $	March 31, 2004 $
Loan payable, interest payable monthly at prime + 1% per annum (March 31, 2004 – 5.0%), due on demand	–	10,000

The loan payable was subject to a subordination agreement and was repaid on July 30, 2004 with the prior approval of the Investment Dealers Association of Canada.

Subordinated debt has been reclassified as a liability due to the requirements of CICA Handbook Section 1100.

8. SHARE CAPITAL

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

	December 31, 2004 $	March 31, 2004 $
Issued and fully paid		
Share capital		
Common shares	**153,002**	61,292
Unvested share purchase loans	**(2,413)**	(1,514)
Preferred shares	–	190
Contributed surplus	**567**	441
	151,156	60,409

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

[i] Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

[ii] Issued and fully paid
Common shares

	Common Shares		Class B		Class C		Total	
	# of shares	Amount $	# of shares	Amount $	# of shares	Amount $	# of shares	Amount $
Balance, March 31, 2003	–	–	24,779,672	41,306	3,809,524	10,000	28,589,196	51,306
Shares issued for cash	–	–	5,435,838	15,624	–	–	5,435,838	15,624
Shares cancelled	–	–	(4,031,206)	(7,006)	–	–	(4,031,206)	(7,006)
Shares issued on conversion of Class 4 preferred shares Series A	–	–	357,838	822	–	–	357,838	822
Shares issued on conversion of serial debentures	–	–	209,340	546	–	–	209,340	546
Balance, March 31, 2004	–	–	26,751,482	51,292	3,809,524	10,000	30,561,006	61,292
Shares issued for cash	–	–	897,454	3,568	442,100	1,536	1,339,554	5,104
Shares cancelled	–	–	(95,826)	(186)	–	–	(95,826)	(186)
Shares issued on conversion of Class 4 preferred shares Series A	–	–	82,816	190	–	–	82,816	190
Shares issued on conversion of convertible debentures	–	–	7,378,660	20,357	–	–	7,378,660	20,357
Exchange into common shares[1]	39,266,210	86,757	(35,014,586)	(75,221)	(4,251,624)	(11,536)	–	–
Shares issued in connection with initial public offering[2]	6,829,268	66,111	–	–	–	–	6,829,268	66,111
Shares issued for cash[3]	33,790	134	–	–	–	–	33,790	134
Balance, December 31, 2004	46,129,268	153,002	–	–	–	–	46,129,268	153,002

[1] Pursuant to an order obtained on June 22, 2004 from the Supreme Court of British Columbia, a capital reorganization which included the creation of a class of common shares and the exchange of all Class B and C common shares for common shares was approved
[2] Net of share issue costs of $3,888
[3] Sale of shares held by a subsidiary in the group

Pursuant to the Company's normal course issuer bid, as approved by the Toronto Stock Exchange, the Company is entitled to acquire up to 5.0% of its shares from December 29, 2004 to December 28, 2005. This buyback was initiated to facilitate the orderly resale of shares released from escrow on December 27, 2004. Of the 9,877,506 total shares released from escrow, 327,470 shares were submitted for sale with 280,687 shares placed with employees and clients, leaving a net amount of 46,783 shares. Under the normal course issuer bid, the Company then acquired and subsequently sold these 46,783 shares at an average price of $9.09 per share during the period ended December 31, 2004.

Preferred shares

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

[1] Pursuant to an order obtained on June 22, 2004 from the Supreme Court of British Columbia, a capital reorganization which included the creation of a class of common shares and the exchange of all preferred shares for common shares was approved

[iii] Excess on redemption of common shares

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

	For the three months ended		For the nine months ended	
	December 31, 2004 $	December 31, 2003 $	**December 31, 2004 $**	December 31, 2003 $
Redemption price	–	4,603	**379**	6,909
Book value	–	3,134	**186**	5,026
Excess on redemption of common shares	–	1,469	**193**	1,883

[iv] Earnings per share

	For the three months ended		For the nine months ended	
	December 31, 2004 $	December 31, 2003 $	**December 31, 2004 $**	December 31, 2003 $
Basic earnings per share				
Net income for the period	**16,743**	11,267	**31,272**	19,437
Weighted average number of common shares (number)	**45,387,916**	28,154,034	**40,421,055**	28,051,899
Basic earnings per share ($)	**0.37**	0.40	**0.77**	0.69
Diluted earnings per share				
Net income for the period	**16,743**	11,267	**31,272**	19,437
Income effect of convertible debentures	–	262	–	782
Adjusted net income for the period	**16,743**	11,529	**31,272**	20,219
Weighted average number of common shares (number)	**45,387,916**	28,154,034	**40,421,055**	28,051,899
Dilutive effect of convertible debentures	–	7,942,490	**2,411,654**	7,938,704
Dilutive effect of preferred shares	–	409,983	**27,103**	343,367
Dilutive effect of unvested shares	**713,071**	627,431	**713,071**	633,085
Adjusted weighted average number of common shares (number)	**46,100,987**	37,133,938	**43,572,883**	36,967,055
Diluted earnings per share ($)	**0.36**	0.32	**0.72**	0.55

9. RELATED PARTY TRANSACTIONS

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

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

	December 31, 2004 $	March 31, 2004 $
Accounts receivable	**34,055**	26,394
Accounts payable and accrued liabilities	**47,931**	47,311

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

10. SEGMENTED INFORMATION

The Company operates in two industry segments as follows:

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

> Global Capital Markets – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities.

Corporate and Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Private Client Services and Global Capital Markets.

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

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

For the three months ended December 31,

	2004				2003			
	Private Client Services $	**Global Capital Markets $**	**Corporate and Other $**	**Total $**	Private Client Services $	Global Capital Markets $	Corporate and Other $	Total $
Revenues	**46,964**	**72,368**	**4,351**	**123,683**	48,540	66,515	3,584	118,639
Expenses	**31,783**	**50,655**	**13,982**	**96,420**	31,833	48,483	17,208	97,524
Other items								
Amortization	**274**	**317**	**211**	**802**	448	308	271	1,027
Other	**731**	**86**	**1,055**	**1,872**	750	139	1,169	2,058
Income (loss) before income taxes	**14,176**	**21,310**	**(10,897)**	**24,589**	15,509	17,585	(15,064)	18,030

For the nine months ended December 31,

	2004				2003			
	Private Client Services $	**Global Capital Markets $**	**Corporate and Other $**	**Total $**	Private Client Services $	Global Capital Markets $	Corporate and Other $	Total $
Revenues	**121,785**	**158,210**	**9,854**	**289,849**	115,316	126,333	9,821	251,470
Expenses	**84,998**	**111,332**	**38,034**	**234,364**	76,464	90,657	44,029	211,150
Other items								
Amortization	**769**	**873**	**591**	**2,233**	1,106	974	734	2,814
Other	**1,990**	**448**	**3,485**	**5,923**	2,916	404	2,839	6,159
Income (loss) before income taxes	**34,028**	**45,557**	**(32,256)**	**47,329**	34,830	34,298	(37,781)	31,347

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

	For the three months ended		For the nine months ended	
	December 31, 2004 $	December 31, 2003 $	**December 31, 2004 $**	December 31, 2003 $
Canada				
Revenue	**82,101**	88,301	**206,594**	203,435
Net income	**9,655**	7,796	**17,017**	14,419
Equipment and leasehold improvements	**11,913**	9,000	**11,913**	9,000
United Kingdom				
Revenue	**41,582**	30,338	**83,255**	48,035
Net income	**7,088**	3,471	**14,255**	5,018
Equipment and leasehold improvements	**1,991**	1,713	**1,991**	1,713

11. CONTINGENCIES

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

12. SUBSEQUENT EVENTS

[i] **Dividend**

On February 1, 2005, the Board of Directors declared a common share dividend of $0.05 per share and a special distribution of $0.15 per share, both payable on March 10, 2005, with a record date of February 23, 2005.

Shareholder Information

Corporate headquarters:
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Online financial information:
Canaccord's third quarter supplementary information and archived Webcast of the conference call with analysts and institutional investors can be found at: canaccord.com/investor

General shareholder inquiries and information:
The Investor Relations & Communications department is responsible for communicating Canaccord Capital Inc.'s financial results and handling all inquiries related to our common shares.

For more information, please contact:
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Principal subsidiaries:
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Canaccord Capital (Europe) Limited
Canaccord Capital Corporation (U.S.A.), Inc.
Canaccord International Ltd.

Institutional investors, brokers and security analysts:
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Fiscal quarter end dates:

Period	End Date
First quarter	June 30, 2004
Second quarter	September 30, 2004
Third quarter	December 31, 2004
Fourth quarter	March 31, 2005

Nothing in Canaccord's Web site, canaccord.com, should be considered incorporated herein by reference.