TMX GROUP INC.
2010 ANNUAL REPORT

Opportunity

Opportunity

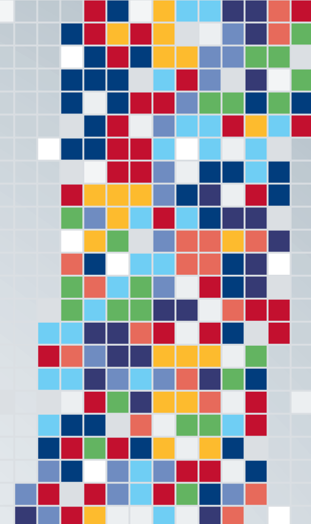
TMX Group operates cash and derivative markets for multiple asset classes including equities, fixed income and energy. TMX Group companies provide listing venues, trading markets, clearing facilities, information services products and other services to the global financial community.

The depth, breadth and strength of our diversified company generates significant opportunity. Our unwavering focus is on **seizing opportunity** to produce solid financial and operational performance. On **providing opportunity** for our many customers by offering world-leading exchanges. And on **creating opportunity** for future growth and success across our diversified business.

TMX GROUP — A MULTI-ASSET CLASS EXCHANGE GROUP

EQUITIES	DERIVATIVES	FIXED INCOME	ENERGY	INFORMATION SERVICES
Toronto Stock Exchange	Montréal Exchange	Shorcan	NGX	TMX Datalinx
TSX Venture Exchange	CDCC	CanDeal (47%)	Shorcan Energy	PC-Bond
Equicom	BOX (53.8%)			DEX Indices
TMX Select*				

* Subject to regulatory approval.



Seizing Opportunity

In 2010, TMX Group successfully **seized the opportunities** presented before us to generate strong financial and operational results.

SUMMARY OF FINANCIAL PERFORMANCE

(in millions of dollars, except per share amounts)

Revenue	$575.5
Operating Expense	$286.5
Net Income	$196.5
Earnings per share: Basic	$2.64
Earnings per share: Diluted	$2.64
Cashflows From Operating Activities	$280.2

REVENUE DIVERSITY

TMX Group generates revenue from a diverse range of business activities. This diversification strengthens the company and expands our opportunities for growth.

- **28%** Issuer Services
- **27%** Information Services
- **20%** Equity & Fixed Income Cash Markets Trading & Related
- **14%** Derivatives Markets Trading & Clearing
- **8%** Energy Trading & Clearing
- **3%** Technology Services & Other

2010 KEY ACCOMPLISHMENTS

In 2010, TMX Group successfully advanced its strategy by executing on a number of initiatives across the businesses:

- TSX Quantum Gateway client implementation completed
- Enterprise Expansion phase 1 implemented
- S&P/TSX Clean Technology Index launched
- TSX celebrates the 20th Anniversary of the world's first ETF
- Shorcan Energy, an inter-participant brokerage facility for energy products, was launched
- TMX Information Processor products launched with data from all Canadian marketplaces
- NGX opened 10 new trading and clearing locations
- TMX co-location facility opened for equity and derivatives trading clients
- TSX and TSXV announced new on book non-displayed order types
- Memoranda of understanding signed with Tel Aviv Stock Exchange and Oslo Bors
- TMX Select, TMX Group's alternative trading system, announced
- Montreal Exchange launched the S&P/TSX 60 VIX Index
- TMX SOLA technology implemented at IDEM
- TSX and TSXV introduced the new Automated Jitney Smart Order Router

Providing Opportunity

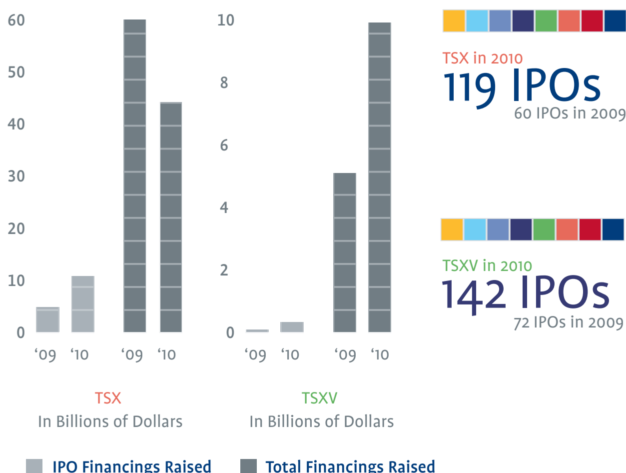
TMX Group exchanges provide the domestic and international trading communities with the opportunity to participate in the Canadian capital markets in equities, derivatives, fixed income and energy.

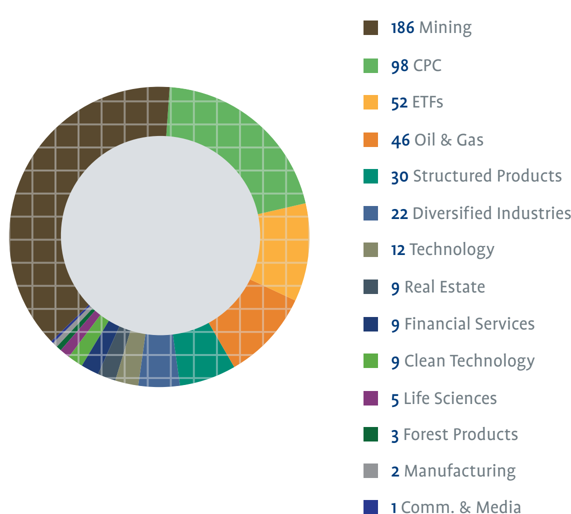
EQUITY CAPITAL TO GROW AND SUCCEED

There were 3,383 financings by Toronto Stock Exchange and TSX Venture Exchange issuers during 2010, which represents an increase of 13% compared to 2009.

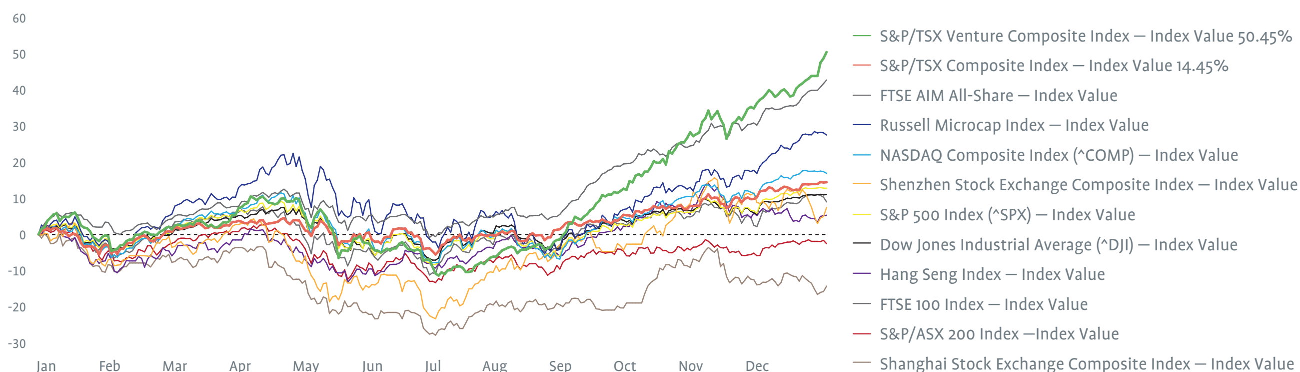
NEW INVESTMENT OPPORTUNITY

Toronto Stock Exchange and TSX Venture Exchange welcomed 419 new Canadian issuers and 65 new international issuers through going public transactions (including New Listings, IPOs, CPC IPOs, QTs, RTOs and Direct Listings).





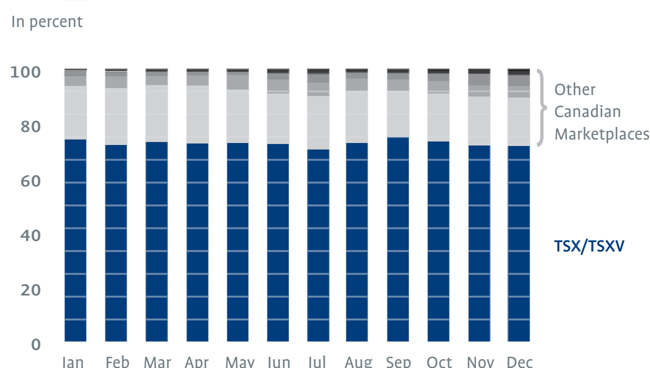
COMPARISON OF MAJOR INDEX PERFORMANCE — 2010



(Source: Capital IQ)

MONTHLY PERCENTAGE OF VOLUME TRADED BY CANADIAN MARKETPLACES

Toronto Stock Exchange and TSX Venture Exchange are the central equity marketplaces in Canada. Combined equity market share remained stable throughout 2010. We continue to look for ways to serve our customers better by: investing in leading technology platforms; maintaining competitive pricing; launching innovative new trading products to meet new and evolving market needs.



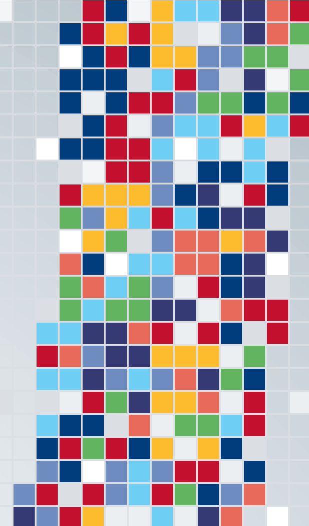
SETTING NEW TRADING HIGHS

- In 2010, TSX Venture Exchange set new records in daily volume, daily transactions, monthly volume, monthly transactions and annual volume.
- Toronto Stock Exchange set an all time transaction record with 1,609,707 trades on May 6, 2010, which broke the previous record of 1,490,612 trades set on September, 18, 2008.
- Combined transactions on our cash equities markets was a record 198.34 million in 2010, exceeding the record of 196.66 million set in 2009.
- Combined volume traded on our cash equities markets of 172.44 billion shares exceeded the record of 165.35 billion shares set in 2009 by 4%.
- Montreal Exchange set a new annual trading volume record of 43,456,143 contracts.
- A new equity option trading record of 183,136 contracts was set on Montreal Exchange on December 17.
- In 2010, MX set an annual volume record with 44.30 million contracts traded. MX volumes increased 27% from 34.75 million contracts traded in 2009 and total open interest was up 30% at the end of 2010 versus the end of 2009.
- In 2010, NGX set a new record for total energy volume with 16.72 million terajoules traded or cleared, surpassing the previous record of 14.84 million terajoules set in 2009, representing an overall increase of 13%.

TRADING BY TMX MARKET

Toronto Stock Exchange	2010	2009	% Change
Volume	104,555,199,337	118,525,934,101	-11.8
Value	$1,390,747,798,461	$1,398,386,393,311	-0.5
Transactions	189,117,628	191,321,204	-1.2
TSX Venture Exchange	**2010**	**2009**	**% Change**
Volume	67,887,794,824	46,825,340,177	+44.9
Value	$34,358,151,228	$16,092,576,249	+113.5
Transactions	9,226,926	5,336,030	+72.9
Montreal Exchange	**2010**	**2009**	**% Change**
Volume (Contracts)	44,296,907	34,753,081	+27.5
Open Interest (Contracts)	3,591,754	2,769,794	+29.7
NGX	**2010**	**2009**	**% Change**
Total Energy Volume* (Terajoules)	16,720,050	14,842,035	+12.7

*NGX Total Energy Volume includes trading and clearing in natural gas, crude oil and electricity.



Creating Opportunity

TMX Group's corporate strategy is to grow horizontally, vertically and geographically by offering innovative products and services across asset classes. Key business strategies and objectives for creating future opportunity include:

ISSUER SERVICES

- Enhance our premium brand, improve customer relationships and continue to build loyalty
- Expand product and service offering.

EQUITY TRADING

- Continue our leadership tradition with innovative operations, processes and exchange technology.
- Expand our customer base and our superior product and service offerings, while maintaining competitive pricing.

FIXED INCOME TRADING

- Pursue initiatives to increase liquidity for both cash and futures markets and develop linkages between assets.
- Expand product base and diversify revenue.

DERIVATIVES TRADING & CLEARING

- Promote the strengths of our growing Canadian derivatives market: price transparency, liquidity and central counter party clearing.
- Leverage our OTC clearing service offering to capitalize on new opportunities arising as a result of industry reform.
- Maximize the benefits from international alliances.

ENERGY TRADING & CLEARING

- Enhance our clearing system with technological upgrades.
- Grow our core businesses by increasing trading and clearing at Canadian and U.S. locations.
- Expand product into new markets by adding additional points of distribution.

INFORMATION SERVICES

- Enhance our core product offering and add global content across asset classes.
- Pursue opportunities within our multi-market environment to provide low latency consolidated datafeeds, co-location and data delivery solutions.
- Expand international and web sales efforts.

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Letter from the Chair

It is my pleasure to once again report to you on behalf of TMX Group's Board of Directors as we look back on an important year in our history.

Canadian and international investors showed renewed faith in Canadian markets and listed issuers. Once again, TMX Group delivered positive operating results.

Most importantly as we look ahead, TMX Group continues to work towards our vision to be the leading provider of capital markets infrastructure services in Canada and select capital market services to global market participants.

The Board works with the executive management committee to build on our proud history and realize this vision for TMX Group's future.

On February 9, 2011, we took a major step forward in our evolution with the announcement of our proposed merger with London Stock Exchange Group plc (LSEG). We believe this merger will create a more diversified and international company and will benefit the multiple and varied stakeholders in both organizations as well as the business communities in Canada, the UK, Italy and beyond.

A full and complete proposal will be submitted to our shareholders for due consideration and a special meeting will be called to discuss the proposal and seek your approval. In parallel, we will work with our provincial regulatory authorities and the Canadian Government through a complex but necessary approval process. We will keep you informed of our progress as we work through this process, and we will ensure that your voice is heard as we take this important step forward on the global scene.

I look forward to working with my fellow directors and the combined team to create one of the world's leading exchange groups.

I would like to thank my fellow TMX Group Directors for their contributions in 2010. And in closing, I would like to thank TMX Group management and employees for their dedicated work in 2010 and determined efforts in moving the company to the next level.

Wayne Fox
Chair, Board of Directors
TMX Group Inc.
March 25, 2011

Letter from the CEO

I am extremely proud of TMX Group's 2010 accomplishments and enthusiastic about our future prospects. I'll discuss these accomplishments and also touch on the proposed merger of TMX Group and London Stock Exchange Group in this letter.

2010 in Review

As world markets began to recover from a profoundly difficult 2009, we benefited from the continued execution of our growth strategy throughout the downturn as well as the depth and strength of the Canadian economy.

That economic strength and sustained investor faith in Canadian capital markets led to a surge of record-setting activity across much of our business in 2010. We set new record combined trading volumes for Toronto Stock Exchange and TSX Venture Exchange. TSX Venture Exchange further established a well-earned reputation as the leading small cap market in the world, with a 45% increase in trading volumes over 2009, eclipsing the previous record set in 2007 by 29%.

Although we continue to face domestic and international competition in equities trading, we stabilized our market share throughout 2010 by offering three clear propositions to best serve our customers: market-leading technology, pro-active pricing policies and effective customer service.

In 2010, we announced two new competitive initiatives to serve customers looking for specialized trading solutions without compromising the integrity of our existing markets.

Designed for trading customers who are seeking price improvement and seeking to trade with minimal market impact, we have introduced two new on-book, non-displayed order types on Toronto Stock Exchange and TSX Venture Exchange. These "dark" orders are fully integrated into the existing order book on each exchange, meaning these new non-displayed orders will interact and trade with visible as well as other non-displayed orders.

We also submitted regulatory filings to create an alternative trading system (ATS) called TMX Select™, a visible marketplace for trading equity securities. TMX Select will operate on TMX Group's high-performance TSX Quantum® trading platform, with functionality and pricing models separate and distinct from Toronto Stock Exchange and TSX Venture Exchange. We are planning to launch TMX Select in the second quarter of 2011, subject to regulatory approvals.

It was also a successful year for our listings business at home and abroad, as Toronto Stock Exchange and TSX Venture Exchange welcomed 419 new Canadian issuers including a record 65 new international issuers to market. We feel that our global business development efforts in previous years, even amidst challenging markets, have been quite successful, as we are now home to over 300 international issuers. Our expertise in nurturing issuers through the early stages of their development and on through the graduation process to our senior market is unique and attractive to companies in Canada and across the world.

Montreal Exchange (MX) also set an annual volume record in 2010 with 44.3 million contracts traded, an increase of 27% from 2009. The spike in volumes reflected increased trading in the signature BAX and CGB contracts, but was also fueled by important growth in equity derivatives trading and an expanded set of participants. CDCC, our derivatives clearinghouse, is currently working with the dealer and user community to develop the infrastructure for central-counterparty services for the Canadian fixed income market. The launch of the first initiative, the clearing of OTC fixed income repurchase agreements, is scheduled for the second half of 2011. In addition, CDCC has proposed a domestic clearing solution for other OTC derivatives that will be linked to other global derivatives clearinghouses.

Our energy business continued its strong year over year growth, with a full year of crude oil trading, adding to our established capabilities in natural gas and electricity. In 2010, NGX set a new record for energy volume with 16.7 million terajoules of total energy volume traded or cleared. We continued to build on the success of our NGX U.S. business in 2010 as we added both new clients and additional delivery hubs and locations. In January 2011, NGX and IntercontinentalExchange, Inc. (ICE) announced the expansion of their existing clearing

and technology alliance to include Canadian and U.S. physical and Canadian financial crude oil products. NGX's physical crude products began trading in March on the ICE electronic trading platform. We also added to our energy portfolio in the first quarter of 2010 with the launch of Shorcan Energy, an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

Our information services business, formerly called market data, continued to expand the efficiency and reach of its product and service offerings in 2010. Early in the year, we completed the construction of our new co-location facility, and on June 30, 2010, clients began installing their trading applications in the TMX data centre. Our co-location facility provides our trading and data clients with a single point of direct high-speed access to the Toronto Stock Exchange, TSX Venture Exchange and MX trading engines and market data feeds. In November 2010, we introduced TMXnet GTA (Greater Toronto Area), a new ultra-low latency network which provides international and domestic firms with technology infrastructure located in the Toronto area. The network reduces latency both in and out of the Toronto market, reduces cost and improves availability for market participants. The number of subscriptions to both our equities and derivatives real-time data was up 4% at the end of year compared with the end of 2009. We also added important new indices in both equities and fixed income throughout 2010.

The new co-location facility is just one example of how we remain committed to delivering leading edge technology to our markets. Technology underpins each facet of our evolving, diversified business and we will continue to make the necessary investments to fortify our position as an industry leader. In 2010, we also completed the first phase of our expansion of the trading and data enterprise, designed to improve our overall market leading infrastructure to better serve our existing customers and to attract additional customers and order flow to our marketplace. The second phase is currently underway.

Many factors contributed to a strong 2010 for TMX Group. In our relatively short life as a public company, we have diversified and adapted to compete in a rapidly evolving exchange industry. We have made significant acquisitions here at home including TSX Venture Exchange in 2001, NGX in 2004 and MX in 2008 and entered significant partnerships like the NGX alliance in the U.S. with ICE and more recently our technology arrangement with LSEG.

Proposed merger with TMX Group and London Stock Exchange Group

We have, as I outlined in my letter, a strong business with a very promising future. However, as we reviewed the landscape, we identified an opportunity to accelerate our growth, bring important benefits to Canada's capital markets and transform our organization into a truly international player.

On February 9, 2011 we announced the proposed merger of LSE Group and TMX Group. As a combined company, we will create an international competitor with a significantly improved set of growth opportunities. We believe the terms of the transaction and the strong existing relationship between our two highly complementary organizations lay the foundation for a very bright future together.

This combination has been structured to provide tangible benefits to all our stakeholders: our listed issuers will have more efficient access to international pools of capital; our market participants will have access to upgraded technology infrastructure, a wider variety of investment alternatives, and a wider range of market information services; our employees will be provided with improved career opportunities, both in their current country and abroad; and our shareholders, who stand to benefit from our improved competitiveness and global growth opportunities.

Importantly, we have entered into this merger while providing concrete protections that ensure the future of our regulated exchanges. This is not a merger of the exchanges we operate with the exchanges operated by LSE Group. Our proposal pools their ownership, delivering important opportunities while maintaining the integrity and operation of our Canadian exchanges. Our exchanges will remain under Canadian governance and management and Canadian regulators across all jurisdictions will continue to provide sole regulatory oversight over TMX Group operated exchanges and Canadian listed issuers. In addition, the undertakings to government include leadership at the merged holding company level, joint headquarters and balanced governance.

Certainly, we are sensitive to the impact of our announcement in Canada and across the world. We remain excited by the promise of this new organization and the potential it holds. We continue to work with our multiple stakeholders and regulatory bodies in the various jurisdictions to ensure that their voices are heard and that our vision is clearly communicated. I look forward to updating you on our progress.

Thomas A. Kloet
CEO
TMX Group Inc.
March 25, 2011

Statement of Corporate Governance Practices

Overview

Our Board of Directors (Board) and management are committed to remaining at the forefront of good governance and to ensuring the highest standard of corporate governance. TMX Group's corporate governance policies and practices are designed to support the Board in discharging its responsibilities and to enhance shareholder value. We regularly review these policies and practices with a view to enhancing our governance structure and practices in an ever-evolving corporate governance environment.

TMX Group's corporate governance system complies with National Policy 58-201—Corporate Governance Guidelines (NP 58-201), National Instrument 58-101—Disclosure of Corporate Governance Practices (NI 58-101) and National Instrument 52-110—Audit Committees (NI 52-110). In addition, we continue to review our corporate governance practices with reference to corporate governance guidelines recommended by institutional and other shareholder organizations.

Board Responsibilities

The Board is responsible for TMX Group's governance and stewardship and overseeing its corporate strategy, operations and management. The Board discharges its responsibilities, either directly or, where appropriate, through committees, and by selecting and holding management accountable for TMX Group's operations and for implementing its corporate strategy. The Board sets clear policies and direction for management's responsibilities and authority. Among its many specific duties, the Board annually monitors the performance of the Chief Executive Officer (CEO) against corporate objectives (established by the Board with the CEO), and sets the CEO's compensation. The Board also approves strategic plans and corporate objectives that the CEO is responsible for meeting, provides advice and counsel to the CEO, oversees ethical and legal conduct of executive management, and assesses the financial performance of TMX Group. In addition, the Board approves the adequacy and form of compensation paid to members of the Board (Directors). The Board Charter that describes the Board's responsibilities is available on our website.

At each regularly scheduled Board meeting, Directors and executive management examine, review and discuss a broad range of issues relevant to TMX Group's strategy, business interests and growth initiatives. In addition, management provides the Board with timely, periodic reports on operational and financial performance. During fiscal 2010, the Board held nine regular meetings and eight special meetings. Attendance by Directors at these meetings was 95%, either in person, by teleconference or by video conference. The Board plans to hold nine regular meetings in 2011. At each of these meetings, the Board will meet without management and non-independent Directors to ensure it provides independent assessment and oversight. Each of the Finance and Audit Committee, Governance Committee and the Human Resources Committee can, in its discretion, retain an outside advisor or expert. An individual Director or any other committee of the Board can retain an outside advisor or expert with the approval of the Governance Committee.

Board Independence and Composition

As at February 28, 2011, the Board has a non-executive Chair and knowledgeable and experienced Directors, 13 out of 14 (93%) of whom, including the Chair, are "independent" within the meaning of section 1.4 of NI 52 110 and our recognition order issued by the Ontario Securities Commission (Recognition Order). The Recognition Order requires at least 50% of Directors to be "independent", within the meaning of section 1.4 of NI 52-110. Furthermore, pursuant to the Recognition Order the Board adopted more restrictive standards than those imposed by NI 52-110 to determine whether individual members of the Board are independent from TMX Group. Those standards are available on our website.

The Board also derives strength from the background, qualities, skills and experience of its Directors. The Governance Committee, on an annual basis, recommends candidates to the Board who are suitable for nomination to the Board. In identifying suitable candidates, the Governance Committee will consider independence, professional or board expertise, capital markets experience, public venture market experience, derivatives market experience, energy market experience, clearing experience, technology expertise and regulated company experience. As well, representation from geographic regions relevant to TMX Group's strategic priorities and Quebec residency requirements are taken into consideration. Qualities such as integrity, good character and high regard in his or her community or professional field will always be basic criteria for Board members.

Director Education, Access to Management, and Board/Committee Meetings

We provide new Directors with a Directors' Manual, which serves as a corporate reference, as well as with orientation materials describing our business, strategy, objectives and initiatives, so new Directors understand the nature and operations of our business and the role of the Board and its committees, as well as the contribution individual Directors are expected to make. To assist in the integration and orientation of new Directors, the Governance Committee assigns a member of the Board as a mentor to each new Director. Furthermore, Directors are invited to spend time at our offices and also have timely, periodic one-on-one meetings with the CEO and members of executive management.

The Chair sets the agenda for Board meetings and Directors receive a comprehensive package of information prior to each Board and committee meeting. As well, each committee delivers a report to the full Board on its work after each committee meeting. TMX Group also provides the Directors with a variety of other materials and presentations on an ad hoc basis, to keep them informed about internal developments as well as developments in, or which affect, our industry. All of these materials and other corporate materials are also accessible by Directors on a permanent, secure extranet.

Board and Director Evaluation

The Governance Committee annually evaluates the overall performance and effectiveness of the Board, its committees and all Directors. This evaluation is conducted by written self-assessment and peer questionnaires and through formal interviews of each Director (other than the Chair) by the Chair of the Board and of the Chair by the chair of the Governance Committee. The Chair of the Board reports summary findings to the Governance Committee and to the full Board.

Code of Conduct

The Board's Code of Conduct (Board Code) for Directors sets standards for ethical behaviour of the Board, including for managing conflicts of interest. The Board monitors compliance with the Board Code and is responsible for considering and granting waivers from compliance with the Board Code, if any. No waivers have been granted nor have there been any violations of the Board Code. A copy of the Board Code is available on our website.

Committees

The Board has four standing committees with specific areas of responsibility to effectively govern TMX Group: Finance and Audit Committee, Governance Committee, Human Resources Committee and Public Venture Market Committee. All of the members of the Finance and Audit Committee, Governance Committee, Human Resources Committee and Public Venture Market Committee are independent. All of the committees also consist solely of non-management Directors. The Board believes that the composition of its committees ensures that they operate independently from management to protect all shareholders' interests. The Board also believes that the members of the Finance and Audit Committee are financially literate, given their education and experience. Each standing Board committee has a formal written Charter, approved by the Board. These Charters are reviewed at least annually and are available on our website.

Majority Voting

In 2007, the Board adopted a policy that provides that in an uncontested election of directors, any nominee of TMX Group who does not receive the support of a majority of the votes cast at an annual meeting of the shareholders will tender his or her resignation to the Board, to be effective when accepted by the Board. The Governance Committee will consider the resignation and recommend to the Board the action to be taken. The Board will have 90 days following the annual meeting to make its decision and announce it by way of press release.

Risk Management

TMX Group recognizes that risk management is integral to its business, operations and financial performance, and we follow an integrated risk management program to identify, assess and prioritize principal business risks, and consider the likelihood and potential impact of each risk. We develop strategies to manage and mitigate each identified risk. One of these mitigating strategies includes a plan to mitigate the risk of interruptions to our critical business functions. The plan integrates disaster recovery and business continuity for critical functions to protect personnel and resources and to enable us to continue critical business functions if a disaster occurs. The Board provides oversight with respect to our risk management program and our strategies to mitigate such risks. Also, we have an internal audit function, which reports to the Finance and Audit Committee, and which independently assesses the adequacy and effectiveness of internal controls.

Say on Pay

At its annual meeting, TMX Group provides shareholders the opportunity to vote on executive compensation, on a non-binding advisory basis. The adoption of advisory votes on executive compensation is an evolving governance practice in Canada and such a vote was first offered by TMX Group in 2010. TMX Group is committed to demonstrating leadership in evolving governance issues including in the area of executive compensation.

Investor Communication

TMX Group and the Board are committed to open and proactive investor communication. Our investor relations staff provides information to current and potential investors and responds to their inquiries. We broadcast quarterly earnings conference calls live and archive these calls on our website. We also make recordings available via telephone to interested investors, the media and members of the public for three months after each call. Audio webcasts of such recordings are also available on our website for six months after each call. We promptly make available presentations from investor conferences on our website. We also make disclosure documents available via our website.

Shareholders who would like to communicate with the Board should contact us using email at shareholder@tmx.com. Your communication will be provided to the Board for its consideration and response, if required.

Additional Information

For a full report on our corporate governance practices, please refer to our Management Information Circular, which may be accessed through www.sedar.com or through our website at www.tmx.com. The Circular also describes our corporate governance practices, and provides information about Directors, and the composition, responsibilities and activities of the Board's standing committees. All information about corporate governance practices in our Annual Report and in the Management Information Circular was adopted and approved by our Board.

2010 Management's Discussion and Analysis

Caution Regarding Forward-Looking Information

This Management's discussion and analysis (MD&A) of TMX Group Inc. (TMX Group) contains "forward-looking information" (as defined in applicable Canadian securities legislation) that is based on expectations, assumptions, estimates, projections and other factors that management believes to be relevant as of the date of this MD&A. Often, but not always, such forward-looking information can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "budget", "scheduled", "targeted", "estimates", "forecasts", "intends", "anticipates", "believes", or variations or the negatives of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved or not be taken, occur or be achieved. Forward-looking information, by its nature, requires us to make assumptions and is subject to significant risks and uncertainties which may give rise to the possibility that our expectations or conclusions will not prove to be accurate and that our assumptions may not be correct.

Examples of such forward-looking information in this MD&A include, but are not limited to, factors relating to stock, derivatives and energy exchanges and clearing houses and the business, strategic goals and priorities, market condition, pricing, proposed technology and other initiatives, financial condition, operations and prospects of TMX Group, which are subject to significant risks and uncertainties. These risks include: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks; failure to implement our strategies; regulatory constraints; risks of litigation; dependence on adequate numbers of customers; failure to develop or gain acceptance of new products; currency risk; adverse effect of new business activities; not being able to meet cash requirements because of our holding company structure and restrictions on paying dividends; dependence and restrictions imposed by licenses and other arrangements; dependence of trading operations on a small number of clients; new technologies making it easier to disseminate our information; risks associated with our clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group shares; inability to protect our intellectual property; dependence on third party suppliers; adverse effect of a systemic market event on our derivatives business; risks associated with the credit of customers; cost structures being largely fixed; risks associated with integrating the operations, systems, and personnel of new acquisitions; and dependence on market activity that cannot be controlled.

The forward looking information contained in this MD&A is presented for the purpose of assisting readers of this document in understanding our financial condition and results of operations and our strategies, priorities and objectives and may not be appropriate for other purposes. Actual results, events, performances, achievements and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this MD&A.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the ability of TMX Group to successfully compete against global and regional marketplaces; business and economic conditions generally; exchange rates (including estimates of the U.S. dollar – Canadian dollar exchange rate), the level of trading and activity on markets, and particularly the level of trading in TMX Group's key products; the continued availability of financing on appropriate terms for future projects; productivity at TMX Group, as well as that of TMX Group's competitors; market competition; research & development activities; the successful introduction of new products; tax benefits/changes; the impact on TMX Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward-looking information, except as required by applicable securities law. This forward-looking information should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. A description of the above-mentioned items is contained in this Annual MD&A under the heading Risks and Uncertainties.

Management's Discussion and Analysis

February 9, 2011

This MD&A of TMX Group's financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the year ended December 31, 2010, compared with the year ended December 31, 2009. This MD&A is dated February 9, 2011 and should be read carefully together with our 2010 audited annual financial statements, including notes, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). Each of these documents is filed with Canadian securities regulators and can be accessed through **www.sedar.com** or our website at **www.tmx.com**. The financial measures included in this MD&A are based on financial statements prepared in accordance with Canadian GAAP, unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

Our MD&A is organized into the following key sections:

- Overview of the Business – a discussion of our business segments and key revenue drivers;
- Vision, Corporate Strategy, Initiatives and Accomplishments – our vision, strategic initiatives for future growth and recent accomplishments;
- Market Conditions;
- Our Business;
- Results of Operations – a year over year comparison of our results, both on a consolidated and segmented basis;
- Selected Annual and Quarterly Information;
- Liquidity and Capital Resources – a discussion of changes in our cash flow, our outstanding debt and the resources available to finance existing and future commitments;
- Accounting and Control Matters – a discussion of our critical accounting estimates and changes to our current accounting policies and future accounting changes, including the 2011 conversion to International Financial Reporting Standards (IFRS) and an evaluation of our disclosure controls and procedures, internal control over financial reporting and changes to internal control over financial reporting; and
- Risks and Uncertainties – a discussion of the risks to our business as identified through our risk management process.

On May 1, 2009, we completed the acquisition of NetThruPut Inc. (NTP), a leading Canadian electronic trading platform and clearing facility for crude oil products. We have included its results in our consolidated financial statements from that date.

Certain comparative figures have been reclassified in order to conform with the financial presentation adopted in the current year. In particular, commencing in 2010, provisions for doubtful accounts receivable are included in General and Administration expense whereas, in 2009, these provisions were reflected as a reduction in various sources of revenue. The comparative figures for both revenue and expenses in 2009 and 2008 have been reclassified to conform with the financial presentation adopted in 2010. The impact of the reclassification is not material.

Additional information about TMX Group, including our most recent Annual Information Form is available through **www.sedar.com** and on our website, **www.tmx.com**. We are not incorporating information contained on the website in this MD&A.

Non-GAAP Financial Measures

Certain measures used in this MD&A do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other Canadian issuers.

"Issuer services fees billed", "Initial listing fees billed", "additional listing fees billed", "issuer services revenue based on initial and additional listing fees billed" and "total revenue based on initial and additional listing fees billed"

Toronto Stock Exchange customers are billed for initial and additional listing fees, and there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, fees are paid either prior to, or at the time of, listing or reserving securities. In order to reflect these activities, we use the terms "issuer services fees billed", "initial listing fees billed", "additional listing fees billed", "issuer services revenue based on initial and additional listing fees billed" and "total revenue based on initial and additional listing fees billed".

Management uses these measures to assess the effectiveness of our strategy to serve our listed issuers and to manage the listings portion of our business. This is how our international peers, who currently report using IFRS, account for these fees. We will be adopting IFRS effective January 1, 2011 (*see* ***Future Changes in Accounting Policies*** **– Transition to IFRS**). These non-GAAP revenue measures provide investors with an indication of how initial and additional listing activity and the fees billed or received in connection with the listing or reserving of securities impact the financial performance and cash flows of our business.

Reconciliations

(in millions of dollars)		**2010**		**2009**
Initial listing fees billed	**$**	**28.7**	$	12.8
Initial listing fees billed and deferred to future periods		**(27.4)**		(12.3)
Recognition of initial listing fees billed and previously included in deferred revenue		**17.4**		16.4
Initial listing fees reported	**$**	**18.7**	$	16.9
Additional listing fees billed	**$**	**106.1**	$	92.0
Additional listing fees billed and deferred to future periods		**(100.7)**		(87.5)
Recognition of additional listing fees billed and previously included in deferred revenue		**60.6**		53.1
Additional listing fees reported	**$**	**66.0**	$	57.6
Initial and additional listing fees billed	**$**	**134.8**	$	104.8
Initial and additional listing fees billed and deferred to future periods		**(128.1)**		(99.8)
Recognition of initial and additional listing fees billed and previously included in deferred revenue		**78.0**		69.5
Initial and additional listing fees reported	**$**	**84.7**	$	74.5
Initial and additional listing fees billed	**$**	**134.8**	$	104.8
Sustaining listing fees		**65.0**		55.1
Other issuer services		**13.3**		13.4
Issuer services revenue based on initial and additional listing fees billed	**$**	**213.1**	$	173.3
Initial and additional listing fees billed and deferred to future periods		**(128.1)**		(99.8)
Recognition of initial and additional listing fees billed and previously included in deferred revenue		**78.0**		69.5
Issuer services revenue based on initial and additional listing fees reported	**$**	**163.0**	$	143.0
Issuer services revenue based on initial and additional listing fees billed	**$**	**213.1**	$	173.3
Trading, Clearing and Related Revenue	**$**	**242.2**	$	237.5
Information services Revenue	**$**	**154.4**	$	149.0
Technology services and Other Revenue	**$**	**15.9**	$	30.6
Total revenue based on initial and additional listing fee revenue billed	**$**	**625.6**	$	590.4
Excess of initial and additional listing fees billed over initial and additional listing revenue reported		**(50.1)**		(30.3)
Total revenue based on initial and additional listing fees reported	**$**	**575.5**	$	560.1

"Adjusted net income" and "Adjusted earnings per share"

We present "adjusted net income" and "adjusted earnings per share" as an indication of operating performance exclusive of:

(i) for 2010, the non-cash write-down of our 19.9% investment in EDX to its estimated fair value;

(ii) for 2009, the non-cash goodwill impairment charge in 2009 related to our investment in BOX;

(iii) for 2009, income tax charge related to lower Ontario corporate income tax rates, which reduced the value of future tax assets and liabilities; and

(iv) for 2008, the payment made on April 1, 2008 to ISE Ventures, LLC (ISE Ventures), a wholly-owned subsidiary of International Securities Exchange Holdings, Inc. (ISE), related to terminating DEX, our proposed derivatives joint venture.

These measures allow management and investors to assess operating performance excluding non-cash items such as the non-cash write-down of our investment in EDX in 2010, the non-cash impairment charge related to BOX in 2009, as well as the net impact from reductions in the value of future tax assets and liabilities in 2009. In addition, it allows them to assess operating performance excluding the impact of non-recurring payments such as that made to ISE Ventures in 2008.

Overview of the Business

We own and operate cash, derivatives and energy markets and clearing houses in Canada and the U.S. We list, trade and clear securities as well as physical commodities. In addition, we provide real-time market data to customers around the world.

Toronto Stock Exchange is Canada's senior equities market, providing domestic and international investors with access to the Canadian marketplace. At December 31, 2010, 1,516 issuers with an aggregate market capitalization of $2.2 trillion were listed on Toronto Stock Exchange. Volume traded on Toronto Stock Exchange was 104.56 billion securities in 2010 on 189.12 million transactions.

TSX Venture Exchange is Canada's junior listings market, providing companies at the early stages of growth the opportunity to raise capital. At December 31, 2010, 2,376 issuers with an aggregate market capitalization of $72.1 billion were listed on TSX Venture Exchange. Volume traded on TSX Venture Exchange was 67.89 billion securities in 2010 on 9.23 million transactions.

The Equicom Group Inc. (Equicom), our investor relations subsidiary, is a leading provider of investor relations and corporate communications services.

Shorcan Brokers Inc. (Shorcan) is Canada's first inter-dealer broker (IDB), providing facilities for matching orders for federal, provincial, corporate and mortgage bonds and treasury bills for anonymous buyers and sellers in the secondary market.

(47% Ownership)

Candeal.ca Inc. (CanDeal) is a dealer to client electronic fixed income platform of which we own 47%.

Montréal Exchange Inc. (MX) is Canada's standardized financial derivatives exchange. Headquartered in Montréal, MX offers trading in interest rate, index and equity derivatives. In 2010, a record 44.3 million contracts were traded on MX.

Canadian Derivatives Clearing Corporation (CDCC) offers clearing and settlement services for all transactions carried out on MX and is the guarantor for options and futures contracts traded on the market. It is the only clearinghouse in North America to offer clearing services on equity options, futures, and options on futures products. CDCC has a long-term rating of AA and a short-term rating of A1 from Standard and Poor's.

(53.8% Ownership)

MX has a 53.8% ownership interest in BOX, a U.S. automated equity options market for which MX is also the technical operator and technology developer. In 2010, 91.8 million contracts were traded on BOX.

Natural Gas Exchange Inc. (NGX) is a Canadian-based exchange through which customers can trade, clear and settle natural gas, crude oil and electricity contracts across North America. In 2010, NGX set a new record for energy volume with 16.72 million terajoules of total energy volume# traded or cleared.

Shorcan Energy Brokers Inc. (Shorcan Energy), a wholly-owned subsidiary of Shorcan, is a facility launched in 2010 for matching buyers and sellers of energy products, including crude oil.

TMX Datalinx sells real time data and other market information to a global customer base. Toronto Stock Exchange and TSX Venture Exchange data was distributed through an average of 154,039+ professional and equivalent real-time subscriptions in 2010. The average number of subscriptions to MX derivatives data in 2010 was 23,191+.

PC-Bond offers the leading Canadian fixed income indices and PC-Bond analytics applications.

NGX Total Energy Volume includes trading and clearing in natural gas, crude oil and electricity.

+ Includes a base number of subscriptions for customers that have entered into enterprise agreements.

2010 Revenue ($M)		Cash					Derivatives			Energy	
		TSX	TSXV	Equicom	Shorcan Fixed Income	PC Bond	MX	BOX	CDCC	NGX	Shorcan Energy
Issuer Services	$ 163	√	√	√							
Trading & Clearing	$ 242	√	√		√		√	√	√	√	√
Information Services (formerly Market Data)	$ 154	√	√			√	√	√		√	
Technology Services & Other (formerly Business Services)	$ 16	√					√				
Total	$ 575										

Vision, Corporate Strategy, Initiatives and Accomplishments[1]

Our Vision: To be the leading provider of capital markets infrastructure services in Canada and select capital market services to global market participants.

Corporate Strategy: To grow horizontally, vertically and geographically by offering innovative products and services across asset classes.

1. *Enhance core multi-asset class trading:*

   Maintain superior technology, identify new means and sources of order flow, and develop and sell new and innovative products and services.

   Adjust pricing for commoditized offerings and develop customer relationships through packaged pricing and superior customer service.

2. *Diversify revenue base, either organically or through corporate development:*

   Horizontal: Expand in new asset and product types (especially in derivatives and commodities).

   Vertical: Expand into expanded issuer services, clearing services, risk management services, trade execution services, and software solutions.

3. *Leverage our competitive advantages abroad to become the leading global exchange group for small to medium sized enterprises (SMEs) and resource companies:*

   Attract issuers and trading participants to Canada.

   Sell data, technology and services.

TMX Group Business Strategies, Initiatives and Accomplishments[2]

Business Strategies

Issuer Services

- Enhance our premium brand, improve customer relationships and continue to build loyalty.
- Expand product and service offering.

Equity Trading

- Continue our leadership tradition with innovative operations, processes and exchange technology.
- Expand our customer base and our superior product and service offerings, while maintaining competitive pricing.

Fixed Income Trading

- Pursue initiatives to increase liquidity for both cash and futures markets and develop linkages between assets.
- Expand product base and diversify revenue.

1 The "***Vision, Corporate Strategy, Initiatives and Accomplishments***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

2 The "***TMX Group's Business Strategies, Initiatives and Accomplishments***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

Derivatives Trading and Clearing

- Promote the strengths of our growing Canadian derivatives market: price transparency, liquidity and central counter party clearing.
- Leverage our OTC clearing service offering to capitalize on new opportunities arising as a result of industry reform.
- Maximize the benefits from international alliances.

Energy Trading and Clearing

- Enhance our clearing system with technological upgrades.
- Grow our core businesses by increasing trading and clearing at Canadian and U.S. locations.
- Expand/enter into new markets by adding additional points of distribution.

Information services

- Enhance our core product offering and add global content across asset classes.
- Pursue opportunities within our multi-market environment to provide low latency consolidated datafeeds, co-location and data delivery solutions.
- Expand international and web sales efforts.

Initiatives and Accomplishments

In 2010 and to date in 2011, we successfully advanced our strategy by executing on a number of initiatives across our business:

Issuer Services

In 2010, Toronto Stock Exchange and TSX Venture Exchange added 419 new Canadian issuers through going public transactions (including New Listings, IPOs, CPC IPOs, QTs, RTOs and Direct Listings). We also continued to realize the benefits of our international expansion efforts, adding a record 65 issuers through going public transactions on Toronto Stock Exchange and TSX Venture Exchange, compared with 38 of these transactions in 2009.

Equity Trading

In 2010, we set a new record for combined volume traded on Toronto Stock Exchange and TSX Venture Exchange. Our two equity markets traded 172.44 billion securities in 2010, a 4% increase over the previous record of 165.35 billion, set in 2009. This was due largely to the continued strength in trading on TSX Venture Exchange, which traded volume of 67.89 billion, up 45% over 2009 and 29% higher than the previous record of 52.63 billion set in 2007. Toronto Stock Exchange volume was down 12% compared to 2009.

In keeping with our commitment to deliver state of the art levels of technology to our markets, we are continuing to invest in, and are implementing a multi-phased initiative to expand the infrastructure across our trading and data enterprise. In order to increase throughput capability, we are expanding our internal networks, storage and application servers. The first expansion phase was completed in 1H/10. The second phase is well underway. The expansion of the trading and data enterprise is designed to improve our overall market leading infrastructure to better serve our existing customers and to attract additional customers and order flow to our marketplace.

In 2010, we announced the introduction of two new on-book non-displayed order types on Toronto Stock Exchange and TSX Venture Exchange. Designed for trading customers who are seeking price improvement and seeking to trade with minimal market impact, these “dark” orders will be fully integrated into the existing order book on each exchange, meaning these new non-displayed orders will interact and trade with visible as well as other non-displayed orders.

We also announced that we had submitted regulatory filings to create an alternative trading system (ATS). TMX Select™, a wholly-owned subsidiary of TMX Group, will offer a visible marketplace for trading equity securities. TMX Select will operate on TMX Group’s high-performance TSX Quantum® trading platform, with functionality and pricing models separate and distinct from Toronto Stock Exchange and TSX Venture Exchange.

Fixed Income Trading

In 2010, Shorcan expanded its product and client base while growing its market share to about 38% from about 32% in 2009.

Derivatives Trading and Clearing

In 2010, MX set an annual volume record with 44.30 million contracts traded, which exceeded the previous record of 42.74 million contracts traded set in 2007. Volumes increased 27% from 2009 and total open interest was up 30% over 2009. MX also set a new equity options daily high on January 21, 2011 with 205,910 contracts traded, surpassing the previous record of 183,136 contracts set on December 17, 2010.

CDCC is currently working with the dealer and user community to develop the infrastructure for central-counterparty services for the Canadian fixed income market. In addition, CDCC has proposed a domestic clearing solution for other OTC derivatives that is linked to other global derivatives clearinghouses.

Energy Trading and Clearing

NGX achieved a record in trading volume in 2010, with 16.72 million terajoules traded and/or cleared, 13% higher than the previous record of 14.84 million terajoules traded and/or cleared set in 2009.

During 2010, NGX launched clearing services at ten new hubs in the U.S. bringing the number of U.S. clearing locations to 30 at December 31, 2010. NGX also clears crude oil at ten locations and clears physical gas at 17 locations in Canada in addition to offering two financial gas products and two financial power products. In 2010, we also launched Shorcan Energy, a wholly owned subsidiary of Shorcan, that provides an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

In January 2011, NGX and IntercontinentalExchange Inc. (ICE) announced an agreement to add Canadian and U.S. physical and Canadian financial crude oil products to their existing clearing and technology alliance. Under the terms of the agreement, NGX's Canadian physical crude products will be offered for trading through ICE's electronic trading platform. NGX will provide clearing services for the new physical crude contracts that will be traded on ICE. ICE and NGX expect to launch the combined offering in Q1/11.

Information services

In 2010, we completed the construction of our new co-location facility, and on June 30, 2010, clients began installing their trading applications in the TMX data centre. Our co-location facility provides our trading and data clients with a single point of direct high-speed access to the Toronto Stock Exchange, TSX Venture Exchange and MX trading engines and market data feeds.

Merger with London Stock Exchange plc[3]

We announced on February 9, 2011 an agreement to combine our operations with London Stock Exchange Group plc ("LSEG") in an all-share merger of equals. The merger is being unanimously recommended by the Board of Directors of both TMX Group and the Board of Directors of LSEG. The merger will be implemented by means of a Canadian plan of arrangement under which TMX Group shareholders will receive 2.9963 LSEG shares for each TMX Group share they hold. TMX Group shareholders that are residents of Canada for tax purposes will be entitled to elect to receive exchangeable shares (each an "Exchangeable") in a Canadian subsidiary of LSEG for each TMX Group share that they hold. TMX Group shareholders electing to receive Exchangeables will receive the same number of Exchangeables as the number of new ordinary LSEG shares to which they would otherwise have been entitled to receive under the terms of the merger. On an ongoing basis, each Exchangeable will carry the right to be exchanged for one LSEG share and will carry mirror-image economic rights to an LSEG share (together with certain ancillary rights). In addition, each Exchangeable will permit the holder to vote one LSEG share at any shareholder meeting of LSEG. The Exchangeables allow Canadian resident TMX Group shareholders to participate in the transaction on a tax-deferred basis, provided they file a valid tax election. The Exchangeables will also allow Canadian resident TMX Group shareholders to receive dividends from a Canadian corporation, which are generally subject to more favourable tax treatment than dividends from a non-Canadian corporation. TMX Group shareholders will therefore own 45% and LSEG shareholders will own 55% of the new TMX Group-LSEG combined group ("Merged Group"). The shares of the Merged Group will be listed on Toronto Stock Exchange, trading in Canadian Dollars and London Stock Exchange, trading in Sterling. The Exchangeables will also be listed on Toronto Stock Exchange, trading in Canadian Dollars.

The Merged Group will be jointly headquartered in Toronto and London. In addition, the merger agreement recognizes the existing centres of excellence within the Merged Group and reinforces these strengths by assigning global responsibility across its geographic footprint.

The boards of TMX Group and LSEG believe that the merger is strategically compelling and will create a more diversified business with greater scale, scope, reach and efficiencies, generating substantial benefits for all stakeholders:

- Global listings hub – The Merged Group will be the leading listings franchise globally with a flexible and deep pool of international capital and investment expertise as well as international markets in seven countries for businesses of all sizes, from venture-funded companies, through SMEs to large global corporations. The combined entity will rank #1 globally in terms of the following:
    - number of listings – over 6,700 companies with an aggregate market capitalization of $5.8 trillion
    - number of natural resources, mining, energy and clean technology companies
    - number of international listings from emerging and growth markets
    - number of listings for SMEs with over 3,600 combined AIM and TSX Venture Exchange listings providing deep expertise in supporting small-cap and early stage companies

3 The "***Merger With London Stock Exchange plc***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

- Breadth of markets – The Merged Group will offer 20 trading markets across North America and Europe, providing trading in equities, derivatives, fixed income and energy. In addition, the trading operations will be supported by strong regional post-trade operations and information services.
- Information services leader – The Merged Group will have an extensive set of global information, market data and index businesses, offering customers an increased suite of products.
- Technology expertise – The Merged Group will have a shared technology strategy focusing on market-leading, high-speed and cost-effective cash and derivatives trading technologies applied across the merged companies. In addition, the Merged Group will offer efficiently marketed and delivered technologies to the global financial services and exchange industries.

The Merged Group is expected to create substantial value for all stakeholders and shareholders, with a robust capital structure from which to capture future growth opportunities. The benefits of the transaction are as follows:

- Revenue benefits – The Merged Group is targeting $56.0 million in year three growing to $160.0 million annual run-rate revenue benefits in year five following completion of the transaction. Revenue benefits are targeted to arise across the Merged Group's diversified lines of business and activities, including primary markets (including listings and other issuer services) and derivatives, post-trade, data and information and technology.
- Cost synergies – The Merged Group is targeting annual run-rate cost synergies and other transaction-related cost savings, comprising IT and non-IT related savings, of $56.0 million by end of year two following completion of the merger. Associated one-time implementation costs, which are expected to be incurred over two years, are estimated at approximately $64.0 million + stamp duty, primarily driven by transitioning to common technology platforms.
- Value creation – The transaction is expected to be accretive to adjusted earnings per share-post-cost synergies[∇] for both TMX Group and LSEG shareholders in the first full year following completion.

Completion of the merger is subject to regulatory, shareholder and other approvals as well as certain other conditions. The following provides an overview of certain approvals and conditions that must be met:

a) Approval by at least 66 ⅔% of the votes cast by shareholders of TMX Group at a special meeting of TMX Group shareholders;

b) Approval by a majority of votes cast by LSEG shareholders at a general meeting of LSEG shareholders;

c) Ontario court approval of the Plan of Arrangement;

d) Certain regulatory approvals, including under the Investment Canada Act, Competition Act (Canada), as well as from the Ontario Securities Commission, Autorité des marchés financiers (Québec), Alberta Securities Commission, British Columbia Securities Commission, U.S. Securities and Exchange Commission, Financial Services Authority (UK), Bank of Italy and Commissione Nazionale per le Società e la Borsa; and

e) Listing of the LSEG shares and the Exchangeables on Toronto Stock Exchange and listing of the LSEG shares issuable pursuant to the Plan of Arrangement on London Stock Exchange.

The merger agreement, which provides for a long-stop date of November 9, 2011 (with up to a 30-day extension in certain circumstances), contains customary provisions for a transaction of this nature, including customary representations and warranties, covenants, undertakings and conditions. In the merger agreement, each of TMX Group and LSEG have agreed not to solicit other offers. The merger agreement provides that the Boards of Directors of each of TMX Group and LSEG may, under certain circumstances, terminate the agreement in favour of an unsolicited superior proposal, subject to a payment of a termination fee of 1% of the market capitalization of the LSEG at the time of entering into the agreement, and subject to a right by each party to match the superior proposal in question.

It is anticipated that the relevant shareholders' meetings will take place in the second quarter of 2011 and court approval will be sought within three business days of TMX Group's shareholders approving the merger. Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the third quarter of 2011.

∇ Adjusted earnings per share-post-cost synergies is derived from IFRS basic earnings per share adjusted to exclude the impact of exceptional items (being items of income and expense that are material by size and/or nature and are non-recurring) and amortisation of acquired intangible assets. It is not a measure required under IFRS, does not have standardised meaning under IFRS and may, therefore, not be comparable to similar measures presented by other peers. We may present this measure in order to quantify the impact of combining LSEG and TMX on financial performance.

In determining accretion of adjusted earnings per share, one-off costs to achieve synergies and deal related costs are also excluded in addition to the above.

Market Conditions[4]

Our revenue is impacted by the levels and nature of market activity on our exchanges. This activity is influenced by customer and product mix, including: volumes / contracts traded in cash equities and fixed income products, as well as derivatives and energy products; the number and market capitalization of listed issuers; the number and value of new and additional listings; as well as the number of subscribers to market data. While it is not possible to quantify the potential changes in some of these measures, future economic and market conditions will continue to affect these revenue drivers and impact future revenue and net income given our largely fixed cost structure.

We operate in the highly competitive exchange industry. Since entering the Canadian equities market, ATSs have fragmented trading volumes. Though our share of equity trading was relatively stable in 2010, we expect to continue to face significant competitive pressure in this multi-marketplace environment. We compete for listings both in North America and internationally, particularly for SMEs and resource companies.

In addition to competition from foreign derivatives exchanges that offer comparable derivatives products, MX faces domestic competition from OTC derivatives trading that occurs bilaterally between institutions. We may in the future also face competition from other Canadian marketplaces. In the United States, MX competes for market share of trading single stock options based on Canadian-based interlistings, or dual listings. However, options traded in the U.S. are not fungible with those traded in Canada.

Our subsidiary Boston Options Exchange Group, LLC, or BOX, continues to face intense competition in the U.S. equity options market.

In 2010, we have seen renewed corporate development activity in the exchange sector. In June, U.S. options exchange CBOE Holdings Inc. (CBOE) completed an initial public offering. In October 2010, Singapore Exchange Ltd. offered approximately US$8.3 billion for all of ASX Ltd., the operator of the Australian Securities Exchange. As part of our strategic planning process, we regularly assess different strategic alternatives available to us, which would enable us to further enhance our competitive position in Canada and the global capital markets. We remain committed to exploring and regularly do explore, including conducting discussions with third parties, opportunities for growth, whether organically, or in other ways such as acquisitions, investments, partnerships or business combinations, that both fit our strategic plan and provide shareholder value.

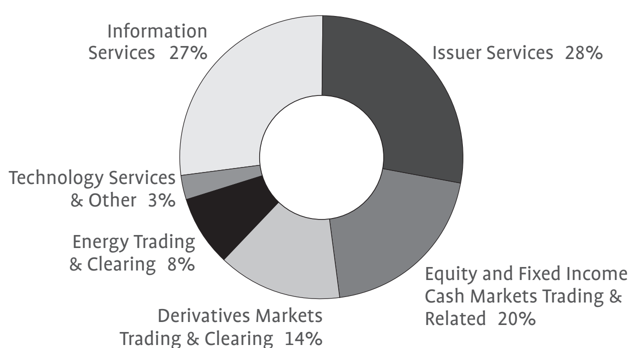
From a macro perspective, a continued recovery in the global and Canadian economies should have an overall positive impact on our key revenue drivers, as a growing economy typically leads to new public offerings and higher financing activity; the growth of capital may in turn drive more investing and trading activity across all asset classes and venues. We saw some of that in 2010 with an increase in IPO activity, commodity speculation and a marked increase in fixed income cash and futures trading that accompanied a rising short-term interest rate environment.

Our belief is that over the long term, well-regulated neutral exchanges and clearing houses with ownership structures that are free of conflict will continue to play a key role in the success of capital markets. We provide transparent markets for capital formation and price discovery along with effectively collateralized clearing mechanisms for managing counterparty credit risk. We believe we are strategically positioned domestically and internationally to continue to succeed in this environment.

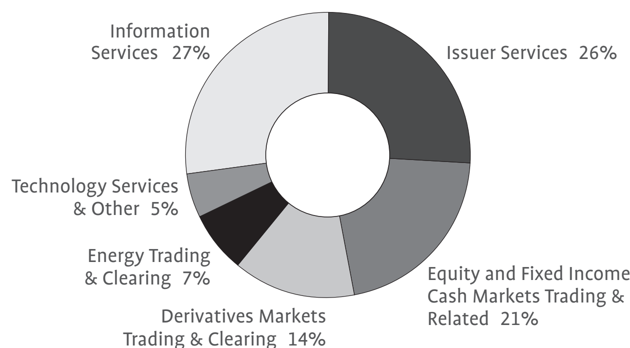
Our Business

We derive revenue primarily from issuer services, trading and clearing and information services.

2010 revenue reported of $575.5 million



2009 revenue reported of $560.1 million***

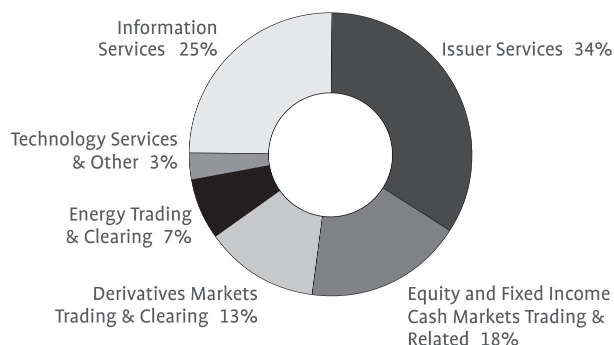


4 The "***Market Conditions and Outlook***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

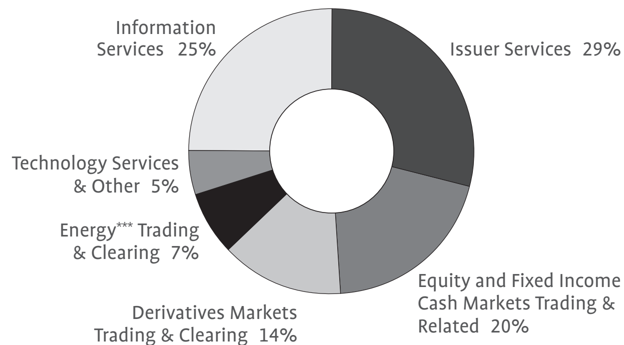
*** Includes revenue from NTP from May 1, 2009.

Canadian GAAP requires that we recognize initial and additional listing fees over an estimated service period related to the fees, which we have determined to be ten years, even though we receive these fees upon completion of the transaction and they are non-refundable to customers. We believe it is helpful to also show total revenue based on initial and additional listing fees billed* as this measure links these listing fees more closely with the listing transactions and cash flows we generate from these transactions. This is how our international peers, who report using IFRS, currently account for these fees. We will be adopting IFRS effective January 1, 2011 (*see* **Future Changes in Accounting Policies – Transition to IFRS**).

2010 revenue of $625.6 million
(total revenue based on initial and additional listing fees billed*)



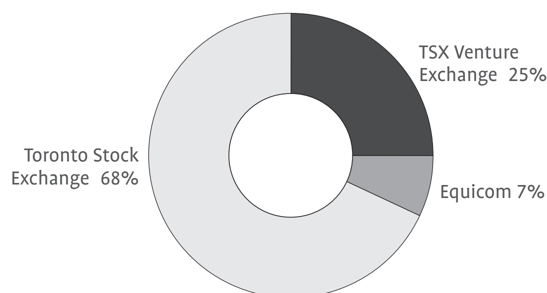
2009 revenue of $590.4 million
(total revenue based on initial and additional listing fees billed*)



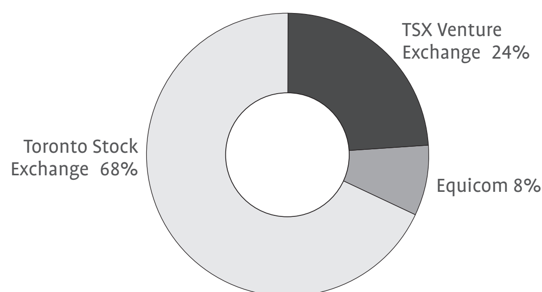
Issuer Services

Revenue Composition

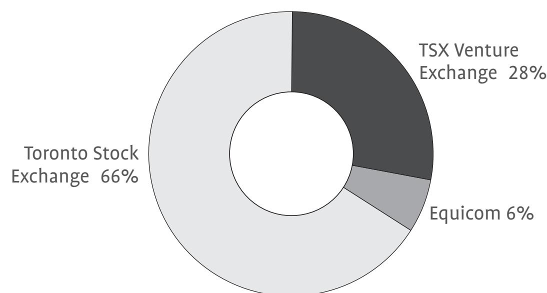
2010 issuer services reported revenue of $163.0 million



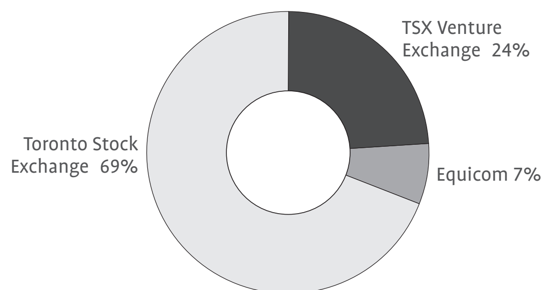
2009 issuer services reported revenue of $143.0 million



2010 issuer services revenue based on initial and additional listing fees billed* of $213.1 million



2009 issuer services revenue based on initial and additional listing fees billed* of $173.3 million



* See discussion and reconciliation under the heading Non-GAAP Financial Measures.

*** Includes revenue from NTP from May 1, 2009.

Overview and Description of Products and Services

We carry out our listings operations through Toronto Stock Exchange, our senior market, and TSX Venture Exchange, our junior market. TSX Venture Exchange also offers a board called NEX[5] for issuers that have fallen below TSX Venture Exchange's ongoing listing standards.

In general, issuers initially list on Toronto Stock Exchange either in connection with their initial public offerings (IPOs), or by graduating from TSX Venture Exchange. Junior companies generally list on TSX Venture Exchange either in connection with their IPOs or through alternative methods such as TSX Venture Exchange's Capital Pool Company® (CPC) program or reverse takeovers.

Issuers list a number of different types of securities including conventional securities such as common shares, preferred shares, rights and warrants, and a variety of alternative types of structures such as exchangeable shares, convertible debt instruments, limited partnership units, ETFs and structured products.

Listed issuers that meet initial and ongoing listing requirements of Toronto Stock Exchange or TSX Venture Exchange receive a range of benefits, including opportunities to efficiently access public capital, liquidity for existing investors, access to mentorship programs and the prestige and market exposure associated with being listed on one of Canada's premier national stock exchanges. While we list issuers from a wide range of industries, we are a leader in listing issuers in the resource sectors, including mining and oil and gas companies. In addition, we are a leader in listing SMEs, as well as issuers in the Clean Technology sector.

In 2010, while total financings raised on Toronto Stock Exchange were $44.1 billion, down 27% from the record $60.0 billion raised in 2009, IPO financing on Toronto Stock Exchange was $10.7 billion, up 123% from $4.8 billion in 2009. Total financings raised on TSX Venture Exchange in 2010 were $9.9 billion, up 94% from $5.1 billion in 2009. Between our two equity exchanges, we had 524 entities going public or graduating in 2010, the second highest yearly total in our history. TMX Group equity exchanges were eighth in the world by equity capital raised in 2010.

Key Statistics

- At December 31, 2010, 1,516 issuers with an aggregate market capitalization of $2.2 trillion were listed on Toronto Stock Exchange, compared with 1,462 issuers at December 31, 2009 with an aggregate market capitalization of $1.8 trillion. The S&P/TSX Composite Index≠ level was 13,443.22 on December 31, 2010, a 14% increase from 11,746.11 on December 31, 2009.
- At December 31, 2010, 2,376 issuers with an aggregate market capitalization of $72.1 billion were listed on TSX Venture Exchange, compared with 2,375 issuers at December 31, 2009 with an aggregate market capitalization of $36.3 billion. The S&P/TSX Venture Composite Index≠ level was at 2,287.85 on December 31, 2010, a 50% increase from 1,520.72 on December 31, 2009.

Pricing

We generate issuer services revenue primarily by charging issuers the following types of fees:

Initial Listing Fees

Toronto Stock Exchange and TSX Venture Exchange issuers pay initial fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Initial listing fees billed fluctuate with the number of transactions and value of securities being listed or reserved in a given period. For accounting purposes, we currently recognize revenue from initial listing fees on a straight-line basis over a ten year period. Unamortized balances are recorded as part of "Deferred revenue – initial and additional listing fees" on the consolidated balance sheet. Effective January 1, 2011, we will recognize this revenue in full in the period when the listings occur (*see* **Future Changes in Accounting Policies – Transition to IFRS**).

Additional Listing Fees

Issuers already listed on one of our equity exchanges pay fees in connection with subsequent capital market transactions, such as the raising of new capital through the sale of additional securities. Additional listing fees are based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Additional listing fees billed fluctuate with the number of transactions and value of securities being listed or reserved in a given period. For accounting purposes, we currently recognize additional listing fees on a straight-line basis over a ten year period. Unamortized balances are recorded as part of "Deferred revenue – initial and additional listing fees" on the consolidated balance sheet. Effective January 1, 2011, we will recognize this revenue in full in the period when the additional listings occur (*see* **Future Changes in Accounting Policies – Transition to IFRS**).

5 Unless otherwise indicated, market statistics and financial information for TSX Venture Exchange includes information for NEX.

≠ "S&P" is the trademark of Standard & Poor's and "TSX" is the trademark of TSX Inc.

Sustaining Listing Fees[6]

Issuers listed on one of our equity exchanges pay annual fees to maintain their listing, based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. Sustaining listing fees provide a recurring revenue stream that typically fluctuates with the number of companies listed and their market capitalization. Sustaining listing fees are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight-line basis. Sustaining listing fees are accounted for in the same way under IFRS and Canadian GAAP.

Because sustaining fees are tied to the market capitalization of our issuers and typically rise in positive markets and decline in negative markets, Toronto Stock Exchange and TSX Venture Exchange expect an increase in sustaining fees in 2011, due to generally higher market capitalization at the end of 2010 when compared with the end 2009. At December 31, 2010, there were a combined 3,892 issuers with an aggregate market capitalization of $2.3 trillion listed on Toronto Stock Exchange and TSX Venture Exchange, compared with 3,837 issuers with an aggregate market capitalization of $1.8 trillion at December 31, 2009.

Prior to becoming effective, changes to Toronto Stock Exchange listing fees are filed with the Ontario Securities Commission (OSC). Any changes to TSX Venture Exchange listing fees must receive approval from the British Columbia Securities Commission (BCSC) and the Alberta Securities Commission (ASC).

2011 Pricing[7]

Toronto Stock Exchange

We implemented a new Toronto Stock Exchange listing fee schedule effective January 1, 2011. The key amendments include changes to the additional listing minimum fees (maximum fees remain unchanged). Initial listing and sustaining listing fee rates remain unchanged. Listing fees at all major exchanges were reviewed to ensure Toronto Stock Exchange fees remain competitive with those marketplaces.

TSX Venture Exchange

We implemented a new TSX Venture Exchange listing fee schedule effective January 1, 2011. The changes include increases to certain minimum and maximum sustaining fees. Other changes include increases to the base application fees and an increase in the maximum additional listing fee.

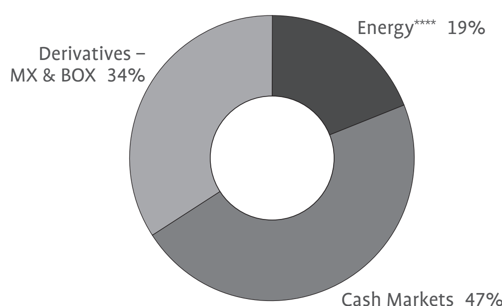
Competition

We compete for listings both in North America and internationally, particularly for SMEs and resource companies. Domestically, we compete for junior listings with Canadian National Stock Exchange (CNSX). In April, 2010, the ATS created by a group of Canadian banks and investment dealers to trade Toronto Stock Exchange and TSX Venture Exchange listed securities submitted an application with the OSC for recognition as an exchange which, if granted, would give them the ability to list securities.

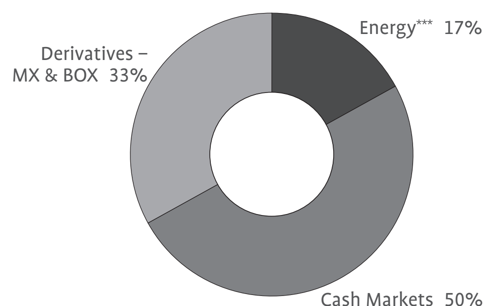
While some Canadian companies seek a listing on another major North American or international exchange, historically, the vast majority of these issuers tend to list on Toronto Stock Exchange or TSX Venture Exchange and do not bypass our markets. At December 31, 2010 there were 312 issuers interlisted on other exchanges, including 95 on NYSE, 43 on NASDAQ, 39 on AIM and 33 on ASX. As at December 31 2010, only 19 Canadian issuers bypassed our markets and were listed solely outside of Canada.

Trading and Clearing – Toronto Stock Exchange and TSX Venture Exchange, MX, NGX, Shorcan and Shorcan Energy

2010 trading, clearing and related revenue of $242.2 million



2009 trading, clearing and related revenue of $237.5 million



6 The "***Sustaining Listing Fees***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

7 The "***2011 Pricing-Toronto Stock Exchange***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

*** Includes revenue from NTP from May 1, 2009.

**** Includes revenue from Shorcan Energy from February 1, 2010.

Toronto Stock Exchange and TSX Venture Exchange – Cash Equities Trading

Overview and Description of Products and Services[8]

Toronto Stock Exchange and TSX Venture Exchange trading occurs on a continuous basis on our fully electronic trading systems throughout the day. Participating Organizations (POs), acting as principals or agents for retail and institutional investors, place orders to buy or sell securities. Trading sessions begin with the market open in an auction format. Toronto Stock Exchange sessions end with an extended trading session in which trades occur at the closing price, referred to as a single price closing call market. Trading also occurs through crosses in which POs internally match orders and report them through the exchanges. All trades are cleared and settled through The Canadian Depository for Securities Limited (CDS), a recognized clearing agency in which we have an approximate 18% ownership interest. The other owners of CDS are the major Canadian chartered banks and the Investment Industry Regulatory Organization of Canada (IIROC).

In September 2010, we announced the introduction of two new on-book non-displayed order types on Toronto Stock Exchange and TSX Venture Exchange. Designed for trading customers who are seeking price improvement and seeking to trade with minimal market impact, these "dark" orders will be fully integrated into the existing order book on each exchange, meaning these new non-displayed orders will interact and trade with visible as well as other non-displayed orders. The Toronto Stock Exchange/TSX Venture Exchange non-displayed order types were released into the customer test environment in November 2010. We expect to introduce the new order types into the market by the end of Q1 2011.

In October 2010, we announced that we had submitted regulatory filings to create a new ATS, TMX Select, a wholly-owned subsidiary of TMX Group. TMX Select will operate using our TSX Quantum trading platform, with functionality and pricing models separate and distinct from Toronto Stock Exchange and TSX Venture Exchange. Its distinct features from our existing exchanges include: expanded trading hours; additional opportunities to execute trades; a simplified market structure with continuous trading of board lots only and no special terms; and strict price-time priority for visible orders. The launch of TMX Select is expected to occur in Q2/11, subject to regulatory approvals.

In December 2010, we introduced the Smart Order Router (SOR) Automated Jitney service to subscribers through our existing SOR trading solution on Toronto Stock Exchange and TSX Venture Exchange. The SOR Automated Jitney service uses leading-edge routing algorithms to automatically execute orders at the best price across all Canadian marketplaces, eliminating the need for multiple marketplace memberships. The solution is designed to help participants reduce costs associated with market fragmentation, while meeting regulatory best price obligations.

Technology[9]

In keeping with our commitment to deliver state of the art levels of technology to our markets, we are continuing to invest in, and are implementing a multi-phased initiative to expand, the infrastructure across our trading and data enterprise. In order to increase throughput capability, we are expanding our internal networks, storage and application servers. The first expansion phase was completed in 1H/10. The second phase is well underway. The expansion of the trading and data enterprise is designed to improve our overall market leading infrastructure to better serve our existing customers and to attract additional customers and order flow to our marketplace.

Key Statistics

- Volume traded on Toronto Stock Exchange was 104.56 billion securities in 2010, a 12% decrease over 118.53 billion securities traded in 2009. Transactions of 189.12 million in 2010 decreased by 1% compared with 191.32 million in 2009.
- Volume traded on TSX Venture Exchange was 67.89 billion securities in 2010, a 45% increase over 46.83 billion securities in 2009. Transactions of 9.23 million in 2010 increased by 73% compared with 5.34 million in 2009.
- The combined volume traded on our cash equities markets of 172.45 billion exceeded the record of 165.36 billion set in 2009 by 4%. The combined transactions on our cash equities markets was a record 198.34 million in 2010, exceeding the record of 196.66 million set in 2009.

Pricing

We have a volume-based fee structure for issues traded on Toronto Stock Exchange and TSX Venture Exchange. This model was structured so that market participants have an incentive to enter orders in the central limit order book. When liquidity is added to the central limit order book, executed passive orders receive a credit on a per security basis, and when liquidity is removed from the central limit order book, each executed active order is charged on a per security basis. This trading revenue is recognized on the date when the trade is executed.

Effective March 1, 2010, we reduced trading fees for securities trading under $1.00 on TSX Venture Exchange and Toronto Stock Exchange. The new fee structure, designed to benefit both active and passive traders of all sizes, includes the elimination of the tiered pricing model that saw fees adjusted based on trader volumes and its replacement by a new, lower single fee schedule for securities trading under $1.00.

8 The "***Overview and Description of Products and Services***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

9 The "***Technology***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

Effective April 1, 2010, we reduced trading fees for securities trading at $1.00 and higher on Toronto Stock Exchange and TSX Venture Exchange. These changes were designed to encourage higher volume and liquidity levels and further enhance our competitive position. The changes included replacing the previous three-tiered, volume based fee structure with a simpler two-tier structure and reducing the active fee paid by customers trading in the lower tier, and increasing the liquidity providing rebate to both the low and mid tier customer. In addition, we introduced a separate program to reward qualifying high-volume POs.

Prior to becoming effective, changes to Toronto Stock Exchange and TSX Venture Exchange trading fees are filed with the OSC, BCSC and ASC.

2011 Pricing[10]

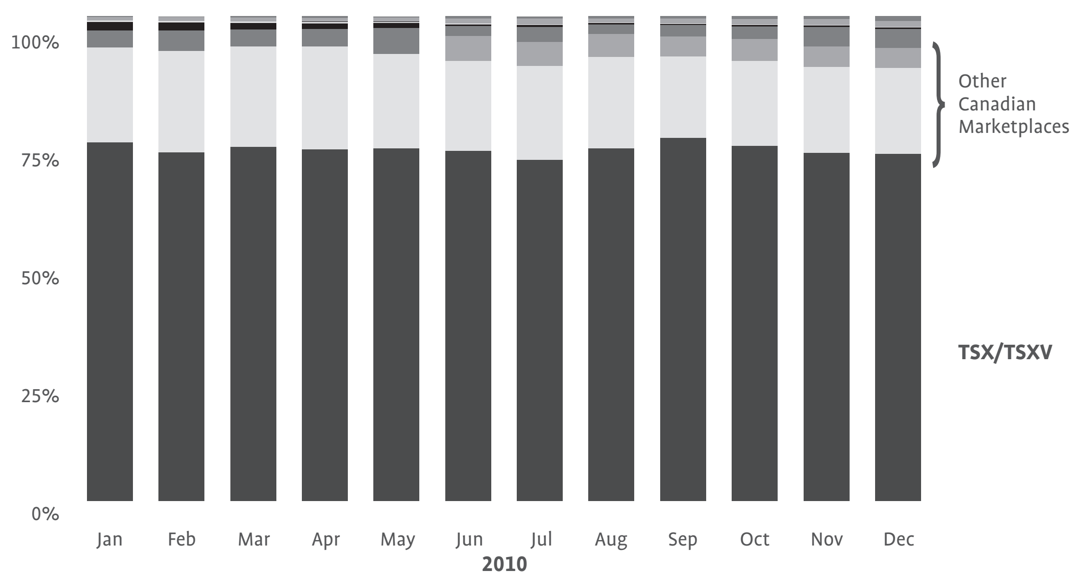
Effective March 1, 2011, we will create volume incentives by reducing the fees for significant usage for our Market on Open (MOO) facility, subject to regulatory approval. This change introduces a fee cap for top MOO volume firms. We will also introduce residual credit pay outs, or rebates, for trading in our continuous limit order book. These fee changes are subject to regulatory approval.

Competition and Market Share

On December 1, 2001, regulatory changes permitting the creation of ATSs in Canada were introduced. There are currently a number of ATSs operating or who intend to operate in Canada, both dark and visible trading venues, including mechanisms to internalize order flow within a PO. The largest competitive impact thus far has been from an ATS created by a group of Canada's leading banks and investment dealers with multiple interests.

In 2010, Toronto Stock Exchange and TSX Venture Exchange combined held an average 73% share of equities volume traded in Canada, compared with 86% in 2009. Our market share was stable throughout 2010.

Monthly Percentage of Volume Traded by Canadian Marketplaces°



The competitive landscape in Canada has changed significantly as competitors pursue aggressive tactics while leveraging their liquidity relationships in order to procure market share from our equity exchanges. Our international and domestic business development efforts, core technology initiatives and the development of responsive new products are fundamental to growing overall trading volumes on our equity exchanges.

We also compete for trading activity in the United States for those issuers that seek additional listings on other exchanges, referred to as interlistings, or dual listings. Interlistings generally raise the profile of issuers in the global market, and trading volumes for these issuers' securities often increase across all markets as well as on Toronto Stock Exchange. Whether a significant portion of trading of a particular issuer remains in Canada following its interlisting depends on a number of factors, including the location of the issuer's shareholder base and the location of research analysts who cover the issuer. Our cash equities sales team is focused on the goal of attracting more U.S. participants and order flow by raising the level of awareness regarding the benefits of trading on Toronto Stock Exchange and TSX Venture Exchange.

10 The "***Pricing 2011***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

° Source: The Investment Industry Regulatory Organization of Canada.

MX and BOX – Derivatives Trading and Clearing

Overview and Description of Products and Services

Our financial derivatives trading is conducted through MX, Canada's only standardized financial derivatives exchange. In addition, MX owns 53.8% of BOX, a U.S. automated equity options market. Our derivatives markets derive revenue from MX's trading, clearing, information services and technology services activities as well as from trading and information services on BOX.

Technology – SOLA

MX developed a state-of-the-art robust, scalable and reliable electronic trading platform, called SOLA, currently in use at MX, BOX, EDX, Oslo Børs and IDEM. In June 2009, we successfully launched the SOLA Clearing system. This new clearing platform, which leverages the strength of the SOLA technology, provides the flexibility to enhance CDCC's product offering.

Products and Services

Derivatives – Trading

MX

MX offers interest rate, index and equity derivatives. Currently, the most important of these products are the Three-Month Canadian Bankers' Acceptance Futures contract (BAX®), the Ten-Year Government of Canada Bond Futures contract (CGB®) and the S&P Canada 60 Index Futures contract (SXF). MX connects participants to its derivatives markets, builds business relationships with them and works with them to ensure that the derivatives offerings meet investor needs. In 2009, we re-introduced a five-year Government of Canada bond futures contract, introduced implied pricing functionality for our flagship Bankers' Acceptance interest rate futures contract and launched a mini-sized futures contract on the S&P/TSX Composite Index.

BOX

BOX is an all-electronic equity derivatives market and was created as a simpler, faster, more transparent and less costly alternative to the existing U.S. market models. BOX was established in February 2002 by the Boston Stock Exchange, Inc. (BSE), MX and Interactive Brokers Group LLC, with MX as the principal shareholder.

BOX is one of multiple equity options markets in the U.S., offering an electronic equity derivatives market on almost 1,500 options classes. The equity options market in the U.S. is highly competitive. BOX had a unique make-or-take pricing structure rather than the payment for order flow model which became industry standard. As market share erosion accelerated in 2009 and into 2010, BOX changed the pricing model considerably in three stages, eliminating the make-or-take pricing and transitioning to more standard pricing. BOX has made no further pricing changes for 2011 (*see* **2011 Pricing**).

Derivatives – Clearing[11]

Through CDCC, MX's wholly-owned subsidiary, we generate revenue from clearing and settlement, as well as from options and futures exercise activities. CDCC offers central counterparty and clearing and settlement services for all transactions carried out on MX's markets and on some OTC products. In addition, CDCC is the issuer of options traded on MX markets and the clearing house and guarantor for options and futures contracts traded on MX markets and for some products on the OTC market. CDCC reduces investor risk by guaranteeing all contractual commitments made between parties for transactions executed on MX's markets. CDCC has a long-term rating of AA and a short-term rating of A1 from Standard and Poor's.

In December 2009, the Investment Industry Association of Canada (IIAC) announced that it had selected CDCC as a preferred partner to develop the infrastructure for central-counterparty services to the Canadian fixed income market. CDCC has been working with industry and regulatory authorities to develop a domestic solution and the launch of the first initiative, the clearing of OTC fixed income repurchase agreements, is scheduled for 2H/11. Plans are underway to develop further products like general collateral repos, interest rate swaps and other potential OTC products.

Derivatives – Regulatory Division

MX is a self-regulatory organization (SRO) that has a major responsibility for maintaining the transparency, credibility and integrity of the exchange-traded derivatives market in Canada. MX's Regulatory Division, which is operated independently of its other operations, is responsible for the regulation of its markets and its trading participants. The Regulatory Division is subject to the sole internal oversight of MX's Special Committee – Regulatory Division. The Special Committee – Regulatory Division, which is appointed by the Board of Directors of MX, is composed of a majority of independent members, none of whom is a member of the Board of Directors of MX or CDCC. The Regulatory Division operates on a non-profit/cost-recovery basis.

11 The "***Derivatives-Clearing***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

Revenues generated by the Regulatory Division are from two sources: (1) regulatory fees, which are principally comprised of market surveillance fees collected by MX on behalf of its Regulatory Division, and (2) regulatory fine revenues, which are generated from fines levied by the Regulatory Division. Market regulation fees are recognized in the month in which the services are provided.

Any surplus in the Regulatory Division must be, subject to the approval of the Special Committee – Regulatory Division, redistributed to MX's approved participants (excluding regulatory fine revenues, which cannot be redistributed) and any shortfall must be made up by a special assessment by MX's participants or by MX upon recommendation of the Special Committee – Regulatory Division. Regulatory fine revenues are accounted for separately from regulatory fees revenues and can be used only for specifically approved purposes, such as charitable or educational donations.

Key Statistics

- In 2010, MX set an annual volume record with 44.30 million contracts traded. MX volumes increased 27% from 34.75 million contracts traded in 2009 and total open interest was up 30% at the end of 2010 versus the end of 2009.
- BOX volumes decreased by 33% (91.75 million contracts in 2010 versus 137.78 million contracts traded in 2009).

Pricing

MX participants are charged fees for buying and selling derivatives products on a per transaction basis, determined principally by contract type and participant status. Since MX trading fee rates are charged on a per transaction basis, this trading revenue is directly correlated to the volume of contracts traded on the derivatives market. Derivatives trading revenue is recognized on the transaction date of the related transaction.

MX participants are charged fees for clearing and settlement on a per contract basis. These fees are charged at various rates based on the type of customer or member. Clearing and settlement revenues are correlated to the trading volume of such products and therefore fluctuate based on the same factors that affect our derivatives trading volume. Derivatives clearing revenue is recognized on the settlement date of the related transaction.

Effective May 1, 2010, MX introduced a rebate program for large cross transactions of equity options and ETF options.

BOX participants are charged fees on a per transaction basis. Trading fees are directly correlated to the volume of contracts traded. Transaction fee revenue is considered earned upon execution of a trade and is recognized on a trade date basis. Options Regulatory Fees are fees based on the number of customer contracts executed by participant firms. On January 1, 2010, BOX adjusted its pricing by establishing a tiered pricing schedule for market makers based on average daily volume. In addition, BOX reduced fees related to removing liquidity in various products as well as in contracts traded via its Price Improvement Period (PIP) mechanism. In Q3/10, BOX adjusted its fee schedule for trades executed inside the PIP and began charging public customers for trades executed outside the PIP.

Prior to becoming effective, changes to MX trading fees are filed with the Autorité des marchés financiers (AMF). Changes to BOX trading fees are filed with the U.S. Securities and Exchange Commission (SEC).

2011 Pricing

To date, there have been no significant price changes announced for MX and BOX for 2011.

Competition[12]

In Canada, our competition in derivatives is the OTC market and internationally we compete for a share of trading in derivatives of interlisted equities.

While MX and CDCC are the only standardized financial derivatives exchange and clearing house in Canada, their various component activities are exposed, in varying degrees, to competition. We compete by offering market participants a state-of-the-art electronic trading platform, an efficient, cost-effective and liquid marketplace for trade execution, transparent market and quotation data and excellent product design. Additionally, we are continually enhancing our product offering and providing additional efficiencies to our customers. We are committed to improving the technology, services, market integrity and liquidity of our markets. In addition to competition from foreign derivatives exchanges that offer comparable derivatives products, the majority of derivatives trading occurs OTC or bilaterally between institutions. We may in the future also face competition from other Canadian marketplaces.

With respect to providing clearing services for certain OTC-traded contracts, CDCC is targeting markets that already are or could easily be the focus of foreign clearing houses. The nature of these markets makes them attractive targets for all clearing houses in good standing throughout the world. Once such services are in place in a given clearing house, the main criterion for attracting such business is merely that both counterparties to a transaction clear through members of the clearing house.

In the United States, MX competes for market share of trading single stock options based on Canadian-based interlistings, or dual listings. However, options traded in the U.S. are not fungible with those traded in Canada.

12 The "***Competition***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

BOX operates in the highly competitive U.S. equity options market. BOX's overall market share decreased from 4.0% in 2009 to 2.6% in 2010. BOX competes for market share with NYSE Amex Options, NYSE Arca Options, CBOE, International Securities Exchange (ISE), The NASDAQ Options Market and NASDAQ OMX PHLX among others.

NGX

Overview and Description of Products and Services[13]

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for natural gas, crude oil and electricity contracts. In 2008, we formed a technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and ICE. Under the arrangement, North American physical natural gas and Canadian electricity products are offered through ICE's leading electronic commodities trading platform. NGX serves as the clearinghouse for these products.

On May 1, 2009, we completed the acquisition of NTP, a leading Canadian electronic trading platform and clearing facility for crude oil products, and launched crude oil products on NGX's trading system and clearing facility. The NGX model provides significant capital efficiencies to customers who trade in multiple commodities, however, the transition to a fully collateralized model is not automatic and we continue to work with customers to communicate the benefits and increase utilization of a Central Counterparty (CCP) model. All but two NTP customers have moved to NGX and over 30 are active.

NGX also owns The Alberta Watt Exchange (Watt-Ex), a provider of ancillary services to the Alberta Electric System Operator which is used to balance supply and demand on the Alberta grid.

In 2010, NGX launched clearing services at ten new natural gas hubs in the U.S. bringing the number of U.S. natural gas clearing locations to 30 at December 31, 2010. NGX also clears crude oil at ten locations and clears physical gas at 17 locations in Canada in addition to offering two financial gas products and two financial power products.

On January 18, 2011, NGX and ICE announced an agreement to add Canadian and U.S. physical and Canadian financial crude oil products to their existing clearing and technology alliance. NGX and ICE expect to launch the combined offering in the first quarter of 2011.

Key Statistics

- In 2010, NGX set a new record for total energy volume[#] with 16.72 million terajoules traded or cleared, surpassing the previous record of 14.84 million terajoules set in 2009, representing an overall increase of 13%.
- As of December 31, 2010, NGX listed over 15 crude oil grades at 10 locations in Canada and the U.S.

Pricing

NGX generates trading and clearing revenue by applying fees to all transactions based on the contract volume traded or centrally cleared through the exchange, and charges a monthly fixed subscription fee to each trading customer who trades on NGX.

Fee changes are filed with the ASC and U.S. Commodity Futures Trading Commission (CFTC).

2011 Pricing

To date, there have been no major price changes announced for 2011.

Competition

NGX's business of trading and clearing natural gas, electricity and crude oil contracts faces primary competition in energy markets in Canada and the United States from other exchanges, electronic trading and clearing platforms and from the OTC or bilateral markets (with support from voice brokers). Voice brokers continue to provide efficient contract matching services for both standardized and structured products and are expanding their service offerings to include access to clearing facilities for trading parties who may have credit constraints. Our alliance with ICE positions us to compete in the OTC markets for trading while providing clearing for OTC bilateral contracts. NGX is working with the energy voice brokers to provide clearing alternatives for standard off-exchange bilateral energy transactions.

13 The "***Overview and Description of Products and Services***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

NGX Total Energy Volume includes trading and clearing in natural gas, crude oil and electricity.

Shorcan – Fixed Income & Energy Trading

Overview and Description of Products and Services

Shorcan's fixed income operations primarily provide a facility for matching orders for Canadian federal, provincial, corporate and mortgage bonds and treasury bills and derivatives for anonymous or name-give-up buyers and sellers in the secondary market. Shorcan Energy, a wholly owned subsidiary of Shorcan, provides an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

Key Statistics

- In 2010, we estimate that the IDB market represented about 38% of total fixed income trading in Canada and that Shorcan's share of this market was about 38%.
- We estimate Shorcan Energy's inter-participant market share is approximately 50%.

Pricing

Shorcan and Shorcan Energy charge a commission on orders that are matched against an existing communicated order.

2011 Pricing

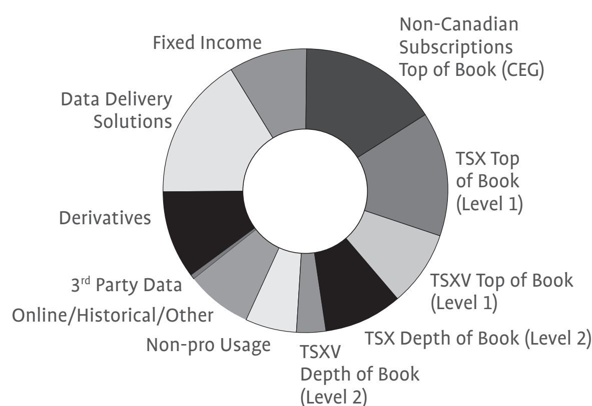
To date, there have been no price changes announced for 2011.

Competition

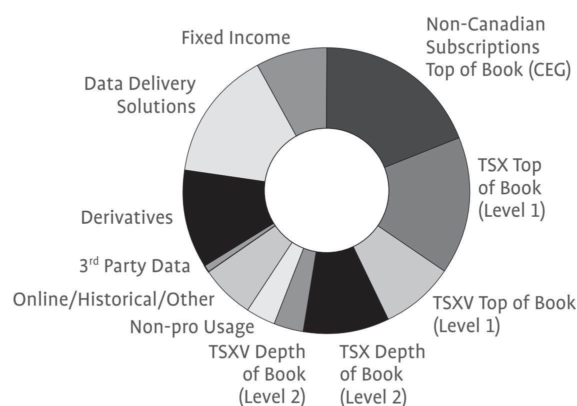
Shorcan, and Shorcan Energy have several competitors in the fixed income IDB and energy markets in Canada. Shorcan continues to work towards increasing market share as well as diversifying revenue.

Information Services (formerly Market Data) – TMX Datalinx, MX and BOX

2010 information services revenue of $154.4 million



2009 information services revenue of $149.0 million



Overview and Description of Products and Services

Real-Time Market Data Products[14] – CEG, Level 1 and Level 2, Non-pro usage

Trading activity on our equity exchanges produces a stream of real-time data reflecting orders and executed transactions. This stream of data is supplemented with value added content (e.g. dividends, earnings) and packaged by TMX Datalinx into real-time market data products and delivered, directly or indirectly, to end users directly or via more than 100 Canadian and global market data vendors that sell data feeds and desktop market data.

For our cash equities markets, we offer Level 1 and Level 2 real-time services for Toronto Stock Exchange and TSX Venture Exchange, including NEX. Level 1 provides trades, quotes, corporate actions and index level information. Our Level 2 services provide a more in-depth look at the order book. Level 2 real-time products include Market-by-Price and Market Book for Toronto Stock Exchange and MarketDepth by Price and MarketDepth by Order for TSX Venture Exchange, which display all committed orders and trades. We offer direct data feeds to clients with trading strategies that require lower latency. We also provide market participants with low-latency access to consolidated real-time market data by way of our Consolidated Data Feed (CDF™), Canadian Best Bid and Offer (CBBO®), and Consolidated Depth of Book (CDB™).

TMX Datalinx Canadian market data is available globally through connectivity to NYSE Technologies' Secure Financial Transaction Infrastructure® (SFTI®) locations across the United States and Europe.

14 The "***Real-Time Market Data Products***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

Online, Historical, Other Market Data Products

Historical market data products include market information (such as historical pricing, index constituents and weightings) and corporate information (such as dividends and corporate actions) used in research, analysis and trade clearing.

In 2010, we upgraded **www.tmxmoney.com**, providing additional content and enhanced investment tools for Canadian and North American investors.

Third Party Data

In addition to providing consolidated Canadian equities data, we also redistribute exchange data from other markets in North America. We also provide live inter-bank foreign exchange rates, fixed income rates from CanDeal and offer TMX/CP equities news in partnership with The Canadian Press.

Real-Time Market Data Derivatives Products

MX sells real-time trading and historical data to market participants on a global basis.

The SOLA High Speed Vendor Feed (HSVF) is a real-time service for MX's real-time trading and statistical information (comprised of trades, quotes, market depth, strategies, bulletins, summaries and other statistics). The MX Data Feed provides access to both level one and level two real-time data. The feed covers all securities traded on MX, including Canadian interest rate, currency, index and equity derivatives contracts.

Information services revenue is also generated by the sale of data to resellers of information as well as the sale of individual quotes via the Internet.

BOX also resells its market data. Like the other U.S. options markets, it resells such data through a marketplace service known as OPRA (Options Price Reporting Authority), which collects data from the options exchanges and disseminates it to entities which then resell it.

Data Delivery Solutions[15]

As part of our on-going effort to deliver low-latency solutions that support the wide range of market participants, in 2008 we introduced co-location services, providing clients the opportunity to locate their trading and data applications in the TMX data centre. In Q3/09, we announced phases 3 and 4 of our major expansion of our co-location services and facilities in response to significant international demand. The new facility is designed to accommodate up to 200 co-location spaces, which will meet current and medium-term demand for the services. Capital expenditures of approximately $7.2 million associated with the third phase of the expansion project were incurred in 2010. We expect to incur approximately $2.3 million of additional capital expenditures associated with this phase. The new facility now provides space for 100 cabinets. In June 2010, we announced that construction of the new co-location facility was complete and on June 30, 2010, clients began installing their trading applications in the TMX data centre and receiving the benefits of direct high-speed access to the Toronto Stock Exchange, TSX Venture Exchange and MX trading engines and market data feeds. We began to realize incremental revenue in 2H/10.

In November 2010, TMX Datalinx introduced TMXnet GTA, an ultra-low latency network designed to provide international and domestic firms with technology infrastructure located in Downtown Toronto.

Index Products – Equities and Derivatives

TMX Datalinx has an arrangement with Standard & Poor's under which we share license fees received from organizations that create products, such as mutual funds and ETFs, based on the S&P/TSX[≠] indices. In general, these license fees are based on a percentage of funds under management in respect of those products.

Together with Standard & Poor's, we launched new Toronto Stock Exchange indices in 2010 to complement our core S&P/TSX benchmark indices and provide innovative products for the capital markets: S&P/TSX 60 130/30 Strategy Index, S&P/TSX Clean Technology Index, S&P/TSX MegaCap Index, S&P/TSX Equity Income, S&P/TSX Dividend Composite, six S&P/TSX North American Preferred Stock Indices, and three S&P/TSX Equal Weight Indices: Global Base Metals, Diversified Banks and Oil & Gas.

On October 18, 2010, together with Standard & Poor's, we launched the S&P/TSX 60 VIX index[≠≠]. Developed as a means to gauge volatility, this new index measures the 30-day implied volatility of the Canadian stock market using near-term and next-term S&P/TSX 60 Index options, which trade on MX.

15 The "***Data Delivery Solutions***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

≠ "S&P" is the trade-mark of Standard & Poor's and "TSX" is the trade-mark of TSX Inc.

≠≠ "VIX", "VIXC" and "VIXCanada" are the trade-marks of the Chicago Board Options Exchange ("CBOE"), used by Standard &Poor's ("S&P"), TSX Inc. ("TSX") and its affiliates with the permission of CBOE. "S&P" is the trade-mark of S&P and "TSX" is the trade-mark of TSX. The VIX Methodology is the property of the CBOE. CBOE has granted S&P, a license to use the VIX Methodology to create the S&P/TSX 60 VIX index and has agreed that S&P may permit values of the S&P/TSX 60 VIX index to be disseminated. S&P has granted TSX and its affiliates a license to use the S&P/TSX 60 VIX index, with the permission of CBOE. Neither CBOE nor S&P nor TSX or their respective affiliates makes any representation regarding such index or the advisability of relying on such index for any purpose. Neither CBOE nor S&P or their respective affiliate's sponsors, endorses, sells or promotes any investment product that is based or may be based on the S&P/TSX 60 VIX index. Neither TSX nor its affiliates sponsors, endorses or promotes any third party investment product that is or may be based on the S&P/TSX 60 VIX index.

Fixed Income – Index and Analytics Products

Our PC-Bond fixed income indices are widely used fixed income performance benchmarks in Canada. The best known of these indices is the Universe Bond Index, which tracks the broad Canadian bond market. In addition to this index, we now publish a variety of sub-indices for different term and credit sectors, as well as indices for tracking other segments of the market, including high yield bonds, Euro Canadian bonds, maple bonds (Canadian dollar bonds issued by a non-Canadian issuer), yankee bonds, inflation-indexed real return bonds, treasury bills and residential and commercial mortgage-backed securities. In March, 2010, RBC Capital Markets introduced the RBC Total Return U.S. Treasury (TRUST) Index, a benchmark index for investors in U.S. Treasuries with bonds rebalanced on a daily basis, licensing PC-Bond to create and manage the index. Overall in 2010, PC-Bond launched 174 new fixed income indices.

Key Statistics

- Overall, there was a 4% increase in the number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (159,572[++] professional and equivalent real-time market data subscriptions at December 31, 2010 compared with 153,119 at December 31, 2009).
- There was a 4% increase in the number of MX market data subscriptions (23,718[+] MX market data subscriptions at December 31, 2010 compared with 22,876 at December 31, 2009).

Pricing

Subscribers to TMX Datalinx data generally pay fixed monthly rates for access to real-time streaming data, which differ depending on the number of end users and the depth of information accessed. In addition to streaming data, many individual investors consume real-time quote data, for which we charge on a per quote basis. Real-time data fees are primarily driven by the number of market data subscriptions and therefore are partly related to industry employment. Unfavourable economic and market conditions in late 2008 and 2009 impacted employment levels in the financial services sector. This caused a decline in the number of market data subscriptions in 2009, as there is a lag effect between the timing of announced industry employment reductions and subscription cancellations. The economic and market recovery in 2010 was reflected in an increase in the number of cash equities and MX market data subscriptions at the end of 2010 compared with the end of 2009. We charge market data vendors and direct feed clients a fixed monthly fee for access to data feeds.

Generally, we sell historical data products for a fixed amount per product accessed. Fees vary depending on the type of end use. Data products to be used for commercial purposes require an enterprise-wide license for internal and external redistribution. We produce two electronic reference data publications for each equity exchange, a Daily Record and a Monthly Review, both of which are sold on a subscription and firm license basis.

In 2010, approximately 36% of our information services revenue was billed in U.S. dollars. We do not currently hedge this revenue and are therefore subject to foreign exchange fluctuations.

We benchmark our market data fees against those of our peers in the global exchange industry.

Prior to becoming effective, changes to certain TMX Datalinx market data fees related to Toronto Stock Exchange and TSX Venture Exchange market data are filed with the OSC, BCSC and ASC. Changes to MX market data fees are filed with the AMF.

2011 Pricing

To date, there have been no price changes announced for 2011.

Competition

With the advent of a multi-marketplace environment in Canada, we face competition in market data, from these trading venues. Market data is generated from trading activity and the success of certain data products is contingent on maintaining order flow.

We have continued to diversify and target new data customers with recent initiatives such as the combination of our equities and derivatives data centres and the expansion of our co-location services. We have also expanded our information services business internationally with our data technology and distribution agreement with NYSE Technologies which has been in place since December 2009.

\+ Includes a base number of subscriptions for customers that have entered into enterprise agreements.

Technology Services (formerly Business Services) and Other Revenue

We provide technology solutions to exchanges and other industry participants in circumstances where there is a financial or strategic interest. Our team of exchange technology professionals have extensive industry experience in installing and operating trading and related systems at our exchanges as well as other global exchanges.

- In 2010, technology services and other revenue represented $15.9 million, or 3% of our revenue.
- In 2009, technology services and other revenue represented $30.6 million, or 5% of our revenue.

Cash Markets Technology Services

We currently provide technology and related services to IIROC for the purposes of its review and real-time monitoring of trading on equity marketplaces. IIROC pays us fees for these services, negotiated on an arm's length basis, in accordance with a five-year agreement dated June 1, 2008, which also details service levels.

Derivatives Markets Technology Services

Technology services revenue for 2009 includes a one-time license fee of $13.5 million from the technology services arrangement with the London Stock Exchange plc (LSE) to license a customized version of SOLA Trading for certain LSE affiliates and partners. SOLA technology is now being used in markets across Europe, including EDX, which trades Scandinavian and Russian derivatives products, Oslo Børs and Borsa Italiana's derivatives market, IDEM. We continued to provide ongoing customization support through 2010.

In Q2/09 we took a 19.9% ownership stake in EDX at a cost of $7.7 million. In Q4/10, we recognized an unrealized loss of $1.7 million related to a non-cash write-down of this interest in EDX to its estimated fair value, which included an unrealized foreign exchange loss of $0.9 million.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Net income was $196.5 million or $2.64 per common share for 2010 on a basic and diluted basis, compared with net income of $104.7 million or $1.41 per common share on both a basic and diluted basis for 2009, representing an increase in net income of 88%. Net income for 2010 was reduced by $1.7 million, or $0.02 per common share on a basic and diluted basis related to a non-cash write-down of our 19.9% interest in EDX to its estimated fair value. Net income for 2009 was reduced by the non-cash goodwill impairment charge of $77.3 million, or $1.04 per common share on a basic and diluted basis, related to BOX. Net income for 2009 was also reduced by a write-down in the value of future tax assets and liabilities which related to a reduction in Ontario corporate income tax rates. The tax adjustment also had no impact on cash flows and resulted in a reduction in net income for 2009 of $10.4 million, or 14 cents per common share on a basic and diluted basis.

The following is a reconciliation of net income to adjusted net income* prior to the adjustment related to the write-down of our 19.9% interest in EDX to its estimated fair value in 2010, the non-cash goodwill impairment charge in 2009 related to BOX and income tax charges which reduced the value of future tax assets and liabilities in 2009:

Net Income GAAP to non-GAAP Reconciliation for 2010 and 2009

(in millions of dollars)		**2010**		**2009**
Net Income	**$**	**196.5**	$	104.7
Adjustment related to non-cash impairment of goodwill pertaining to investment in BOX		**–**	$	77.3
Adjustment related to a reduction in the value of future tax assets and liabilities		**–**	$	10.4
Adjustment related to a write-down of our 19.9% interest in EDX to its estimated fair value	**$**	**1.7**		–
Adjusted net income	**$**	**198.2**	$	192.4

The following is a reconciliation of earnings per share to adjusted earnings per share* prior to the adjustment related to the write-down of our 19.9% interest in EDX to its estimated fair value in 2010, the non-cash goodwill impairment charge in 2009 related to BOX and income tax charges which reduced the value of future tax assets and liabilities in 2009:

* See discussion under the heading "***Non-GAAP Financial Measures***".

Earnings per share GAAP to non-GAAP Reconciliation for 2010 and 2009

	2010				2009			
		Basic		Diluted		Basic		Diluted
Earnings per share	**$**	**2.64**	**$**	**2.64**	$	1.41	$	1.41
Adjustment related to non-cash impairment of goodwill pertaining to investment in BOX		**–**		**–**	$	1.04	$	1.04
Adjustment related to a reduction in the value of future tax assets and liabilities		**–**		**–**	$	0.14	$	0.14
Adjustment related to a write-down of our 19.9% interest in EDX to its estimated fair value	**$**	**0.02**	**$**	**0.02**		–		–
Adjusted earnings per share	**$**	**2.66**	**$**	**2.66**	$	2.59	$	2.59

Adjusted net income* for 2010 of $198.2 million, or adjusted EPS* of $2.66 per common share on a basic and diluted basis, was higher than adjusted net income* of $192.4 million, or adjusted EPS* of $2.59 per common share on a basic and diluted basis for 2009. Revenue from issuer services, fixed income trading, Canadian derivatives trading and clearing, as well as information services, all increased in 2010 over 2009, somewhat offset by a decline in equities trading revenue and U.S. derivatives market trading revenue over the same period. The increase was somewhat offset by higher operating expenses in 2010 compared with 2009, primarily due to higher costs related to technology initiatives, corporate development and marketing as well as share-based compensation. Technology services revenue was lower in 2010 compared with 2009 due to recognizing a one-time license fee of $13.5 million from the LSE in 2009.

Revenue

Revenue was $575.5 million in 2010, up $15.4 million, or 3% compared with $560.1 million in 2009, reflecting increased revenue from issuer services, cash markets fixed income trading, Canadian derivatives markets trading and clearing, information services and energy markets trading and clearing, partially offset by lower revenue from cash markets equity trading, U.S. derivatives markets trading and technology services. In 2009, technology services revenue included a one-time license fee of $13.5 million from the LSE.

Issuer Services Revenue

The following is a summary of issuer services revenue reported based on initial and additional listing fee revenue reported, and issuer services revenue based on initial and additional listing fees billed* (reconciled below in this section) in 2010 and 2009.

	Reported				Billed*			
(in millions of dollars)	**2010**	**2009**	**$ increase/ (decrease)**	**% increase/ (decrease)**	**2010**	**2009**	**$ increase/ (decrease)**	**% increase/ (decrease)**
Initial listing fees	**$ 18.7**	$ 16.9	$ 1.8	11%	**$ 28.7**	$ 12.8	$ 15.9	124%
Additional listing fees	**$ 66.0**	$ 57.6	$ 8.4	15%	**$ 106.1**	$ 92.0	$ 14.1	15%
Sustaining listing fees	**$ 65.0**	$ 55.1	$ 9.9	18%	**$ 65.0**	$ 55.1	$ 9.9	18%
Other issuer services	**$ 13.3**	$ 13.4	$ (0.1)	(1%)	**$ 13.3**	$ 13.4	$ (0.1)	(1%)
Total	**$ 163.0**	$ 143.0	$ 20.0	14%	**$ 213.1**	$ 173.3	$ 39.8	23%

Initial and additional listing fees are non-refundable fees paid by listed issuers for the listing or reserving of securities. These fees are recorded as "Deferred revenue – initial and additional listing fees" and recognized on a straight-line basis over an estimated service period of ten years.

In the case of Toronto Stock Exchange, listed issuers are billed for initial and additional listing fees and there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, fees are paid either prior to, or at the time of, listing or reserving securities.

- Initial and additional listing fees reported increased in 2010 compared with 2009, reflecting an increase in capital market activity during the period from April 1, 2000 to December 31, 2010 compared with the period from April 1, 1999 to December 31, 2009.
- Initial listing fees billed* in 2010 increased over 2009 due to an increase in the value of initial financings and the number of new issuers listed on Toronto Stock Exchange and TSX Venture Exchange. Additional listing fees billed* in 2010 increased over 2009 due to an increase in the value and number of additional financings on TSX Venture Exchange. While the value of additional financings on Toronto Stock Exchange decreased in 2010 compared with 2009, there was an increase in additional listing fees billed* as a result of fee changes that were effective January 1, 2010 and an increase in the number of financing transactions.

* See discussion under the heading "***Non-GAAP Financial Measures***".

- Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual sustaining listing fees primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. The increase in sustaining listing fees was due to the overall higher market capitalization of listed issuers on both exchanges at the end of 2009 compared with the end of 2008.

Trading, Clearing and Related Revenue

(in millions of dollars)	**2010**	2009	**$ increase/ (decrease)**	**% increase/ (decrease)**
Cash markets revenue	**$ 113.1**	$ 119.6	$ (6.5)	(5%)
Derivatives markets revenue	**$ 83.7**	$ 78.5	$ 5.2	7%
Energy markets revenue	**$ 45.4**	$ 39.4	$ 6.0	15%
Total	**$ 242.2**	$ 237.5	$ 4.7	2%

Cash Markets

- The decrease was partially the result of changes to our equity trading fee schedule on October 1, 2009 and March 1, 2010, which included reductions in active trading fees on securities trading at less than $1.00 in the post-open continuous market and on April 1, 2010, which included a reduction in trading fees for securities trading at $1.00 and higher. The fee reductions were somewhat offset by fee changes under the ELP Program. Effective October 1, 2009, we moved to a single tier model which reduced the passive credit paid to ELP Program participants.
- In addition, cash markets equity trading revenue decreased due to a 12% decrease in the volume of securities traded on Toronto Stock Exchange in 2010 over 2009 (104.56 billion securities in 2010 versus 118.53 billion securities in 2009).
- The decrease was somewhat offset by a 45% increase in the volume of securities traded on TSX Venture Exchange in 2010 over 2009 (67.89 billion securities in 2010 versus 46.83 billion securities in 2009).
- In addition, we also had a favourable change in the mix of customer and product trading activity on Toronto Stock Exchange in 2010 compared with 2009.
- The decrease was also partially offset by an increase in fixed income trading revenue from Shorcan due to a more favourable product mix in 2010 compared with 2009.

Derivatives Markets

- The increase in derivatives markets revenue reflects an increase in trading and clearing revenue from MX and CDCC. MX volumes increased by 27% (44.30 million contracts traded in 2010 versus 34.75 million contracts traded in 2009) reflecting increased trading in the BAX and CGB contracts due to increased volatility in future interest rate expectations, as well as increased trading in equity and ETF options. The increase in revenue was partially offset by fee changes that were effective May 1, 2010. Open interest was up 30% at December 31, 2010 compared with December 31, 2009.
- The increase in derivatives markets revenue was somewhat offset by a decrease in BOX revenues due to a 33% decrease in BOX volumes (91.75 million contracts traded in 2010 versus 137.78 million contracts traded in 2009). This was somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX in 2010 and pricing changes that were effective August, 2010.

Energy Markets

- The increase in energy markets revenue reflects the inclusion of revenue from Shorcan Energy which launched inter-participant brokerage in energy products in Q1/10.
- The higher revenue also reflected a 13% increase in total energy volume[#] over 2009 (16.72 million terajoules in 2010 compared to 14.84 million terajoules in 2009).
- The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 2010 compared with 2009.

Information Services (formerly Market Data) Revenue

(in millions of dollars)	**2010**	2009	**$ increase**	**% increase**
	$ 154.4	$ 149.0	$ 5.4	4%

\# NGX Total Energy Volume includes trading and clearing in natural gas, crude oil and electricity.

- The increase was due to higher revenue from co-location services, fixed income indices, index data licensing, and higher usage-based activity in 2010 compared with 2009.
- Overall, there was a 1% increase in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (154,039+ professional and equivalent real-time market data subscriptions in 2010 compared with 152,069 in 2009). There was a 6% decrease in the average number of MX market data subscriptions (23,191+ MX market data subscriptions in 2010 compared with 24,616 in 2009).
- The increase was partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 2010 compared with 2009.
- The increase was also offset by lower revenue from BOX derivatives market data.

Technology Services (formerly Business Services) and Other Revenue

(in millions of dollars)

	2010	2009	$ (decrease)	% (decrease)
	$ 15.9	$ 30.6	$ (14.7)	(48%)

- Technology services revenue in 2009 was higher primarily due to a one-time license fee of $13.5 million received from the LSE.
- The decrease was also due to providing technology services to fewer customers in 2010 compared with 2009.

Operating Expenses

Operating expenses in 2010 were $286.5 million, up $9.6 million, or 3%, from $276.9 million in 2009 primarily due to higher costs related to incentive based compensation, technology initiatives, corporate development and marketing.

Compensation and Benefits

(in millions of dollars)

	2010	2009	$ increase	% increase
	$ 133.5	$ 129.4	$ 4.1	3%

- *Compensation and benefits* costs increased primarily due to commission based compensation and higher costs associated with long-term performance incentives that are tied to share price appreciation. The TMX Group share price increased 12% from December 31, 2009 to December 31, 2010.
- There were 841 employees at December 31, 2010 versus 849 employees at December 31, 2009.

Information and Trading Systems

(in millions of dollars)

	2010	2009	$ increase	% increase
	$ 47.8	$ 46.1	$ 1.7	4%

- *Information and trading systems* costs increased due to higher costs related to technology initiatives including enterprise expansion and the inclusion of Shorcan Energy. This increase was partially offset by decreased costs following the decommissioning of legacy hardware in Q2/10.

General and Administration

(in millions of dollars)

	2010	2009	$ increase	% increase
	$ 73.0	$ 69.3	$ 3.7	5%

- *General and administration* costs were higher due to a $2.8 million increase in corporate development costs and higher marketing expenses as we continued to pursue new domestic and international expansion opportunities and launch new products across our businesses.
- In addition, *general and administration* costs were higher in 2010 compared with 2009 due to lower lease costs in Q4/09 as a result of a one-time lease liability adjustment of $1.3 million.

\+ Includes a base number of subscriptions for customers that have entered into enterprise agreements.

Amortization

(in millions of dollars)	2010	2009	$ increase	% increase
	$ 32.3	$ 32.2	$ 0.1	–

- The increase was due to higher amortization of the intangible assets related to the TSX Quantum Order Entry Gateway and the TMX Smart Order Router.
- The increases were largely offset by reduced amortization relating to assets that were fully depreciated by 2010.

Unrealized Loss on Investment Carried at Cost

(in millions of dollars)	2010	2009	$ increase
	$ 1.7	–	$ 1.7

- In 2010, we recognized an unrealized loss of $1.7 million related to a non-cash write-down to the estimated fair value of our 19.9% investment in EDX. The investment was made in EDX at a cost of $7.7 million in Q2/09. The loss includes an unrealized foreign exchange loss of $0.9 million.

Investment Income

(in millions of dollars)	2010	2009	$ increase	% increase
	$ 5.2	$ 4.6	$ 0.6	13%

- *Investment income* increased primarily due to an increase in the amount of cash available for investment in 2010 compared with 2009, somewhat offset by lower returns.

Goodwill Impairment Charge

(in millions of dollars)	2010	2009	$ (decrease)
	–	$ 77.3	($ 77.3)

- In 2009, we recorded a non-cash goodwill impairment charge of $77.3 million related to our investment in BOX primarily due to increased competition and a lower market share in the U.S. equity options trading market, which resulted in a decline in current and forecasted revenues.

Interest Expense

(in millions of dollars)	2010	2009	$ increase	% increase
	$ 6.2	$ 6.1	$ 0.1	2%

- *Interest expense* increased slightly as a result of a higher average interest rate charged on the debt outstanding during 2010 compared with 2009. On April 30, 2008, we borrowed $430.0 million in Canadian funds related to financing the cash consideration of the purchase price for MX (see Term Loan).

Income Taxes

(in millions of dollars)			Effective tax rate (%)	
	2010	**2009**	**2010**	**2009**
	$ 90.7	$ 97.0	32%	35%[16]

- In November 2009, the Ontario government substantively enacted legislation to reduce the general corporate income tax rate from 14% in 2009 to 12% effective July 1, 2010, with further reductions to 10% by July 1, 2013. As a result of these changes to Ontario corporate

16 The goodwill impairment charge in Q4/09 of $77.3 million has been excluded from income before taxes in calculating the effective tax rate.

income tax rates, there was a reduction in the value of future tax assets and liabilities and a corresponding non-cash net increase in income taxes of $10.4 million in 2009.

- The effective tax rate for 2010 was lower than that for 2009 due to a decrease in the federal and Ontario corporate income tax rates. The impact of this decrease in tax rates was somewhat offset by larger adjustments in the value of future tax assets in 2010 compared with 2009. These tax adjustments related to the higher initial and additional listing fees billed in 2010 compared with 2009. The adjustments reduced the value of future tax assets and increased income taxes.
- Since October 1, 2000, MX and CDCC have benefited from certain income tax, capital tax and other exemptions which were intended to support the financial sector in the province of Québec. This provincial tax holiday ended on December 31, 2010. The impact of this tax holiday was a reduction in income taxes of $3.5 million and $3.4 million in 2010 and 2009, respectively.

Non-controlling Interests

(in millions of dollars)

	2010	2009	**$ (decrease)**	**% (decrease)**
	$ 0.1	$ 1.8	$ (1.7)	(94%)

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated into our statements of income. The non-controlling interests represent the other BOX unitholders' share of BOX's income or loss, before income taxes in the period.
- In 2009, the $1.8 million reflects the non-controlling interests' share of BOX's income before taxes for the year. In 2010, the $0.1 million reflects the non-controlling interests' share of BOX income before taxes during the year, a decrease of $1.7 million. This reflects lower volumes on BOX, somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX.

Segment Analysis

Cash Markets –Equities and Fixed Income

(in millions of dollars)

	2010	**2009**	**$ increase**	**% increase**
Revenue	**$ 425.2**	$ 406.9	$ 18.3	4%
Net Income	**$ 158.1**	$ 133.5	$ 24.6	18%

The increase in revenue primarily reflects higher issuer services revenue related to sustaining and additional listing fees as well as higher information services and fixed income trading revenue partially offset by a decrease in equity trading revenue. The increase in net income reflected the higher revenue and a lower amount of shared services allocations, partially offset by an increase in operating expenses. In 2009, net income reflected a non-cash write-down of future income tax assets due to the change in Ontario corporate income tax rates.

(in millions of dollars)

	December 31, 2010	**December 31, 2009**	**$ increase/ (decrease)**
Goodwill	**$ 116.9**	$ 116.9	–
Total Assets	**$ 643.5**	$ 522.1	$ 121.4

Total assets increased primarily due to an increase in total cash and marketable securities at the end of 2010 compared with the end of 2009.

Derivative Markets – MX and BOX

(in millions of dollars)

	2010	**2009**	**$ increase / (decrease)**	**% increase / (decrease)**
Revenue	**$ 104.3**	$ 113.9	$ (9.6)	(8%)
Net Income (loss)	**$ 26.2**	$ (42.9)	$ 69.1	161%

The decrease in revenue largely reflects the inclusion of a one-time license fee of $13.5 million from LSE in 2009, as well as lower revenue from BOX. The decrease in BOX's trading revenue was somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX in 2010. In addition, there was a significant increase in trading and clearing revenue from MX and CDCC. Net income for 2010 increased over 2009 due to the non-cash goodwill impairment charge of $77.3 million related to BOX, which was recorded in 2009, partially offset by the revenue decrease and higher operating expenses.

(in millions of dollars)

	December 31, 2010	December 31, 2009	$ (decrease)
Goodwill	**$ 413.9**	$ 415.0	$ (1.1)
Total Assets	**$ 1,592.4**	$ 1,942.9	$ (350.5)

The amount of goodwill remained relatively constant in 2010 compared with 2009. Total Assets decreased primarily due to a reduction in Daily Settlements and Cash Deposits of $372.3 million. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $372.3 million lower at December 31, 2010 compared with December 31, 2009. Total fund requirements have declined as a result of reduced equity market volatility. In addition, there has been a trend towards clearing members pledging securities rather than cash as collateral.

Energy Markets – NGX and Shorcan Energy

(in millions of dollars)

	2010	2009	$ increase/ (decrease)	$ increase/ (decrease)
Revenue	**$ 46.0**	$ 39.3	$ 6.7	17%
Net Income	**$ 12.3**	$ 14.1	$ (1.8)	(13%)

The increase in revenue in 2010 compared with 2009 was partly due to an increase in natural gas volumes traded or cleared on NGX in 2010 compared with 2009 and the addition of revenue from Shorcan Energy. The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 2010 compared with 2009. The decrease in net income reflected higher compensation related to long term incentive plans, organizational transition costs and higher allocation of corporate costs. In addition, net income in 2009 reflected a non-cash write-down in the value of future tax assets and liabilities which related to a reduction in Ontario corporate income tax rates.

(in millions of dollars)

	December 31, 2010	December 31, 2009	$ increase/ (decrease)
Goodwill	**$ 51.9**	$ 51.9	–
Total Assets	**$ 1,045.9**	$ 1,059.5	$ (13.6)

The decrease in Total Assets was due to a $60.9 million reduction in the fair value of open energy contracts at the end of 2010 compared with the end of 2009. NGX also carried offsetting liabilities related to the value of open energy contracts which were $60.9 million lower at the end of 2010 compared with the end of 2009. This decrease in Total Assets was largely offset by an increase in energy contracts receivable of $40.4 million compared with the end of December 2009. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable which were also $40.4 million higher at the end of 2010 compared with the end of 2009.

Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

December 31, 2010	December 31, 2009	$ increase
$ 330.4	$ 191.1	$ 139.3

- The increase was largely due to cash generated from operating activities of $280.2 million, partially offset by dividend payments of $114.3 million, capital expenditures of $12.8 million and additions to intangible assets of $9.7 million.

Total Assets

(in millions of dollars)

December 31, 2010	December 31, 2009	$ (decrease)
$ 3,281.9	$ 3,524.5	$ (242.6)

- *Total assets* decreased largely due to lower MX daily settlements and cash deposits of $193.1 million as at December 31, 2010 related to MX's clearing operations, compared with $565.4 million at the end of 2009. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $193.1 million at December 31, 2010 compared with $565.4 million at the end of 2009. Daily settlements due from/to clearing members consist of amounts due from/to clearing members as a result of marking open futures positions to market and settling options transactions each day that are required to be collected from/paid to clearing members prior to the commencement of the next trading day. Daily settlements and cash deposits also include cash margin deposits and clearing fund cash deposits of clearing members held in the name of CDCC. Total fund requirements have declined as a result of reduced equity market volatility. In addition, there has been a trend towards clearing members pledging securities rather than cash as collateral.
- The decrease was also due to a decrease in current assets related to the fair value of open energy contracts ($141.9 million as at December 31, 2010, compared with $202.8 million at December 31, 2009). The reduced level of open energy contracts largely reflected the impact of lower natural gas prices for the relevant measuring period during December 2010 compared with the corresponding period in December 2009. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $141.9 million at December 31, 2010 compared with $202.8 million at December 31, 2009.
- The decreases were somewhat offset by an increase in energy contracts receivable of $40.4 million compared with the end of December 2009. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable which were also $40.4 million higher at the end of 2010 compared with the end of 2009 because of higher volumes delivered in December.
- The overall decrease was somewhat offset by an increase in cash and marketable securities of $139.3 million.

Credit Facilities and Guarantee

Term Loan[17]

(in millions of dollars)

	December 31, 2010	December 31, 2009	$ increase
	$ 429.8	$ 429.0	$ 0.8

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million (the Term Loan). In addition, we also established a revolving three-year unsecured credit facility of $50.0 million with the same syndicate. We may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. Currently, TMX Group's acceptance fee or spread on the loan is 0.45%. On April 30, 2008, we borrowed $430.0 million in Canadian funds under the Term Loan to satisfy the cash consideration of the purchase price for MX. This amount is included in Current liabilities and is due on April 18, 2011. In addition, the revolving facility will expire on that date. Based on current levels of cash flow from operations, we believe that the Term Loan could be repaid with a combination of existing cash, future cash flow from operations and refinancing, as required. We expect that the Term Loan will be repaid or refinanced before the end of Q1/11.
- These credit facilities contain customary covenants, including a requirement that TMX Group maintain:
  - a maximum debt to adjusted EBITDA ratio of 3.5:1, where adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortization, all determined in accordance with Canadian GAAP but adjusted to include initial and additional listing fees billed and to exclude initial and additional listing fees reported as revenue;
  - a minimum consolidated net worth covenant based on a pre-determined formula; and
  - a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3.0:1.

At December 31, 2010, all covenants were met.

- We entered into a series of interest rate swap agreements which took effect on August 28, 2008 in order to partially manage our exposure to interest rate fluctuations on our $430.0 million non-revolving three-year term facility. The interest rate swap in place at December 31, 2010 is as follows:

Notional value *(in millions of dollars)*	Interest rate we will pay under swap *(excludes 0.45% fee)*	Maturity date of swap
Swap #3 – $100.0	3.829%	April 18, 2011

17 The "***Term Loan***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

Other Credit Facilities and Guarantee

To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian chartered bank which includes a US$100.0 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million. This facility had not been drawn upon at December 31, 2010.

NGX also has an Electronic Funds Transfer (EFT) Daylight facility of $300.0 million in place with a Canadian chartered bank.

CDCC has a $50.0 million revolving standby credit facility with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. This facility had not been drawn upon at December 31, 2010.

Shareholders' Equity

(in millions of dollars)

	December 31, 2010	December 31, 2009	$ increase
	$ 853.1	$ 770.6	$ 82.5

- We earned $196.5 million of net income during 2010 and paid $114.3 million in dividends.
- At December 31, 2010, there were 74,370,462 common shares issued and outstanding. In 2010, 63,421 common shares were issued on the exercise of share options. At December 31, 2010, 4,064,226 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At December 31, 2010, there were 1,678,731 options outstanding.
- At February 7, 2011, there were 74,370,462 common shares issued and outstanding and 1,665,877 options outstanding under the share option plan.

Cash Flows from Operating Activities

(in millions of dollars)

	2010	2009	Increase in cash
Cash Flows from Operating Activities	**$ 280.2**	$ 204.9	$ 75.3

Cash Flows from Operating Activities were $75.3 million higher in 2010 compared with 2009 due to:

(in millions of dollars)

	2010	2009	Increase/ (decrease) in cash
Net income	**$ 196.5**	$ 104.7	$ 91.8
Amortization	**$ 32.3**	$ 32.2	$ 0.1
Non-cash goodwill impairment charge related to BOX	**–**	$ 77.3	$ (77.3)
Unrealized loss on non-cash write-down of interest in EDX	**$ 1.7**	–	$ 1.7
Increase/(decrease) in future income tax liabilities, net of future income tax assets	**$ (9.0)**	$ 3.5	$ (12.5)
Unrealized (gain) on interest rate swaps	**$ (5.0)**	$ (6.8)	$ 1.8
(Increase)/decrease in accounts receivable and prepaid expenses	**$ (11.1)**	$ (12.5)	$ 1.4
(Increase) in other assets	**$ (2.0)**	$ (9.2)	$ 7.2
Net (decrease) in accounts payable, accrued liabilities and long-term liabilities	**$ 15.5**	$ (7.9)	$ 23.4
Increase in deferred revenue	**$ 53.8**	$ 33.2	$ 20.6
(Increase)/decrease in income taxes recoverable, net of income taxes payable	**$ 4.3**	$ (15.0)	$ 19.3
Net increase in other items	**$ 3.2**	$ 5.4	$ (2.2)
Cash Flows from Operating Activities	**$ 280.2**	$ 204.9	$ 75.3

Cash Flows from (used in) Financing Activities

(in millions of dollars)		2010		2009		Increase in cash
Cash Flows from (used in) Financing Activities	**$**	**(117.1)**	$	(151.4)	$	34.3

Cash Flows (used in) Financing Activities were $34.3 million lower in 2010 compared with 2009 due to:

(in millions of dollars)		2010		2009		Increase/ (decrease) in cash
Dividends paid on common shares	**$**	**(114.3)**	$	(113.0)	$	(1.3)
Repurchase of common shares under NCIB		**–**	$	(30.4)	$	30.4
Dividends paid to BOX non-controlling interests		**–**	$	(6.4)	$	6.4
Net increase/(decrease) in other items	**$**	**(2.8)**	$	(1.6)	$	(1.2)
Cash Flows from (used in) Financing Activities	**$**	**(117.1)**	$	(151.4)	$	34.3

Cash Flows from (used in) Investing Activities

(in millions of dollars)		2010		2009		(Decrease) in cash
Cash Flows from (used in) Investing Activities	**$**	**(181.6)**	$	(65.3)	$	(116.3)

Cash Flows (used in) Investing Activities were $116.3 million higher in 2010 compared with 2009 due to:

(in millions of dollars)		2010		2009		Increase/ (decrease) in cash
Cost of acquisitions and investments, net of cash acquired		**–**	$	(37.9)	$	37.9
Capital expenditures primarily related to technology investments and leasehold improvements	**$**	**(12.8)**	$	(7.1)	$	(5.7)
Additions to intangible assets including TSX Quantum Gateway (2009), TMX Smart Order Router (2009), SOLA internal development costs (2010 and 2009), TSX Quantum Feeds (2010) and on-book non-displayed order types (2010)	**$**	**(9.7)**	$	(13.2)	$	3.5
Net (purchases) of marketable securities	**$**	**(159.1)**	$	(7.1)	$	(152.0)
Cash Flows from (used in) Investing Activities	**$**	**(181.6)**	$	(65.3)	$	(116.3)

Summary of Cash Position and Other Matters[18]

We had $330.4 million of cash and cash equivalents and marketable securities at December 31, 2010 and have a $50.0 million undrawn revolving credit facility which expires April 18, 2011. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business. During 2010, with revenues of $575.5 million, we incurred operating expenses of $286.5 million. We had $429.8 million of debt outstanding under the Term Loan, which is due April 18, 2011. Based on current levels of cash flow from operations, we believe that the Term Loan could be repaid with a combination of existing cash, future cash flow from operations and refinancing, as required. We expect that the Term Loan will be repaid or refinanced before the end of Q1/11.

In June 2010, we filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. This will enable us to offer and issue up to $1.0 billion of debt, equity or other securities over a 25-month period ending in July 2012. The net proceeds of any such offerings will be used for general corporate purposes, including repaying outstanding indebtedness from time to time, and funding future acquisitions or investments. We have no immediate intention to raise funds, other than potentially replacing, in whole or in part, the Term Loan.

Cash flows from operations were $280.2 million in 2010. We paid $114.3 million (38 cents per common share in each of the first three quarters, 40 cents per common share in Q4/10) in dividends in 2010.

18 The "***Summary of Cash Position and Other Matters***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

In Q3/09, we announced phases 3 and 4 of our major expansion of our co-location services and facilities in response to significant international demand. The new facility has been designed to accommodate up to 200 co-location spaces, which will meet current and medium-term demand for the services. Capital expenditures of approximately $7.2 million associated with the third phase of the expansion project were incurred in 2010. We expect to incur approximately $2.3 million of additional capital expenditures associated with this phase. The new facility now provides space for 100 cabinets. In June 2010, we announced that construction of the new co-location facility was complete and on June 30, 2010, clients began installing their trading applications in the TMX data centre and receiving the benefits of direct high-speed access to the Toronto Stock Exchange, TSX Venture Exchange and MX trading engines and market data feeds. We began to realize incremental revenue in Q3/10.

In keeping with our commitment to deliver state of the art levels of technology to our markets, we are continuing to invest in, and are implementing a multi-phased initiative to expand the infrastructure across our trading and data enterprise. In order to increase throughput capability, we are expanding our internal networks, storage and application servers. The first expansion phase was completed in Q1/10. The second phase is well underway. We are incurring annual operating expenses, including amortization, of approximately $11.0 million to support these phases of this initiative. However, we estimate these costs will be largely offset by the decommissioning of legacy hardware. Information and trading systems costs were lower in 2H/10 following this decommissioning which was completed by the end of June 2010. The expansion of the trading and data enterprise is designed to improve our overall market leading infrastructure to better serve our existing customers and to attract additional customers and order flow to our marketplaces.

Future investment opportunities that may require debt financing could be limited by current and future economic conditions, the covenants on TMX Group's existing credit facilities and by our financial viability ratios imposed by securities regulators.

The recognition order of TSX Inc. by the OSC contains certain financial viability tests that must be met. If TSX Inc. fails to meet any of these tests for a period of more than three months, TSX Inc. will not, without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed by OSC staff. TSX Venture Exchange is required by various provincial securities commissions to maintain adequate financial resources for the performance of its functions in a manner that is consistent with the public interest and the terms of its recognition orders. Under its recognition order, MX is also subject to certain financial viability tests set by the Autorité des marchés financiers (AMF) that must be met. If MX fails to meet any of these tests for a period of more than three months, MX will not, without the prior approval of the AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months. NGX is required by the Alberta Securities Commission to maintain adequate financial resources to operate its trading system and support its trade execution functions (*see* **Managing Capital** for more information on the financial resources requirements imposed by securities regulators).

As at December 31, 2010, we met all of the above requirements.

Defined Benefit Pension Plans[19]

Based on the most recent actuarial valuation for funding purposes as at December 31, 2009, we estimate a funding deficit of approximately $5.0 million on a solvency basis, of which $4.9 million was funded in 2010 and reflected as an increase in Other assets.

Managing Capital

Our primary objectives in managing capital, which we define to include our share capital and various credit facilities, include:

- Maintaining sufficient capital for operations to ensure market confidence. Currently, we target to retain a minimum of $100.0 million in cash and marketable securities. This amount is subject to change. We do this by managing our capital subject to capital maintenance requirements imposed on our subsidiaries:
- In respect of TSX Inc., as required by the OSC to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:
  - a current ratio not less than 1.1:1;
  - a debt to cash flow ratio not greater than 4:1; and
  - a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1.

We have complied with these externally imposed capital requirements.

- In respect of TSX Venture Exchange Inc., as required by various provincial securities commissions to maintain adequate financial resources.

We have complied with these externally imposed capital requirements.

- In respect of NGX, to:
  - maintain adequate financial resources, as required by the ASC; and

19 The "***Defined Benefit Pension Plans***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

- maintain a current ratio of no less than 1:1 and a tangible net worth of not less than $9.0 million, as required by a major Canadian chartered bank.

We have complied with these externally imposed capital requirements.

- In respect of Shorcan, by IIROC which requires Shorcan to maintain a minimum level of shareholder's equity of $0.5 million.

We have complied with this externally imposed capital requirement.

- In respect of MX, as required by the AMF to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:
  - a working capital ratio of not less than 1.5:1;
  - a cash flow to total debt ratio of more than 20%; and
  - a financial leverage ratio consisting of total assets to shareholders' equity of less than 4:1.

We have complied with these externally imposed capital requirements.

- Maintaining sufficient capital to meet the covenants imposed in connection with our long-term debt (*see* **Term Loan**).

We have complied with these externally imposed capital requirements.

- Retaining sufficient capital to invest in, and continue to grow, our business both organically and through acquisitions.
- Increasing total returns to shareholders through methods such as dividends and purchasing shares for cancellation pursuant to normal course issuer bids.

Our objectives, policies and processes for managing capital have not changed in the current economic environment.

Financial Instruments

Cash, Cash Equivalents and Marketable Securities

Our financial instruments include cash, cash equivalents and investments in marketable securities which are held to earn investment income. These instruments include units in a money market fund and a short-term bond and mortgage fund, managed by an external advisor. The primary risks related to these marketable securities are variation in interest rates and credit risk. For a description of these risks, please refer to **Credit Risk – Marketable Securities** and **Interest Rate Risk – Marketable Securities**.

These investments are recorded at fair value, which in the case of money market funds, bonds and bond funds are determined based on quoted market prices. Unrealized losses of $0.6 million were recorded in investment income in 2010, compared with unrealized losses of $0.2 million in 2009.

Accounts Receivable

Our financial instruments include accounts receivable, which represents amounts that our customers owe us. The fair value is based on the actual amounts owed by the customers, net of a provision for that portion which may not be collectible. The primary risk related to accounts receivable is credit risk. For a description of these risks, please refer to **Credit Risk – Accounts Receivable**.

CDCC – Daily Settlements and Cash Deposits

As part of CDCC's clearing operations, amounts due from and to clearing members as a result of marking to market open futures positions and settling options transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from and due to clearing members are recognized in the consolidated assets and liabilities as daily settlements and cash deposits. There is no impact on the consolidated statements of income. The primary risks associated with these financial instruments are credit risk and market risk. For a description of these risks, please refer to **Credit Risk – CDCC** and **Other Market Price Risk – CDCC**.

Term Loan

We established the Term Loan in connection with the combination with MX. We entered into a series of interest rate swaps to partially manage our exposure to interest rate fluctuations on the Term Loan (*see* **Credit Facilities and Guarantee – Term Loan**). The Term Loan is subject to interest rate risk. For a description of this risk, please refer to **Interest Rate Risk – Term Loan**.

Total Return Swaps

We have entered into a series of total return swaps (TRSs) which synthetically replicate the economics of TSX Inc. purchasing our shares as a fair value hedge to the share appreciation rights of deferred share units (DSUs) and non-performance based restricted share units (RSUs) that are awarded to our directors and employees. We mark to market the fair value of the TRSs as an adjustment to income, and simultaneously mark to

market the liability to holders of the share units as an adjustment to income. These TRSs are subject to credit risk and market risk. For a description of these risks, please refer to **Credit Risk – Total Return and Interest Rate Swaps** and **Market Risk – Total Return Swaps**. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the reporting period compared with our share price at the date of entering into the TRSs. The fair value of the TRSs and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The fair values of the TRSs were an asset of $4.5 million at December 31, 2010 and a liability of $0.5 million at December 31, 2009. During 2010, unrealized gains of $5.0 million were reflected as a decrease in compensation and benefits costs. During 2009, unrealized gains of $5.3 million were reflected as a decrease in compensation and benefits costs.

NGX – Energy Contracts

As part of its clearing operations, NGX becomes the central counterparty to each transaction (whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. We record NGX's energy contract receivables and offsetting payables for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not been made. There is no impact on the consolidated statements of income.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statement of income.

The primary risks related to these financial instruments are credit risk and market risk. For a description of these risks, please refer to **Credit Risk – NGX** and **Other Market Price Risk – NGX**.

Interest Rate Swaps

We have entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the Term Loan, effective August 28, 2008 (*see* **Term Loan**). Interest rate swaps are subject to credit risk. For a description of this risk, please refer to "**Credit Risk – Total Return and Interest Rate Swaps**". We mark to market the fair value of the remaining interest rate swap, which is determined by using observable market information. At December 31, 2010, the fair value of the remaining interest rate swap was a liability of $0.7 million. During 2010, unrealized gains of $5.0 million and realized losses of $5.2 million have been reflected in the income statement in net mark to market on interest rate swaps, compared with unrealized gains of $6.8 million and realized losses of $8.2 million in 2009.

Risks Associated with Financial Instruments

Credit Risk

Credit risk is the risk of financial loss associated with a counterparty's failure to fulfill its financial obligations and arises principally from investments in marketable securities, total return swaps, interest rate swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan, Shorcan Energy, NGX and CDCC.

Credit Risk – Marketable Securities

TMX Group manages exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk. Our investment policy will only allow excess cash to be invested within a specific money market fund and a specific short term bond and mortgage fund. The money market fund manages credit risk by limiting its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund manages credit risk by limiting its investments to high-quality Canadian corporate bonds, government bonds and up to 40% of the fund's net assets in conventional first mortgages and mortgages guaranteed under the *National Housing Act* (Canada). Corporate bonds held must have a minimum credit rating of BBB by DBRS Limited. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. TMX Group does not have any investments in non-bank, asset-backed commercial paper.

At December 31, 2010, the investment portfolio was comprised of 43% in short-term bond and mortgage funds and 57% in money market funds.

Credit Risk – Total Return and Interest Rate Swaps

We have entered into TRS which synthetically replicate the economics of TSX Inc. purchasing our shares as a partial economic hedge to the share appreciation rights of DSUs and RSUs that are awarded to our directors and employees. The contracts are settled in cash upon maturity. The obligation to unit holders is reflected on the balance sheet. In addition, we entered into interest rate swaps, which took effect on August 28, 2008, in order to partially manage our exposure to interest rate fluctuations on our Term Loan (*see* **Term Loan**). To manage credit risk, we entered into these TRS and interest rate swaps with major Canadian chartered banks.

Credit Risk – Clearing and / or Brokerage Operations

We are exposed to credit risk in the event that customers, in the case of Shorcan and Shorcan Energy, contracting parties, in the case of NGX, or clearing members, in the case of CDCC, fail to settle on the contracted settlement date.

Credit Risk – Shorcan and Shorcan Energy

Shorcan and Shorcan Energy's risk is limited by its status as an agent, in that it does not purchase or sell securities for its own account. As agent, in the event of a failed trade, Shorcan or Shorcan Energy has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

Credit Risk – NGX

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a major Canadian chartered bank. This collateral may be accessed by NGX in the event of default by a contracting party. NGX measures total potential exposure for both credit and market risk for each contracting party on a real-time basis as the aggregate of:

- outstanding energy contracts receivable;
- "Variation Margin", comprised of the aggregate "mark to market" exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and
- "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of contracting party exposure, at December 31, 2010, NGX held cash collateral deposits of $835.7 million and letters of credit of $1,941.4 million, compared with cash collateral deposits of $1,040.3 million and letters of credit of $1,963.7 million at December 31, 2009. These amounts are not included in our consolidated balance sheets.

NGX also maintains an unsecured clearing backstop fund of U.S. $100.0 million. TMX Group is the unsecured guarantor of this fund. This facility has not been drawn upon at December 31, 2010.

Credit Risk – CDCC

CDCC is exposed to the risk of default of its clearing members. CDCC is the central counterparty and guarantor of all transactions carried out on MX's markets and on the OTC market when the transaction is cleared through CDCC. It primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

CDCC's principal risk management practice is the collection of risk-based margin deposits in the form of cash, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate the clearing member's positions.

CDCC's margining system is complemented by a Daily Capital Margin Monitoring (DCMM) process that permits it to evaluate the ability of a clearing member to meet its margining requirements. On a daily basis, CDCC monitors the margin requirement of a clearing member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100%. The additional margin is equal to the excess of the ratio over 100%.

CDCC also maintains a clearing fund through deposits of cash and highly liquid securities from all clearing members. The aggregate level of clearing funds required from all clearing members must cover the worst loss that CDCC could face if one counterparty is failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. If, by a clearing member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC's margin collateral deposits and clearing fund deposits are held by approved depositories under irrevocable agreements. This collateral may be accessed by CDCC in the event of default by a clearing member. As a result of these calculations of clearing member exposure at December 31, 2010, CDCC held margin collateral deposits of $2,911.2 million and clearing fund deposits of $264.1 million, compared with $3,101.8 and $205.1 respectively at December 31, 2009, primarily in collateral securities. These amounts are not included in our consolidated balance sheets.

CDCC maintains $50.0 million in revolving standby credit facilities in the event of default by a clearing member. This facility has not been drawn upon at December 31, 2010.

Credit Risk – Accounts Receivable

Our exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of our customers, many of whom are banks and financial institutions. There is no concentration of credit risk arising from accounts receivable from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading or data access privileges.

Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect our income or the value of our holdings of financial instruments.

Market Risk – Total Return Swaps (TRS)

We are exposed to market risk when we grant DSUs and RSUs to our directors and employees. We utilize total return swaps to partially hedge this exposure. The fair value of the TRS is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the reporting period compared with our share price at the date of entering into the total return swaps. The change in the fair value of the total return swaps is generally offset by the change in the obligation to DSU and RSU holders. As at December 31, 2010, a 25% increase in the share price of the Company would result in a net $2.8 million decrease in net income. A 25% decrease in the share price of the Company would result in a net $3.7 million increase in net income.

Interest Rate Risk – Marketable Securities

We are exposed to interest rate risk on our marketable securities. We have engaged external investment fund managers to manage the asset mix and the risks associated with these investments. At December 31, 2010, we held $261.6 million in these funds, compared with $103.2 million at December 31, 2009. The approximate impact of a 1% rise in interest rates is a decrease of $2.8 million on the carrying value of these investments and the approximate impact of a 1% fall in interest rates is an increase of $2.8 million on the carrying value of these investments.

Interest Rate Risk – Term Loan and Interest Rates Swaps

We are exposed to interest rate risk on our Term Loan. The approximate impact on net income of a 1% rise and a 1% fall in interest rates with respect to this facility is a decrease of $1.3 million and an increase of $1.3 million respectively.

In order to partially manage our exposure to interest rate fluctuations, we entered into a series of interest rate swap agreements that took effect on August 28, 2008, which fixed the interest rate relating to $300.0 million of the principal amount. On August 31, 2009, swap agreements with a notional value of $100.0 million, representing one third of the total notional value of the swaps, matured. At December 31, 2010, the fair value of the remaining interest rate swaps was a liability of $0.7 million. The approximate impact of a 1% rise in interest rates is a $0.3 million decrease in the liability and the approximate impact of a 1% fall in interest rates on the fair value of the swaps is a $0.3 million increase in the liability.

Foreign Currency Risk

(*See* **Risks and Uncertainties – Currency Risk**)

Other Market Price Risk – NGX, Shorcan, Shorcan Energy and CDCC

We are exposed to other market price risk from the activities of Shorcan, Shorcan Energy, NGX and CDCC if a customer, contracting party or clearing member, as the case may be, fails to take or deliver either securities, energy products or derivatives products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan and Shorcan Energy's risk is limited by their status as agents, in that they do not purchase or sell securities or commodities for their own account, the short period of time between trade date and settlement date and the defaulting customer's liability for any difference between the amounts received upon sale and the amount paid to acquire the securities or commodities.

Both NGX's and CDCC's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each contracting party or clearing member.

We are also exposed to other market price risk on a portion of our sustaining listing fee revenue, which is based on the quoted market values of listed issuers as at December 31 of the previous year.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due.

We manage liquidity risk through the management of our Cash and Marketable securities, all of which are held in short term instruments, the management of our revolving and non revolving credit facilities (*see* **Term Loan**) and capital (*see* **Managing Capital**).

Contractual Obligations

(in thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	5+ years
Capital Leases	7,413	3,516	3,897	–	–
Operating Leases	70,328	14,927	20,712	15,131	19,558
Other Obligations	431,984	430,134	–	–	1,850
	509,725	448,577	24,609	15,131	21,408

Selected Annual Information

(in thousands of dollars, except per share amounts)

	2010	2009	2008
Revenue	**$ 575,463**	$ 560,132	$ 532,614
Net income	**$ 196,535**	$ 104,701	$ 181,952
*Adjusted net income**	**$ 198,197**	$ 192,312	$ 197,104
Total assets	**$ 3,281,919**	$ 3,524,475	$ 3,688,645
*Long-term liabilities***	**$ 721,986**	$ 1,113,433	$ 1,090,423
Earnings per share:			
Basic	**$ 2.64**	$ 1.41	$ 2.48
Diluted	**$ 2.64**	$ 1.41	$ 2.47
Adjusted earnings per share:*			
Basic	**$ 2.66**	$ 2.59	$ 2.69
Diluted	**$ 2.66**	$ 2.59	$ 2.68
Cash dividends declared per common share	**$ 1.54**	$ 1.52	$ 1.52

Net Income GAAP to Non-GAAP Reconciliation for 2010, 2009 and 2008

(in millions of dollars)

	2010	2009	2008
Net Income	**$ 196.5**	$ 104.7	$ 182.0
Adjustment related to non-cash impairment of goodwill pertaining to investment in BOX	**–**	$ 77.3	–
Adjustment related to a reduction in the value of future tax assets and liabilities	**–**	$ 10.4	–
Adjustment related to loss on termination of joint venture	**–**	–	$ 15.2
Adjustment related to a write-down of our 19.9% interest in EDX to its estimated fair value	**$ 1.7**	–	–
Adjusted net income	**$ 198.2**	$ 192.4	$ 197.2

Earnings per Share GAAP to Non-GAAP Reconciliation for 2010, 2009 and 2008

	2010		2009		2008	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings per share	**$ 2.64**	**$ 2.64**	$ 1.41	$ 1.41	$ 2.48	$ 2.47
Adjustment related to non-cash impairment of goodwill pertaining to BOX	**–**	**–**	$ 1.04	$ 1.04	–	–
Adjustment related to a reduction in the value of future tax assets and liabilities	**–**	**–**	$ 0.14	$ 0.14	–	–
Adjustment related to loss on termination of joint venture	**–**	**–**	–	–	0.21	0.21
Adjustment related to a write-down of our 19.9% interest in EDX to its estimated fair value	**$ 0.02**	**$ 0.02**	–	–	–	–
Adjusted earnings per share	**$ 2.66**	**$ 2.66**	$ 2.59	$ 2.59	$ 2.69	$ 2.68

* See discussion under the heading Non-GAAP Financial Measures.

**** Includes deferred revenue.

Revenue, Net Income and Earnings per Share

2010

- (*See* **Year Ended December 31, 2010 Compared with Year Ended December 31, 2009**)

2009

- Net income was $104.7 million or $1.41 per common share for 2009 on a basic and diluted basis, compared with net income of $182.0 million or $2.48 per common share ($2.47 on a diluted basis) for 2008, representing a decrease in net income of 42%. Net income for 2009 was reduced by a non-cash goodwill impairment charge of $77.3 million, or $1.04 per common share, on a basic and diluted basis related to BOX. Net income for 2009 was also reduced by a write-down in the value of future tax assets and liabilities which related to a reduction in Ontario corporate income tax rates. The tax adjustment also had no impact on cash flows and resulted in a reduction in net income for 2009 of $10.4 million, or 14 cents per common share on both a basic and diluted basis. In 2008, net income was reduced by $15.2 million, or 21 cents per common share on a basic and diluted basis due to a payment to ISE Ventures with respect to the termination of our derivatives joint venture.

- Adjusted net income* for 2009 of $192.4 million, or adjusted EPS* of $2.59 per common share on a basic and diluted basis, was lower than adjusted net income* of $197.2 million, or adjusted EPS* of $2.69 per common share ($2.68 on a diluted basis) for 2008, due to lower cash markets equity trading revenue, lower issuer services revenue, increased expenses, partially related to new technology initiatives, and lower investment income. The decreases were partially offset by higher energy trading, cash markets fixed income trading and information services revenue and higher technology services revenue which included the license fee of $13.5 million (or 14 cents per common share on a basic an diluted basis) from the LSE. In addition, our 2009 financial statements reflect a full year of MX results compared with eight months of results in 2008. BOX's results were consolidated in our 2009 financial statements (with an adjustment made for non-controlling interests) and were only consolidated in our 2008 financial statements from August 29, 2008. From May 1, 2008, to August 28, 2008, 31.4% of earnings from BOX were included as Income from investments in affiliates.[20]

Total Assets

2010

- (*See* **Year Ended December 31, 2010 Compared with Year Ended December 31, 2009**)

2009

- *Total assets* decreased due to lower energy contracts receivable of $714.5 million at December 31, 2009 related to the clearing operations of NGX, compared with $976.4 million at the end of 2008. The lower level of receivables reflected lower natural gas prices at the end of December 2009 compared with the end of December 2008. Total assets also decreased due to the reduction in goodwill related to the non-cash impairment charge of $77.3 million related to BOX. The overall decrease was partially offset by higher MX daily settlements and cash deposits of $565.4 million as at December 31, 2009 related to MX's clearing operations, compared with $497.3 million at the end of 2008. The decrease was also partially offset by an increase in current assets related to the fair value of open energy contracts ($202.8 million as at December 31, 2009, compared with $155.3 million at December 31, 2008). In addition, the overall decrease in *Total assets* was partially offset due to recording $49.6 million in intangible assets and $30.6 million in goodwill related to the purchase of NTP on May 1, 2009, less cash paid of $24.2 million for the acquisition.

Long-term Liabilities

2010

- Long-term liabilities decreased in 2010 over 2009 primarily due to a reclassification of the Term Loan of $429.8 million (as of December 31, 2010), as short-term debt rather than long-term debt.

2009

- Long-term liabilities increased in 2009 over 2008 primarily due to an increase in deferred revenue and obligations under capital leases, somewhat offset by a reduction in the fair value of interest rate swaps.

* See discussion under the heading Non-GAAP Financial Measures.

20 Based on MX's ownership interest in BOX, prior to acquisition of control.

Quarterly Information

(in thousands of dollars except per share amounts)

	Dec. 31/10	Sept. 30/10	June 30/10	Mar. 31/10	Dec. 31/09	Sept. 30/09	June 30/09	Mar. 31/09
Revenue	$ 151,493	$ 141,590	$ 142,674	$ 139,706	$ 153,555+	$ 131,627+	$ 138,132+	$ 136,818+
Net Income/(loss)	49,057	50,798	47,598	49,082	(26,837)	41,749	46,871	42,918
Earnings per share:								
Basic	0.66	0.68	0.64	0.66	(0.36)	0.56	0.63	0.58
Diluted	0.66	0.68	0.64	0.66	(0.36)	0.56	0.63	0.58

2010

- Revenue in Q1/10 decreased over revenue in Q4/09 primarily due to the higher technology services revenue in Q4/09 from the one-time license fee of $13.5 million from the LSE, as well as lower revenue from cash markets equity trading and energy trading. This was somewhat offset by increased revenue from issuer services, cash markets fixed income trading and information services. Net income for Q1/10 increased over the net loss reported in Q4/09 largely as a result of the non-cash goodwill impairment charge of $77.3 million related to BOX and the write-down in the value of future tax assets and liabilities of $10.4 million.
- Revenue in Q2/10 increased over revenue in Q1/10 due to higher revenue from information services, issuer services, energy trading and Canadian derivatives trading, somewhat offset by lower revenue from cash equities trading and U.S. derivatives trading. Net income for Q2/10 decreased over net income in Q1/10 largely due to higher expenses as we continue to invest in technology initiatives, corporate development and marketing. The increased expenses were partially offset by the higher revenue.
- Revenue in Q3/10 decreased over revenue in Q2/10 primarily due to lower cash markets trading revenue and technology services revenue, partially offset by higher energy trading revenue. Net income for Q3/10 increased over Q2/10 due to lower expenses related to our technology initiatives and lower general and administration costs.
- Revenue in Q4/10 increased over revenue in Q3/10 primarily due to significantly higher cash markets trading revenue as well as higher derivatives trading and clearing revenue, partially offset by lower technology services revenue. Net income was slightly lower in Q4/10 compared with Q3/10. The increase in revenue was largely offset by higher compensation and benefits costs, information and trading systems costs and general and administration costs and lower investment income. In addition, there was a write-down to estimated fair value of $1.7 million on our 19.9% interest in EDX in Q4/10.

2009

- Revenue in Q1/09 decreased over revenue in Q4/08 primarily due to lower cash equity trading and issuer services revenue. Net income for Q1/09 decreased over Q4/08 primarily due to the reduced revenue and an increase in compensation and benefits expenses.
- Revenue in Q2/09 increased over revenue in Q1/09 largely due to higher revenue from TSX Venture Exchange cash equities trading and energy trading, including revenue from NTP, effective May 1, 2009. Net income for Q2/09 increased over Q1/09 primarily due to the increased revenue and a decrease in compensation and benefits expenses.
- Revenue in Q3/09 decreased over revenue from Q2/09 largely due to lower revenue from Toronto Stock Exchange cash equities trading and information services. Net income for Q3/09 decreased over Q2/09 primarily due to the decreased revenue and an increase in compensation and benefits costs, information and trading systems expenses as well as amortization.
- Revenue in Q4/09 increased over revenue from Q3/09 primarily due to increased technology services revenue, which included a one-time license fee of $13.5 million from the LSE, as well as higher revenue from issuer services, cash markets trading and information services. This was partially offset by lower revenue from derivatives and energy trading. There was a net loss in Q4/09 largely due to the non-cash goodwill impairment charge of $77.3 million related to BOX and an increase in income taxes due to a write-down in the value of future tax assets and liabilities of $10.4 million, partially offset by the increased revenue and lower overall expenses compared with Q3/09.

\+ For 2010, provisions for doubtful accounts receivable are included in General and Administration expense whereas in 2009 and 2008, these provisions were reflected as a reduction in various sources of revenue. The comparative figures for both revenue and expenses in 2009 and 2008 have been reclassified to conform with the financial presentation adopted in 2010.

Review of Fourth Quarter Results

Compared with Q4/09

- Revenue in Q4/10 decreased over revenue from Q4/09 primarily due to reduced technology services revenue. In Q4/09, we recognized a one-time license fee of $13.5 million from the LSE. In addition, revenue from cash markets equity trading was lower in Q4/10 when compared with Q4/09. This decrease was partially offset by higher revenue from issuer services, information services, cash markets fixed income trading, derivatives and energy markets trading and clearing. There was a net loss in Q4/09 largely due to the non-cash goodwill impairment charge of $77.3 million related to BOX and an increase in income taxes due to a write-down in the value of future tax assets and liabilities of $10.4 million.
- Issuer services revenue was higher partially as a result of an increase in sustaining listing fees due to the overall higher market capitalization of listed issuers at the end of 2009 compared with the end of 2008.
- The increase in energy trading revenue was due to increased volumes traded or cleared on NGX over Q4/08, pricing changes and the inclusion of revenue from crude oil trading following the acquisition of NTP on May 1, 2009.
- There was a decrease in cash markets equities trading revenue due to the impact of changes to our equity trading fee schedule in 2010, partially offset by an increase in the volume of securities traded on Toronto Stock Exchange and TSX Venture Exchange in Q4/09.
- There was an increase in Shorcan cash markets fixed income trading revenue primarily due to a more favourable product mix in Q4/10 compared with Q4/09.
- Derivatives markets revenue from MX increased primarily due to higher volumes of contracts traded.
- Derivatives markets revenue from BOX also increased primarily due to higher volumes of contracts traded in Q4/10 compared with Q4/09.
- Information services revenue increased due to higher revenue from co-location services, fixed income indices and index data licensing and an increase in subscriptions.
- Operating expenses increased in Q4/10 over Q4/09 primarily due to higher compensation and benefits and general and administration costs, somewhat offset by lower amortization costs.
- Cash flows from operating activities in Q4/10 of $76.5 million increased by $20.0 million compared with $56.5 million in Q4/09 largely due to an increase in deferred revenue. Cash flows used in financing activities in Q4/10 of $29.6 million decreased by $1.2 million compared with $30.8 million in Q4/09. Cash flows used in investing activities in Q4/10 of $29.8 million increased by $5.0 million compared with $24.8 million of cash flows from investing activities in Q4/09, primarily due to increased purchases of marketable securities.

Compared with Q3/10

- Revenue in Q4/10 increased over revenue in Q3/10 primarily due to significantly higher equities trading revenue as well as higher derivatives and energy trading and clearing revenue, partially offset by lower technology services revenue. Net income was slightly lower in Q4/10 compared with Q3/10. The increase in revenue was largely offset by higher operating expenses and lower investment income. In addition, there was a write-down to estimated fair value of $1.7 million on our 19.9% interest in EDX in Q4/10.
- Cash flows from operating activities in Q4/10 of $76.5 million increased by $18.2 million compared with $58.3 million in Q3/10 largely due to an increase in deferred revenue. Cash flows used in financing activities in Q4/10 of $29.6 million increased by $0.3 million compared with $29.3 million in Q3/10 primarily due to increased dividends. Cash flows used in investing activities in Q4/10 of $29.8 million decreased by $2.0 million compared with $31.8 million in Q3/10, primarily due to decreased purchases of marketable securities.

Accounting and Control Matters

Critical Accounting Estimates

Revenue from Initial and Additional listing fees

In the ***Cash Markets*** segment, we recognize revenue generated from initial and additional listing fees on a straight line basis over an estimated service period of ten years. The estimated service period of ten years was determined by conducting an historical review of listing activity. We determined that the average period of time that an issuer remained listed on Toronto Stock Exchange was approximately ten years. In addition, turnover rates were calculated for a Toronto Stock Exchange listed issuer and for a TSX Venture Exchange listed issuer and were determined to be in the range of ten to twelve years. Examining historical data allowed us to consider the impact of economic cycles and other trends in capital markets over time which impact the life of an issuer. The service period selected affects the rate at which deferred revenue is recognized, as well as the value of future tax assets related to these fees. With the adoption of IFRS effective January 1, 2011, we will recognize revenue from initial and additional listing fees in the period when the listings occur. (*See* **Future Changes in Accounting Policies – Transition to IFRS**.)

Long-term Incentive Plan

We have a long-term incentive plan under which we may grant RSUs. RSUs vest on December 31 of the second calendar year following the year in which the RSUs were granted and the cash award payable is determined by the total shareholder return (appreciation in share price plus dividends paid or TSR) at the end of that period. In each of our business segments, we accrue our obligations and include them in accounts payable and accrued liabilities and other liabilities. The maximum amount to be paid is not known until the RSUs have vested and will be based on TSR at the time of payout. The amount to be paid is uncertain because it is largely dependent on the future share price and dividend rate, which can fluctuate over time. Our estimate of TSR affects the amount of compensation and benefits expense recognized during the period. Our accrual is based on actual dividends paid, continuation of the most recent quarterly dividend and the closing share price of our common shares for the period. Having monitored fluctuations in our share price, we concluded that accruing our obligations in this manner provided a better estimate of the payout compared with an estimate based on a target. We have purchased derivative financial instruments that partially hedge the impact of our share price appreciation.

Identifiable Intangible Assets and Goodwill[21]

We account for our business acquisitions using the purchase method of accounting. In each of our business segments, we allocate the total cost of an acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives, and therefore require considerable judgment. These determinations, if any, will affect the amount of amortization and impairment charges recorded in future periods.

As the valuation of identifiable intangible assets and goodwill requires significant estimates and judgment about future performance and fair values, our future results could be affected if our current estimates of future performance and fair values change. We review the carrying values of identifiable intangible assets with indefinite lives and goodwill at least annually to assess impairment because these assets are not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances include significant negative exchange industry or economic trends, a significant decrease in the market value of the asset, or a significant change in regulatory or competitive factors or in the business climate that could affect the value of the asset.

We test for impairment as follows:

Goodwill

We test goodwill for impairment on a "reporting unit" level. A reporting unit is a business for which: (a) discrete financial information is available; and (b) segment management regularly reviews the operating results of that business.

We test goodwill for impairment using the following two-step approach:

- In the first step, we determine the fair value of each reporting unit. If the fair value of a reporting unit is less than its carrying value, this is an indicator that the goodwill assigned to that reporting unit might be impaired, which requires performance of the second step.
- In the second step, we allocate the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination, and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. We then compare that implied fair value of the reporting unit's goodwill to the carrying value of that goodwill. If the implied fair value is less than the carrying value, we recognize an impairment loss for that excess on the income statement.

In the first step of the test, the fair values of our reporting units were determined using the income approach and confirmed by benchmarking against market comparatives. Under the income approach, we estimated fair values for each reporting unit based on the present value of expected future cash flows and a terminal value. Using a discounted cash flow (DCF) approach, we estimate the discounted future cash flows for five to eight years, depending on the reporting unit, along with a terminal value. The expected cash flows are derived from our internal plans and adjusted for the probability of various scenarios that considered the market environment in which the reporting unit operates and general economic conditions. The terminal values incorporated a perpetual growth rate that varied by reporting unit based upon markets, trends and growth prospects. The discount rates used for each reporting unit were based upon our weighted average cost of capital and certain risk premiums. We performed our annual goodwill impairment analysis during the fourth quarter of 2010 and determined that the fair values of each of our reporting units exceeded their carrying values. Therefore, the second step of the impairment test was not required. There was no write-down of goodwill for the year ended December 31, 2010.

21 The "***Identifiable Intangible Assets and Goodwill***" section above contains certain forward looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

Identifiable Intangible Assets with Definite Life

We compare the expected undiscounted future operating cash flows associated with the asset to its carrying value to determine if the asset is recoverable. If the expected future operating cash flows are not sufficient to recover the carrying value, we estimate the fair value of the asset. Impairment is recognized when the carrying amount of the asset is not recoverable and when the carrying value exceeds fair value.

Identifiable Intangible Assets with Indefinite Life

Identifiable intangible assets with indefinite lives include those related to derivative products, trade names, regulatory designation, crude oil products, electricity products and index licenses. We determine the fair values of our intangible assets with indefinite lives using an income approach based on a DCF model. Impairment is recognized when the carrying amount exceeds fair value.

We assessed the possible impairment of our identifiable intangible assets by comparing their carrying values to fair values. The determination of fair value involves significant management judgment. Our most significant acquisitions include MX and BOX, both of which operate derivatives markets, and a derivatives clearing house in the case of MX, as well as NTP, which trades and clears crude oil using NGX's trading system and clearing facility.

BOX

In addition to the existing competition, there have been new entrants into the U.S. options market offering various incentives to attract liquidity to their marketplaces. The various pricing, technology and ownership models have affected BOX's ability to maintain market share and the growth rates that it had previously been achieving. The effect of this increased competitive environment, as reflected in an increased discount rate, and the reduction of the growth rates from historical levels, were the prime factors that resulted in an impairment of goodwill in 2009. The value of the goodwill and intangibles prior to impairment was approximately $119.0 million. The estimate of the impairment ranged from $0 to approximately $119.0 million and a goodwill write down of $77.3 million was recorded in 2009 based on the estimated fair value of BOX (*see* **Impairment of Goodwill**). Management at BOX developed new services in 2009 and introduced new pricing to reverse the reduction in market share; however, it is premature to conclude whether these or other initiatives to incent liquidity will be successful over time. Based on current assumptions, the fair value of BOX intangible assets remains above carrying value.

MX

MX activity and growth was affected by the credit crisis and the follow on economic conditions. Specifically, the deleveraging of balance sheets and historically low and stable interest rates reduced fixed income and overall derivatives activity. However, the view of management is that this reduction was temporary and that the fundamental growth opportunities that were included in the original valuation of MX are still valid. As the economic recovery began, interest rate forecasts reflected a rising yield curve. The speculation and uncertainty with respect to future growth rates should continue to lead to greater hedging and trading activity. In 2010, MX had a record year for contracts traded. In addition, the size of the Canadian derivatives market relative to the size of the underlying cash market is still substantially below that of global peers, thus leaving much room for growth if new technology, products and participants are added to the marketplace. Lastly, the global push from regulators and market participants to move over the counter derivatives products to exchange traded and/or centrally cleared models suggests further upside potential. It is the combination of the foregoing that resulted in management maintaining the growth projections and discount rates at levels that were in line with the original assumptions, such that MX goodwill is not impaired. Changes in these assumptions, which could occur if these growth opportunities are not achieved, could result in a material reduction in goodwill and intangible assets. This would be a non-cash charge in the derivatives segment that would impact net income and shareholder equity. If a write-down was to occur and it was greater than $412.0 million, it is possible that the financial covenants in our Term Loan would not be met and this debt would need to be repaid prior to expiry on April 18, 2011. Based on current assumptions, the fair value of MX intangible assets remains above carrying value.

NTP Intangible Assets

The intangible assets related to the acquisition of NTP are largely related to the cash flows and customer base of NTP. As we have converted NTP to NGX's fully backstopped clearing model, a number of customers have not maintained their level of activity in these crude oil products. NGX has a number of initiatives to encourage these customers to grow their level of activity, however if NGX is unsuccessful in these efforts, it is possible that $47.0 million of intangible assets would need to be reduced. NTP was converted to the NGX clearing model in May 2009. In addition, in January 2011, we announced an agreement to add Canadian and U.S. physical and Canadian financial crude oil products to NGX's existing clearing and technology alliance with ICE. Based on current assumptions, the fair value of NTP intangible assets remains above carrying value.

Changes in Accounting Policies

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards (IFRS)[22]

The Canadian Accounting Standards Board requires publicly accountable enterprises such as us to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the 2010 TMX Group audited annual financial statements will be the last prepared under pre-conversion Canadian GAAP, and the conversion to IFRS will be applicable to our reporting for the quarter ending March 31, 2011, for which current and comparative information will be prepared under IFRS.

In 2011, we will also prepare comparative information for 2010, both for interim and annual financial statements, as applicable, on an IFRS basis. Our consolidated financial statements for the year ending December 31, 2011, will be our first annual financial statements that comply with IFRS. As this will be our first year of reporting under IFRS, IFRS 1, First-time Adoption of IFRS ("IFRS1"), will be applicable.

In accordance with IFRS1, we will apply IFRS retrospectively as of January 1, 2010, for comparative purposes as if IFRS had always been in effect, subject to certain mandatory exceptions and optional exemptions applicable to us, discussed below.

Senior management and the Finance & Audit Committee have approved our IFRS accounting policies. The International Accounting Standards Board (IASB) has several projects underway that could affect the differences currently identified between Canadian GAAP and IFRS including the Exposure Draft on Revenue from Contracts from Customers, discussed below.

The expected impact from the transition on our financial position and financial performance is discussed below.

Initial Adoption – Impacts of the Conversion to IFRS

Based on our assessments to date and our interpretation of IFRS currently in effect, the areas expected to be affected by our conversion from current Canadian GAAP to IFRS are set out below in order of significance. For each affected area identified, any applicable IFRS1 exemptions and accounting policy differences between current Canadian GAAP and IFRS standards are discussed. The expected dollar impacts of adoption on TMX Group's financial position and financial performance outlined below are unaudited financial information. We believe revenue recognition of initial and additional listing fees and the resulting tax effect will have the most significant impact on our financial statements upon transition to IFRS.

Revenue Recognition

The most significant area of impact will be in the recognition of Issuer Services Revenue related to initial and additional listing fees, along with the associated impact on future income tax assets. Initial and additional listing fees for both Toronto Stock Exchange and TSX Venture Exchange will be impacted. No other sources of revenue will be impacted by the conversion to IFRS.

- *Accounting policy difference between Canadian GAAP and IFRS:*

Canadian GAAP	IFRS
Initial and additional listing fees are recorded as deferred revenue – initial and additional listing fees, and recognized on a straight-line basis over an estimated service period of ten years in accordance with EIC 141, Revenue Recognition.	Initial and additional listing fees are recognized in full in the period when the listings occur.

- *Impact of Adoption on TMX Group:*

On the Transition Date, short-term deferred revenue – initial and additional listing fees and long-term deferred revenue – initial and additional listing fees will be reduced by $78.0 million and $405.1 million respectively, with the offset to retained earnings. The tax effect on the above transition adjustment will be a reduction of $128.4 million in future income tax assets with the offset to retained earnings.

The following is a six-year history of total issuer services revenue reported under Canadian GAAP and total issuer services revenue billed to Toronto Stock Exchange and TSX Venture Exchange issuers, which shows the impact this accounting policy change would have had on historical issuer services revenue, had IFRS been in effect during the periods identified.

(in millions of dollars)

	2005	2006	2007	2008	2009	**2010**
Total issuer services revenue under IFRS+	$ 146.3	$ 175.9	$ 212.5	$ 181.2	$ 173.3	**$ 213.1**
Total issuer services revenue under current Canadian GAAP+	$ 87.7	$ 108.5	$ 133.9	$ 153.0	$ 143.0	**$ 163.0**
Incremental revenue that would have been reported under IFRS	$ 58.6	$ 67.4	$ 78.6	$ 28.2	$ 30.3	**$ 50.1**

22 The "***Transition to International Financial Reporting Standards***" section above contains certain forward looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

\+ For 2008, 2009 and 2010, provisions for doubtful accounts receivable are included in *General and Administration* expense whereas in previous years, these provisions were reflected as a reduction in various sources of revenue. Unaudited.

In June 2010, the IASB issued an Exposure Draft on Revenue from Contracts from Customers ("ED") and requested comments by October 22, 2010. The ED does not specify an effective date for the new standard; however, it proposes that the amendments be applied retrospectively. We are currently considering the impact that this ED will have on Issuer Services Revenue. It is possible that it could result in a deferral of initial and additional listing fees.

Business Combinations

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply IFRS 3 (revised) – Business Combinations ("IFRS 3"), prospectively from the Transition Date or retrospectively only to acquisitions after a chosen date that is prior to the Transition Date. Not taking this exemption would require retrospective restatement of all business combinations occurring before the Transition Date.

Election – We have elected not to apply IFRS 3 retrospectively to business combinations that occurred before 2008, the year of our most significant acquisition (MX). The acquisitions of MX, BOX and NTP will therefore be restated to reflect the requirements of IFRS 3 upon adoption of IFRS.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Measurement of purchase price:

Canadian GAAP	IFRS
Shares issued as consideration are measured at their estimated fair value on the date the parties to the business combination reach an agreement on the purchase price and the proposed transaction is announced.	Shares issued as consideration are measured at their fair value on the acquisition date.

- Acquisition costs:

Canadian GAAP	IFRS
Direct and incremental costs of business combinations are recognized as part of the purchase cost.	Acquisition related costs are accounted for separately from the business combination and they are expensed as incurred.

- Restructuring provisions:

Canadian GAAP	IFRS
If certain conditions are met, the costs of restructuring activities are included as part of the purchase price even if a present obligation does not exist as of the date of acquisition.	Restructuring provisions are included as part of the business combination only if they represent a present obligation as of the date of acquisition.

- Non-controlling interests:

Canadian GAAP	IFRS
Non-controlling interests are recorded at their share of the existing carrying values of the net assets acquired.	Non-controlling interests are recorded at either their fair value or their proportionate share of the fair value of the acquiree's net assets. TMX Group plans to adopt the latter method.

- Increase in ownership of a subsidiary:

Canadian GAAP	IFRS
Increase in ownership interests of a subsidiary are accounted for using the purchase method.	When an entity increases its ownership in an investment that results in the acquisition of control, the previously held equity interests are re-measured to fair value through net earnings. When an entity increases its ownership in a previously controlled subsidiary, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

- Contingent liabilities:

Canadian GAAP	IFRS
Contingent liabilities assumed in a business combination are recognized when it is probable that a liability has been incurred on the date of acquisition and when the amount can be reasonably estimated.	A contingent liability is recognized at fair value on the date of acquisition if it is a present obligation that arises from past events and its fair value can be measured reliably.

- *Impact of Adoption on TMX Group:*

The acquisitions of MX, BOX and NTP will be restated under IFRS 3 on transition, and as a result of this, the acquisition accounting will be amended. The goodwill associated with the MX acquisition will decrease by $155.5 million, share capital will decrease by $141.1 million, and retained earnings will decrease by $14.4 million. Intangible assets related to the acquisition of BOX will increase by $14.3 million, non-controlling interests will increase by $16.0 million, and will be reclassified to equity, and retained earnings will decrease by $1.7 million. The goodwill related to the acquisition of NTP will decrease by $5.3 million, share capital will decrease by $3.6 million, and retained earnings will decrease by $1.7 million. The tax effect on the above transition adjustments will be a reduction of $0.5 million in goodwill with the offset to retained earnings.

Impairment of Assets:

- *Accounting policy differences between Canadian GAAP and IFRS:*

Canadian GAAP	IFRS
An impairment loss is recognized when a long lived asset's carrying amount exceeds its recoverable amount, which is estimated, by TMX Group, as the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the excess of the asset's carrying value over its fair value.	An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell and its value-in-use.

- *Impact of Adoption on TMX Group:*

An impairment charge of $14.8 million will be recognized on the Transition Date in respect of the BOX trading participants intangible asset, $6.8 million of which relates to the non-controlling interests share, with the remaining $8.0 million relating to our share and therefore will be charged to retained earnings on transition.

Employee Benefits:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to recognize all cumulative unamortized actuarial gains and losses directly to retained earnings on the Transition Date, thus resetting unamortized actuarial gains and losses to zero. Not taking this exemption would require retrospective application of IAS 19 – Employee Benefits ("IAS 19"), from the inception of all benefit plans.

Election – We have elected to apply this exemption, and recognize all unamortized actuarial gains and losses under previous Canadian GAAP to retained earnings on the Transition Date. In taking this exemption, we will be applying IAS 19 retrospectively from the Transition Date.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Actuarial gains and losses:

Canadian GAAP	IFRS
We amortize actuarial gains (losses) arising from employee benefit plans over the expected average remaining service period of active employees when the net accumulated actuarial gain (loss) is in excess of 10% of the greater of the accrued benefit obligations and the fair value of plan assets at the beginning of the fiscal year.	As permitted under IAS 19, we will recognize all actuarial gains and losses immediately in other comprehensive income without flowing through to the income statement in subsequent periods.

- Measurement date:

Canadian GAAP	IFRS
We measure the defined benefit obligation and plan assets for certain plans as of September 30.	We are required to determine the present value of the defined benefit obligation and the fair value of plan assets at the date of the statement of financial position. As a result, on the Transition Date, we will change the measurement date of our plans to December 31.

- Recognition of past service costs:

Canadian GAAP	IFRS
Past service costs arising from plan amendments or initiation are amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.	Past service costs arising from plan amendments or initiation are amortized on a straight-line basis over the expected average period remaining to vest. Any benefits already vested are recognized immediately in earnings.

- Limit on accrued benefit asset:

Canadian GAAP	IFRS
When a defined benefit plan gives rise to an accrued benefit asset, a valuation allowance is recognized for any excess of the accrued benefit asset over the expected future benefit, and the accrued benefit asset is presented net of any valuation allowance in the balance sheet. Any change in the valuation allowance is recognized in net earnings.	IFRS also sets a limit on the accrued benefit asset that can be recognized in the statement of financial position, although this is calculated differently than under current Canadian GAAP. Any change in the recoverable amount will be recognized immediately in other comprehensive income.

- *Impact of Adoption on TMX Group:*

Pension benefit assets and accrued employee benefits payable will be reduced by $8.2 million and $0.1 million respectively, with the offset of $8.1 million to retained earnings. The tax effect on the above transition adjustment will be a net decrease of $2.0 million in future income tax liabilities, with the offset to retained earnings.

Leases:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply IFRIC 4 – Determining whether an Arrangement contains a Lease ("IFRIC 4"), only to arrangements existing at the Transition Date. An additional exemption also exists, allowing a first-time adopter to opt out of reassessing its arrangements under IFRIC 4 if it has already assessed whether an arrangement contains a lease in accordance with current Canadian GAAP EIC-150 – Determining Whether an Arrangement Contains a Lease ("EIC 150").

Election – We have elected to apply both exemptions thus limiting our reassessment under IFRIC 4 to arrangements in place at the Transition Date that were not subject to the scope of EIC 150 under previous Canadian GAAP.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Classification:

Canadian GAAP	IFRS
The criteria used to determine whether a lease is to be classified as an operating or a capital lease includes "bright-line" thresholds such as whether the lease term is greater than 75% of the economic life of the leased asset, or the present value of the minimum lease payments is above 90% of the fair value of the lease.	The criteria for lease classification rely heavily on the substance of the agreement and do not include any "bright-line" thresholds.

- Present value of minimum lease payments:

Canadian GAAP	IFRS
The present value of minimum lease payments is calculated using the lower of (i) the interest rate implicit in the lease; and (ii) the lessee's incremental borrowing rate.	The present value of minimum lease payments should be determined using the interest rate implicit in the lease. The lessee's incremental borrowing rate should only be used when the interest rate implicit in the lease cannot be determined.

- *Impact of Adoption on TMX Group:*

A number of leases will be reclassified on the Transition Date from capital leases to operating leases. As a result, obligations under finance leases, and the associated equipment assets, will decrease by $7.1 million on the statement of financial position.

Share Based Payments:

- *IFRS 1 Exemption:*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 – Share-based Payments ("IFRS 2"), to equity instruments granted on or before November 7, 2002, or to equity instruments granted after that date but which have vested by the Transition Date. In addition, it encourages, but again does not require, first-time adopters to apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before the Transition Date.

Election – We have elected to only apply IFRS 2 to equity instruments granted after November 7, 2002, and remaining unvested at the Transition Date as well as to liabilities remaining unsettled as at the Transition Date.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Recognition of expense:

Canadian GAAP	IFRS
For share-based awards with graded vesting we recognize the total fair value of the award on a straight-line basis over the vesting period.	Each tranche of an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each tranche is accounted for on that basis.

- Forfeitures:

Canadian GAAP	IFRS
Forfeitures of awards are recognized as they occur.	Compensation cost is recognized based on an estimate of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures differ from the estimate.

- Cash-settled share based payments:

Canadian GAAP	IFRS
A liability for Restricted Share Units and Deferred Share Units is accrued based on the intrinsic value of the award with changes in the intrinsic values at each reporting period recognized in the income statement.	We are required to measure the liability at fair value on the date of grant and at each subsequent reporting date by applying an option pricing model. Changes in fair value are recognized in the income statement.

- *Impact of Adoption on TMX Group:*

The share option plan component of equity will increase by $0.9 million as a result of the changes in the accounting treatment of share options, and accounts payable and other liabilities will decrease by $0.6 million in respect of the cash-settled share based payments, the offset to which will decrease retained earnings by $0.3 million. The tax effect on the above transition adjustment will be a decrease of $0.1 million in future income tax assets with the offset to retained earnings.

Cumulative translation differences:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to recognize all cumulative translation differences relating to foreign operations directly to retained earnings on the Transition Date, thus resetting the cumulative translation adjustment account to zero. Not taking this election would require retrospective application of IAS 21 – The Effect of Changes in Foreign Exchange Rates ("IAS 21"), from the date the foreign operations were formed or acquired.

Election – We have elected to apply this exemption, and reset all of our cumulative translation differences to zero through retained earnings on the Transition Date.

- *Impact of Adoption on TMX Group:*

The Cumulative Translation Adjustment (CTA) balance of $3.2 million as at the Transition Date will be recognized as an adjustment to retained earnings on transition to IFRS. The application of the exemption will have no impact on net equity.

Decommissioning liabilities included in the cost of property, plant & equipment:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply the guidance in IFRIC 1 – Changes in Existing Decommissioning, Restoration and Similar Liabilities ("IFRIC 1"), prospectively from the Transition Date, as opposed to retrospectively. IFRIC 1 requires that changes in these liability estimates be added to, or deducted from, the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

Election – We have elected to apply this exemption, therefore applying the requirements of IFRIC 1 prospectively to decommissioning liabilities that existed as at the Transition Date.

Income Taxes:

- *Accounting policy differences between Canadian GAAP and IFRS:*

Canadian GAAP	**IFRS**
The recognition of future income taxes relating to temporary differences arising from intercompany transactions is prohibited.	There is no such prohibition under IFRS.

- *Impact of Adoption on TMX Group:*

Future income tax assets will be reduced by $0.2 million on transition, with the offset to retained earnings.

Reconciliation of Shareholders' Equity on transition

The following summarizes the impact (net of tax) of the above mentioned changes on shareholders' equity as of January 1, 2010 on transition to IFRS.

(in millions of dollars) (Unaudited)	**January 1, 2010**
Shareholders' Equity under Canadian GAAP	**$ 770.6**
IFRS adjustments increasing (decreasing) reported equity:	
Revenue recognition	**354.7**
Business combinations	**(163.0)**
Other items	**(13.8)**
Total Shareholders' Equity under IFRS	**$ 948.5**

Reconciliation of net income for Q1/10

The following is a reconciliation of the impact of the differences discussed above on our net income for Q1/10.

(Unaudited and preliminary estimates, in millions of dollars)

	Canadian GAAP Three Months Ended March 31, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts°	IFRS Three Months Ended March 31, 2010
Revenue:				
Issuer services	$ 39.7	$ 9.7	$ –	$ 49.4
Trading, clearing and related	59.0			59.0
Information services	37.4			37.4
Technology services and other	3.6			3.6
	139.7	9.7		149.4
Expenses:				
Compensation and benefits	32.2		0.1	32.3
Information and trading systems	12.1		0.8	12.9
General and administration	16.9			16.9
Amortization	8.4		(0.8)	7.6
	69.6		0.1	69.7
Income from operations	70.1	9.7	(0.1)	79.7
Income from investment in affiliates	0.2			0.2
Investment income	0.8			0.8
Interest expense	(1.2)			(1.2)
Mark to market on interest rate swaps	(0.1)			(0.1)
Income before income taxes	69.8	9.7	(0.1)	79.4
Income taxes	21.1	1.6	0.1	22.8
Net income before non-controlling interests	48.7	8.1	(0.2)	56.6
Non-controlling interests	(0.4)		(0.1)	(0.5)
Net income	$ 49.1	$ 8.1	$ (0.1)	$ 57.1

Transition plan update

TMX Group commenced its IFRS conversion project in 2008. The IFRS project consists of three phases – (i) scoping, (ii) evaluation and design, and (iii) implementation and review. We have completed the first two phases of the project and are in the final stages of the implementation and review phase of the conversion plan.

The following outlines the key activities in our IFRS conversion plan and provides an update on the status of the various milestones achieved as part of our transition to IFRS.

° Includes IFRS impacts on Pension and Other Post Employment Benefits, Impairment of Intangible Assets, Reclassification of Leases (from Capital to Operating), Share Based Payments and Income Taxes.

Key Activity	Milestones	Status
Financial statement preparation:		
• Identify accounting differences between Canadian GAAP and IFRS accounting policies, and any associated accounting policy choices available • Select TMX Group's ongoing IFRS policies • Select TMX Group's IFRS 1 policy choices • Develop IFRS-compliant financial statement format • Quantify the effects of these changes on the financial statements	Key differences identified and tentative accounting policy decisions made and presented to the Finance & Audit Committee by the end of 2009. Final senior management sign-off and Finance & Audit Committee review of all items in advance of transition (by Q3/10)	Completed analysis and quantification of the differences identified and an assessment of the accounting policy choices available during 2010. Accounting policy choices, including IFRS 1 elections, were approved by the Finance & Audit Committee in October 2010. Opening statement of financial position reconciliation is complete. Development of financial statement format and the initial IFRS 1 disclosure is substantially complete.
Training:		
Define and introduce the appropriate level of IFRS expertise for the following: • Core IFRS team • Other affected finance staff • Senior executives and the Board of Directors, including Finance & Audit Committee and Disclosure Committee members	Appropriate level of expertise in place throughout TMX Group by mid 2010.	Training plan completed. Finance & Audit Committee receives quarterly IFRS updates. A detailed training session for members of the Board of Directors and senior executives took place in Q3/10. Detailed training underway for core team since 2008, and ongoing throughout conversion. Training of other affected finance staff has taken place. Refresher took place in Q4/10 for both finance staff and other TMX Group management.
IT infrastructure:		
Confirm that business processes and systems are IFRS compliant, including: • IT system upgrades and changes • Gathering data for additional disclosure purposes • Budget and forecasting under IFRS	Confirm that systems can support dual reporting requirements by Q4/09. Business processes and systems required for additional disclosure and for budgeting to be in place by transition.	Review of dual reporting options is complete and relevant changes to the accounting and reporting systems completed in Q1/10 to enable dual reporting, which is largely complete. IT and business processes impact analysis included as part of the evaluation and design work. No major IT issues identified to date.
Control environment:		
• For all accounting policy changes identified, assess the control design and effectiveness implications (both ICFR and DC&P) • Implement changes to ICFR and DC&P as required	Key controls and design effectiveness implications to be assessed as part of the evaluation and design phase.	Internal Audit has assessed the key control design and effectiveness implications for ICFR and DC&P relating to the transition to IFRS and reviewed the adequacy of ICFR and DC&P changes proposed to date.
External reporting:		
Assess the effects of key IFRS-related accounting policy and financial statement changes on external reporting, including: • Identify the impact on financial covenants and regulatory capital adequacy requirements, and complete any required renegotiations/discussions • Consider expected MD&A communications up to and following transition • Consider the investor relations process for responding to IFRS-related queries, and confirm that 2011 investor relations communications are IFRS compliant	Publish regular updates on the status of the IFRS transition in the 2009 and 2010 annual and quarterly MD&A. Publish 2011 quarterly and annual financial statements and MD&A in accordance with IFRS, including 2010 comparatives and IFRS 1 required disclosures. Complete review, and address covenants and regulatory requirements as necessary by the end of Q3/10.	IFRS disclosure in the MD&A has been updated throughout the project. Identification of covenants and regulatory ratios that may be affected by the transition is complete. We have analyzed the impact on the various covenants under agreements as well as on ratios for regulatory purposes and have determined that the conversion to IFRS will not have a material impact on our recognition orders, financial viability ratios, or debt covenants. Investor communication plan prepared during Q4/09 and has been implemented. We have addressed the impact of transferring to IFRS in our communications with shareholders and potential investors.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining adequate disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our filings under securities legislation is filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding public disclosure. We regularly review our disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2010. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2010.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in NI 52-109. Internal control over financial reporting means a process designed by or under the supervision of the CEO and CFO, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of TMX Group; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of TMX Group are being made only in accordance with authorizations of management and directors of TMX Group; and (3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of TMX Group's assets that could have a material effect on the financial statements.

All internal control systems have inherent limitations and therefore our internal control over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Based on this evaluation, the CEO and CFO have concluded that our internal control over financial reporting was effective as of December 31, 2010.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter beginning October 1, 2010 and ended December 31, 2010 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Risks and Uncertainties

We have in place an integrated risk management process in which the Board assumes overall stewardship responsibility for risk; the Finance & Audit Committee of the Board assesses the adequacy of risk management policies and procedures; and the Risk Management Committee (comprised of senior management) oversees the implementation of risk management policies and processes. The management framework supporting the risk management objectives includes regular assessments of principal risks, and implementation of risk management tactics, which are monitored and adjusted as required.

We have identified the most significant risks to which we are exposed to be the following:

- Competition
- Economic
- Regulatory
- Product/Service Relevance
- Human Resources
- Execution/Strategic
- Technology
- Interface/Dependency
- Currency
- Credit
- Litigation
- Integration
- Business Continuity/Geopolitical
- Intellectual Property
- Corporate Structure

These risks are taken into account when developing and implementing TMX Group strategies, tactics, policies, operating procedures and governance processes.

The risks and uncertainties described below are not the only ones facing TMX Group. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also adversely affect our business. If any of the following risks actually occur, our reputation, business, financial condition, or operating results could be materially adversely affected.

Competition Risk

We Face Competition from Other Exchanges, ATSs, OTC Markets and Other Sources

Our listing and trading cash equities, derivatives, energy and fixed income markets face competition from other exchanges as well as from other marketplaces, the OTC markets and other sources. Technological advances have lowered barriers to entry and have facilitated the establishment of new marketplaces and trading mechanisms, such as ATSs and electronic communication networks (ECNs as they are known in the United States), to electronically trade cash equities, derivatives and other financial instruments outside traditional exchanges. This competition has intensified domestically in our cash equities markets and may continue to intensify in the future, especially as these technological advances create pressure to develop more efficient and less costly trading in both global and regional domestic markets. If we cannot maintain and enhance our ability to compete or respond to competitive threats, this will have an adverse impact on our business, financial condition and operating results.

Our Equity Exchanges Face Increased Competition from Other Exchanges, New Marketplaces and Trading Mechanisms

We face increased competition for business from other exchanges, especially those in the United States as they consolidate and investing becomes more global. We face competition from foreign exchanges for listings of Canadian-based issuers and trading in their securities. If we are unable to continue to provide competitive trade execution, the volume traded in Canadian-based interlisted issuers on our equity exchanges could decrease in the future and adversely affect our operating results.

ATSs have a framework to operate in Canada under the ATS Rules. The ATS formed by a group of Canada's banks and investment dealers to trade Toronto Stock Exchange and TSX Venture Exchange listed securities has become a significant competitor in our cash equities markets and could, in the future, become a competitor for our listing business. In April 2010, this ATS submitted an application with the OSC for recognition as an exchange, which if granted, would give them the ability to list securities. There are also a number of other ATSs, both dark and visible trading venues, including mechanisms to internalize order flow within a PO, which trade or intend to trade Toronto Stock Exchange and TSX Venture Exchange listed securities. Some ATSs appear to operate without apparent profit motives.

These ATSs may, among other things, respond more quickly to competitive pressures, especially if they are not subject to the same degree of regulatory oversight as we are, develop similar products to those Toronto Stock Exchange and TSX Venture Exchange offer that are preferred by customers, or they may develop alternative competitive products, or they may price their trading and data products more competitively in order to gain market share, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user friendly and reliable technology. If these ATSs attract significant order flow, or other structural changes occur in the marketplace, our trading and information services revenue could be materially adversely affected.

There is intense price competition in the cash equities markets. While we have developed a pricing mix to attract greater liquidity to our markets, the competitive environment in which we operate places significant pricing pressures on our trading and market data offerings. Some competitors may seek to increase their share of trading by reducing their transaction fees, by offering larger liquidity payments, by offering inverted pricing or by offering other forms of financial or other incentives. We have in the past lowered our equity trading fees and we may, in the future, be required to adjust our pricing to respond to competitive pricing pressure. If we are unable to compete successfully with respect to the pricing of our offerings, our business, financial condition and results of operations could be materially adversely affected.

Our Derivatives Markets Face Competition from Other Marketplaces

MX and BOX are in direct competition with, among others, securities, options and other derivatives exchanges as well as ATSs or ECNs and other trading and crossing venues, some of our clearing member firms and interdealer brokerage firms. This competition exists particularly in the United States, but also in Europe and Asia. In Canada, MX's competition in derivatives trading is the OTC market. In the United States, BOX will continue to face increased competition in the U.S. equity options market. These competitors may, among other things, respond more quickly to competitive pressures, develop similar products to those MX and BOX offer that are preferred by customers or they may develop alternative competitive products, they may price their products more competitively, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user friendly and reliable technology. Increased competition could lead to reduced interest in MX's and BOX's products which could materially adversely affect our business and operating results.

The derivatives trading industry is characterized by intense price competition. While our derivatives markets have developed a pricing mix to attract greater liquidity to these markets while maintaining our average price per contract, market conditions may result in increased competition which, in turn, may place significant pricing pressures in the future. Some competitors may seek to increase their share of trading by reducing their

transaction fees, by offering larger liquidity payments or by offering other forms of financial or other incentives. Our business, financial condition and results of operations could be materially adversely affected as a result of these developments.

Our Energy Markets Face Competition from OTC Markets and Other Sources

NGX's business of trading and clearing natural gas, electricity and crude oil contracts faces primary competition in Canada and the United States from other exchanges, electronic trading and clearing platforms and from the OTC or bilateral markets (with support from voice brokers). Voice brokers continue to provide efficient contract matching services for both standardized and structured products and are expanding their service offerings to include access to clearing facilities for trading parties who may have credit constraints. If NGX is unable to compete with these platforms and markets including voice brokers, NGX may not be able to maintain or expand its business, which could materially affect its business and operating results.

Shorcan Energy faces competition primarily from other brokerage firms, including Net Energy Inc.

Our Fixed Income Markets Face Competition from OTC Markets and Other Sources

Shorcan has several competitors in the fixed income IDB market. If Shorcan fails to attract institutional dealer order flow from this market, it would adversely affect its operating results.

CanDeal faces competition primarily from the telephonic OTC market. If CanDeal fails to attract institutional order flow from this market, it would adversely affect its operating results.

New Technologies Make It Easier to Disseminate Our Information

Technological advances, and in particular the Internet, have made it easier to download and disseminate electronic information. As a result, third parties may be able to copy, infringe or otherwise profit from our proprietary rights without authorization. This may cause the value of our information to deteriorate since it is difficult to enforce restrictions on the use of information that is transmitted electronically. We may not be able to maintain or increase information services revenue if we cannot enforce our proprietary rights in the future.

Economic Risk

We Depend on the Economy of Canada

Our financial results are affected by the Canadian economy. If the profit growth of Canadian-based companies is generally lower than the profit growth of companies based in other countries, the markets on which those other issuers are listed may be more attractive to investors than our equity exchanges. The threat of a prolonged economic downturn may also have a negative impact on investment performance, which could materially adversely affect the number of new listed issuers, the market capitalization of our listed issuers, additional securities being listed or reserved, trading volumes across our markets and market data sales.

Our Operating Results May be Adversely Impacted by Global Economic Uncertainties

The economic and market conditions in Canada and the rest of the world impact the different aspects of our business and our revenue drivers. Because listing, financing and trading activities are significantly affected by economic, political and market conditions and the overall level of investor confidence, the extent of economic and market recovery will impact the level of listing activity (including IPOs), the market capitalization of our issuers, trading volumes and sales of data across our markets. In addition, customers on our energy markets that rely on the banks for credit facilities are now facing higher credit costs associated with complying with NGX's margining regime which could result in lower volumes on NGX.

We Depend on Market Activity that is Outside of Our Control

Our revenue is highly dependent upon the level of activity on our exchanges, including: the volume of securities traded on our cash markets; the number of transactions, volume of contracts or products traded and cleared on our derivatives and energy markets; the number and market capitalization of listed issuers; the number of new listings; the number of active traders and brokerage firms; and the number of subscribers to market data.

We do not have direct control over these variables. Among other things, these variables depend upon the relative attractiveness of securities traded on our exchanges and the relative attractiveness of our exchanges as a place to trade those securities as compared to other exchanges and other trading mechanisms. Those variables are in turn influenced by:

- the overall economic conditions in Canada and the United States in particular, and in the world in general (especially growth levels and political stability);
- broad trends in business and corporate finance, including capital market trends and the mergers and acquisitions environment;
- the condition of the resource sector;

- the interest rate environment and resulting attractiveness of alternative asset classes;
- the regulatory environment for investment in securities, including the regulation of marketplaces and other market participants;
- the relative activity and performance of global capital markets;
- investor confidence in the prospects and integrity of our listed issuers, and the prospects of Canadian-based listed issuers in general;
- pricing volatility of global commodities and energy markets; and
- changes in tax legislation that would impact the relative attractiveness of certain types of securities.

We may be able to indirectly influence the volume and value of trading by providing efficient, reliable and low-cost trading; maximizing the availability of timely, reliable information upon which research, advice and investment decisions can be based; and maximizing the ease of access to trading facilities. However, those activities may not have a positive effect on or effectively counteract the factors that are outside of our control.

Our Cost Structure is Largely Fixed

Most of our expenses are fixed and cannot be easily lowered in the short-term if our revenue decreases, which could have an adverse effect on our operating results and financial condition.

Regulatory Risk

We Are Subject to Significant Regulatory Constraints

We operate in a highly regulated industry and are subject to extensive government regulation and we could be subject to increased regulatory scrutiny in the future. The provincial securities regulators regulate us and our exchanges and in the case of CDCC and NGX, our clearing operations, and regulators in other jurisdictions may regulate our future operations. MX and CDCC are regulated as SROs in Québec. In addition, MX carries on activities in accordance with the regulations of securities regulators in the United States as a foreign board of trade (FBOT) and in France and the U.K. CDCC is also subject to regulatory requirements of the SEC and various U.S. state securities regulators. NGX also operates as an exempt commercial market (ECM) under the jurisdiction of the U.S. Commodity Futures Trading Commission (CFTC) and is registered as a derivative clearing organization (DCO) by the CFTC. BOX is an electronic equity options market and is regulated by the SEC.

BOX is also a party to a regulatory services agreement with NASDAQ OMX Group, Inc., NASDAQ OMX BX, Inc. ("BX"), formerly BSE, and Boston Options Exchange Regulation LLC ("BOXR"), a wholly-owned subsidiary of BX. The initial term of the agreement expires August 29, 2011 with automatic renewal terms thereafter. There are no rights to terminate the agreement during the initial term, except for breach. In the renewal term, either party can terminate the agreement with six months notice. BX has informed BOX it intends to terminate the regulatory services agreement. If BOX is required to seek another regulatory services provider, this could have an adverse effect on BOX's operations.

The Canadian securities regulators, regulating our cash equities, derivatives and energy exchanges and clearing operations, the SEC which regulates BOX and the CFTC which regulates NGX's clearing have broad powers to audit, investigate and enforce compliance with their regulations and impose sanctions for non-compliance.

Those Canadian and United States regulators are vested with broad enforcement powers to prohibit us from engaging in some of our business activities or suspend or revoke approval as a recognized exchange or clearing agency, as the case may be, and, in the case of MX, as an SRO. In the case of actual or alleged non-compliance with legal or regulatory requirements, our exchanges or clearing agencies could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of our approval as a recognized exchange, clearing agency and SRO, as applicable. Any such investigation or proceeding, whether successful or not, would result in substantial costs and diversions of resources and might also harm our reputation, any of which may have a material adverse effect on our business, financial condition and results of operations.

In addition, there may be a conflict between our self-regulatory responsibilities and some of our market participants. Although we have implemented stringent governance measures to avoid such conflicts, any failure to diligently and fairly regulate approved participants or to otherwise fulfill these regulatory obligations could significantly harm our reputation, prompt regulatory scrutiny and materially adversely affect our business, financial condition and results of operations.

This regulation may impose barriers or constraints which limit our ability to build an efficient, competitive organization and may also limit our ability to expand foreign and global access. Securities regulators also impose financial and corporate governance restrictions on us and our equity, derivatives and energy exchanges and clearing operations. Some of the securities regulators must approve or review our exchanges' listing rules, trading rules, fee structures and features and operations of, or changes to, our systems. These approvals or reviews may increase our costs and delay our plans for implementation. In Canada, ATSs operate under different rules than exchanges and we are subject to regulatory constraints or obligations that do not apply to all of our competitors. There could also be regulatory changes that impact our customers and that could materially adversely affect our business and results of operations.

Regulatory trends are not always predictable. The multi-market environment in Canada and the global economic crisis could lead to more aggressive regulation of our businesses by securities and other regulatory agencies both in Canada and the U.S. and could extend to areas of our businesses that to date have not been regulated. Expanding U.S. regulation and proposed initiatives, in particular, the Dodd-Frank Consumer Protection Act impacting OTC derivatives markets, ECMs, DCOs and FBOTs, among others, could increase the regulation of and cost of compliance for our markets whose business is impacted by U.S. regulatory developments. In Canada, the provincial securities regulators have released a proposal paper regarding the regulation of the Canadian OTC derivatives markets which could lead to expanded regulation and increase the cost of compliance for our markets whose business is impacted by these developments. Unexpected and new regulatory requirements could materially adversely affect our organization, customers, market position and results of operations.

Product/Service Relevance Risk

Our Exchanges Depend on the Development and Acceptance of New Products and Services

We are dependent to a great extent on developing and introducing new investment trading and clearing products and services and their acceptance by the investment community. While we continue to review and develop new products and services that respond to the needs of the marketplace, we may not continue to develop successful new products and services. Our current offerings may become outdated or lose market favour before we can develop adequate enhancements or replacements. Other exchanges, ATSs or ECNs may introduce new products or services or enhancements that make our offerings less attractive. Even if we develop an attractive new product, we could lose trading activity to another marketplace that introduces a similar or identical offering which offers greater liquidity or lower cost. We also may not receive regulatory approval (in a timely manner or at all) for our new offerings. Any of these events could materially adversely affect our business, financial condition and operating results.

Human Resources Risk

We Need to Retain and Attract Qualified Personnel

Our success depends to a significant extent upon the continued employment and performance of a number of key management personnel whose compensation is partially tied to vested share options and long-term incentive plans that mature over time. The value of this compensation is dependent upon total shareholder return performance factors, which includes appreciation in our share price. The loss of the services of key personnel could materially adversely affect our business and operating results. We also believe that our future success will depend in large part on our ability to attract and retain highly skilled technical, managerial and marketing personnel. There can be no assurance that we will be successful in retaining and attracting the personnel we require.

Execution/Strategic Risk

We May Not Be Successful in Implementing Our Strategy

We invest significant resources in the development and execution of our corporate strategy to grow profitability and maximize shareholder returns. We may not succeed in implementing our strategies. We have limited experience pursuing new business opportunities or growth opportunities in new geographic markets. We may have difficulty executing our strategies because of, among other things, increased global competition, difficulty developing and introducing products, or introducing new products on a timely basis, barriers to entry in other geographic markets, and changes in regulatory requirements. Any of these factors could materially adversely affect the success of our strategies.

New Business Activities May Adversely Affect Income

We may enter new business activities that could have an adverse effect on our existing profitability. While we would expect to realize new revenue from these new activities, there is a risk that this new revenue would not be greater than the associated costs or any related decline in existing revenue sources.

Expansion of Our Operations Internationally Involves Special Challenges that We May Not Be Able to Meet

We plan to continue our efforts to expand our operations internationally, including by opening offices in foreign jurisdictions, obtaining regulatory authorizations or exemptions to allow remote access to our markets by approved participants outside Canada and by relying on distribution systems established by strategic alliance partners. We expect that the expansion of access to our electronic markets will continue to increase the portion of our business that is generated from outside Canada. We face certain risks inherent in doing business in international markets, particularly in the regulated exchange and clearing business. These risks include:

- restrictions on the use of trading terminals or the contracts that may be traded;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations;

- potentially adverse tax consequences;
- enforcing agreements and collecting receivables through certain foreign legal systems; and
- foreign currency fluctuations for international business.

We would be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we obtain authorizations or exemptions for remote access to our markets. These may include laws, rules and regulations relating to any aspect of the business.

Any of these factors could have a material adverse effect on the success of our plans to grow our international presence and market products and services and consequently on our business, financial condition and results of operations.

Technology Risk

We Depend Heavily on Information Technology, Which Could Fail or Malfunction

We are extremely dependent on our information technology systems. Trading and data on our cash equities markets and trading and clearing on our derivatives and energy markets are conducted exclusively on an electronic basis. SOLA, the MX proprietary trading system, is currently in use at BOX and other venues. In addition, MX provides the technical operations services related to BOX's trading and surveillance platform.

We have incident and disaster recovery and contingency plans as well as back-up procedures to manage, mitigate and minimize the risk of an interruption or failure of the critical information technology of Toronto Stock Exchange, TSX Venture Exchange, TMX Datalinx, NGX, MX, CDCC and BOX. We also test and exercise our disaster recovery plans for trading on Toronto Stock Exchange, TSX Venture Exchange, MX and CDCC, and, in the case of our cash equities markets, include customers in that process. However, depending on an actual failure, those plans may not be adequate as it is difficult to foresee every possible scenario and therefore we cannot entirely eliminate the risk of a system failure or interruption. We have experienced occasional information technology failures and delays in the past, and we could experience future information technology failures and delays.

The current technological architecture for our cash equities, energy, derivatives trading and clearing and market data information technology systems may not effectively or efficiently support our changing business requirements. Over the past several years, we have made hardware and software upgrades in response to increases in order message and quote message volumes and transactions and to reduce overall average response time and optimize execution speeds to our cash equities, derivatives, energy and market data platforms.

We are continually improving our information technology systems so that we can handle increases and changes in our trading and clearing activities and market data volumes to respond to customer demand for improved performance. This requires ongoing expenditures which may require us to expend significant amounts in the future.

If the TSX Quantum trading enterprise, the SOLA derivatives trading enterprise or the SOLA Clearing platform fails to perform in accordance with expectations, our business, financial condition and operating results may be materially adversely affected.

If our systems are significantly compromised or disrupted or if we suffer repeated failures, this could interrupt our cash equities trading services, MX's trading and CDCC's and NGX's clearing services, as well as the services MX provides to BOX; cause delays in settlement; cause us to lose data; corrupt our trading and clearing operations, data and records; or disrupt our business operations, including BOX's operations. This could undermine confidence in our exchanges and materially adversely affect our reputation or operating results, and may lead to customer claims, litigation and regulatory sanctions.

Our Networks and Those of Our Third Party Service Providers May be Vulnerable to Security Risks

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our networks and those of our third party service providers, our POs and approved participants and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, any of which could have a material adverse effect on our business, financial condition and results of operations. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. Although we intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could lower trading volume and have a material adverse effect on our business, financial condition and results of operations.

Interface/Dependency Risk

We Depend on Adequate Numbers of Customers

If we determine that there is not a fair market, the markets will be shut down. There will not be a fair market if too few POs, or approved participants are able to access our cash equity or derivatives exchanges, including market data information generated from these exchanges, or if too few contracting parties are able to access NGX's market. If trading on our exchanges is interrupted or ceases, it could materially adversely affect our equity, derivatives or energy operations, our financial condition and our operating results.

Our Trading Operations Depend Primarily on a Small Number of Clients

During 2010, approximately 34% of our trading revenue on Toronto Stock Exchange and approximately 62% of our trading revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange. Our business, financial condition or operating results could be materially adversely affected if any one of these POs significantly reduced or stopped trading on our exchanges, or if two or more POs consolidated.

NGX currently has over 200 customers but is heavily reliant on large participants with approximately 43% of transaction fee revenue coming from its top 10 customers.

We Depend on Third Party Suppliers

We depend on a number of third parties, such as CDS, IIROC, data processors, software and hardware suppliers, communication and network suppliers and suppliers of electricity for elements of our trading, data and other systems. These providers may not be able to provide these services without interruption and in an efficient, cost-effective manner. They also may not be able to adequately expand their services to meet our needs. If a service provider suffers an interruption in or stops providing services and we cannot make suitable alternative arrangements, it could materially adversely affect our business, financial condition and operating results.

We Depend on and Are Restricted by Our License Agreements and Other Arrangements

Some of our products and systems depend on license agreements with third parties, that have various terms. We may not be able to renew these agreements on favourable terms or at all. Any future license agreement may provide opportunities for us, but it may also impose restrictions on us. If we fail to renew certain of our license agreements on favourable terms or at all, it may materially adversely affect our business.

Currency Risk

We Are Subject to Fluctuations in Exchange Rates

We are exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and accounts payable principally denominated in U.S. dollars. In 2010, we recognized U.S. dollar denominated revenue of approximately U.S. $105.0 million, including BOX, less various U.S. dollar expenses. The approximate impact of a 10% rise and a 10% decline in the Canadian dollar compared to the US dollar on these transactions as at December 31, 2010 is a $5.3 million decrease or increase in net income respectively. At December 31, 2010, cash and cash equivalents and accounts receivable, excluding BOX, and current liabilities, excluding those of BOX, include US $13.4 million and US $0.8 million respectively, which are exposed to changes in the U.S. – Canadian dollar exchange rate. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2010 is a $1.3 million decrease in net income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2010 is a $1.3 million increase in net income. In addition, net assets related to BOX are denominated in US dollars, and the effect of exchange rate movements on our share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2010 is a $5.2 million decrease in other comprehensive income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2010 is a $5.2 million increase in other comprehensive income.

We do not employ hedging strategies and therefore significant moves in exchange rates, specifically a strengthening of the Canadian dollar against the US dollar can have an adverse affect on the value of our revenue, expenses, or assets in Canadian dollars.

Credit Risk

We Could Suffer Losses as a Result of NGX's Clearing Activities

NGX is the central counterparty to each transaction (whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. By providing a clearing and settlement facility, NGX is subject to the risk of a counterparty defaulting simultaneously with an extreme market price movement. NGX manages this risk by applying standard rules and regulations, and using a conservative margining regime based on globally-accepted margin concepts. This margining regime involves valuing the market stress of client portfolios in real-time and requiring participants to deposit liquid collateral in excess of those valuations. NGX conducts market stress scenarios regularly to test the ongoing integrity

of its clearing operation. NGX also relies on established policies, instructions, rules and regulations as well as procedures specifically designed to actively manage and mitigate risks. There is no assurance that these measures will be sufficient to protect us from a default or that our business, financial condition and results of operations will not be materially adversely affected in the event of a significant default.

To backstop its clearing operations, NGX has a credit agreement in place with a Canadian chartered bank which includes a US$100 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100 million. In addition, NGX has covenanted under the agreement to maintain a minimum of $9 million of tangible net assets. If NGX suffers a loss on its clearing operations, it could lose its entire net worth. The bank could also realize up to a maximum of US$100 million on our unsecured guarantee, to the extent required to cover the loss.

NGX faces operational and other risks associated with the clearing business, which, if realized, could materially affect its business and operating results.

We cannot assure that these measures will be sufficient to protect us from a default or that our business, financial condition and results of operations will not be materially adversely affected in the event of a significant default.

We Could Suffer Losses as a Result of CDCC's Clearing Activities

CDCC acts as the central counterparty and guarantor of all transactions executed on MX's markets and on some OTC products. As a result, CDCC is exposed to the risk of default of its clearing members. CDCC primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

In order to manage the risks associated with the default of its clearing members, CDCC's principal technique is the collection of risk-based margin deposits in the form of cash, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate or transfer the clearing member's positions.

CDCC's margining system is complemented by a Daily Capital Margin Monitoring (DCMM) process that permits it to evaluate the ability of a clearing member to meet its margining requirements. On a daily basis, CDCC monitors the margin requirement of a clearing member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100%. The additional margin is equal to the excess of the ratio over 100%.

CDCC also maintains a clearing fund through deposits of cash and highly liquid securities from all clearing members. The aggregate level of clearing funds required from all clearing members must cover the worst loss that CDCC could face if one counterparty was failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. If, by a clearing member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund.

We cannot assure that these measures will be sufficient to protect us from a default or that our business, financial condition and results of operations will not be materially adversely affected in the event of a significant default.

Our Derivatives Business Could be Harmed by a Systemic Market Event

In case of sudden, large price movements, such market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. The impact of such an event could have a material adverse effect on our business. In such cases, it could be possible that clearing members default with CDCC. As referred to in the Credit Risk – CDCC section CDCC would use its risk management mechanisms to manage such a default. In extreme situations such as large scale market price moves or multiple defaults occurring at the same time, all these mechanisms may prove insufficient to cover losses and this would result in a loss.

Litigation Risk

We Are Subject to Litigation Risks

Some aspects of our business involve risks of litigation. Dissatisfied customers, among others, may make claims with respect to the manner in which we operate or they may challenge our regulatory actions, decisions or jurisdiction. Although we benefit from certain contractual indemnities and limitations on liabilities, these rights may not be sufficient. In addition, with the introduction of civil liability for misrepresentations in our continuous disclosure documents and statements and the failure to make timely disclosures of material changes in Ontario and certain other jurisdictions, dissatisfied shareholders can more easily make claims against us. We could incur significant legal expenses defending claims, even those without merit. If a lawsuit or claim is resolved against us, it could materially adversely affect our reputation, business, financial condition and operating results.

Integration Risk

We Face Risks Associated with Integrating the Operations, Systems and Personnel of New Acquisitions

As part of our strategy to sustain growth, we have and expect to continue to pursue appropriate acquisitions of other companies and technologies. An acquisition will only be successful if we can integrate the acquired businesses' operations, products and personnel; retain key personnel; and expand our financial and management controls and our reporting systems and procedures to accommodate the acquired businesses. It is possible that integrating an acquisition could result in less management time being devoted to other parts of our core business. If an investment, acquisition or other transaction does not fulfill expectations, we may have to write down its value in the future or sell at a loss.

Business Continuity/Geopolitical Risk

Geopolitical and Other Factors Could Interrupt Our Critical Business Functions

The continuity of our critical business functions could be interrupted by geopolitical upheaval, including terrorist, criminal, political and cyber, or by other types of external disruptions, including human error, natural disasters, power loss, telecommunication failures, sabotage and vandalism.

We have a series of integrated disaster recovery and business continuity plans for critical business functions to mitigate the risk of an interruption. We currently maintain duplicate facilities to provide redundancy and back-up to reduce the risk and recovery time of system disruptions for key systems at Toronto Stock Exchange, TSX Venture Exchange, MX, CDCC and BOX. However, not all systems are duplicated, and any major disruption may affect our existing and back-up facilities. Any interruption in our services could impair our reputation, damage our brand name, and negatively impact our financial condition and operating results.

Intellectual Property Risk

We May Be Unable to Protect Our Intellectual Property

To protect our intellectual property rights, we rely on a combination of trade-mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our affiliates, customers, strategic partners, and others. This protection may not be adequate to deter others from misappropriating our proprietary information. We may not be able to detect the unauthorized use of, or take adequate steps to enforce, our intellectual property rights. We have registered, or applied to register, our trade-marks in Canada and in some other jurisdictions. If we fail to protect our intellectual property adequately, it could harm our brand and affect our ability to compete effectively. It could also take significant time and money to defend our intellectual property rights, which could adversely affect our business, financial condition, and operating results.

We license a variety of intellectual property from third parties. Others may bring infringement claims against us or our customers in the future because of an alleged breach of such a license. If someone successfully asserts an infringement claim, we may be required to spend significant time and money to develop or license intellectual property that does not infringe upon the rights of that other person or to obtain a license for the intellectual property from the owner. We may not succeed in developing or obtaining a license on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if it is successful.

Corporate Structure Risk

We May Not be Able to Meet Cash Requirements Because of Our Holding Company Structure and Restrictions on Paying Dividends

As a holding company, our ability to meet our cash requirements and pay dividends on our shares depends in large part upon our subsidiaries paying dividends and other amounts to us. Our subsidiaries must comply with corporate and securities laws and with their agreements before they can pay dividends to us. In particular, the recognition order of TSX Inc. provides that if TSX Inc. fails to maintain any of its financial viability tests for more than three months, TSX Inc. will not, without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed by OSC staff. In addition, the recognition order of MX imposes similar restrictions on the payment of dividends. If MX fails to meet the financial viability ratios for more than three months, MX will not, without the prior approval of Quebec's AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months.

Restrictions on Ownership of TMX Group Shares May Restrict Trading and Transactions

Under the Securities Act (Ontario) and related regulations and orders, and pursuant to an undertaking we provided to the AMF as a condition to obtaining approval of the combination with MX, no person or company may own or exercise control or direction over more than 10% of any class or series of our voting shares, without obtaining the prior approval of the OSC and the AMF. Each of the OSC and the AMF will have complete discretion to grant its approval and may also change the 10% threshold in the future. A shareholder (or shareholders acting together) who contravenes these provisions may have its shares redeemed and have dividend and voting entitlements on its shares suspended. These restrictions may discourage trading in and may limit the market for our shares, may discourage potential acquisition and strategic alliance proposals, and may prevent transactions in which our shareholders could receive a premium for their shares.

Management Statement

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements, management's discussion and analysis, and other information in this annual report. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and, in the opinion of management, fairly reflect the financial position, results of operations and changes in the financial position of TMX Group Inc. Financial information contained throughout this annual report is consistent with the consolidated financial statements.

Acting through the Finance and Audit Committee, comprised of non-management directors, all of whom are independent directors within the meaning of Multilateral Instrument 52-110-Audit Committees, the Board of Directors oversees management's responsibility for financial reporting and internal control systems. The Finance and Audit Committee is responsible for reviewing the consolidated financial statements and management's discussion and analysis and recommending them to the Board of Directors for approval. To discharge its duties the Committee meets with management and external auditors to discuss audit plans, internal controls over accounting and financial reporting processes, auditing matters and financial reporting issues.

TMX Group's external auditors appointed by the shareholders, KPMG LLP, are responsible for auditing the consolidated financial statements and expressing an opinion thereon. The external auditors have full and free access to, and meet periodically with, management and the Finance and Audit Committee to discuss the audit.

Thomas A. Kloet
Chief Executive Officer
TMX Group Inc.
February 9, 2011

Michael Ptasznik
Senior Vice President and Chief Financial Officer
TMX Group Inc.

Independent Auditors' Report

To the Shareholders of TMX Group Inc.

We have audited the accompanying consolidated financial statements of TMX Group Inc. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TMX Group Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

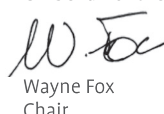
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 9, 2011

Consolidated Balance Sheets

(In thousands of Canadian dollars)	December 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents (note 4)	**$ 68,797**	$ 87,978
Marketable securities (note 4)	**261,605**	103,169
Restricted cash	**1,105**	911
Accounts receivable	**89,680**	79,427
Energy contracts receivable (note 21)	**754,933**	714,545
Fair value of open energy contracts (note 21)	**141,894**	202,760
Daily settlements and cash deposits (note 21)	**193,065**	565,408
Prepaid expenses	**6,699**	6,032
Income taxes recoverable	**3,116**	4,619
Future income tax assets (note 20)	**29,651**	26,675
	1,550,545	1,791,524
Premises and equipment (note 5)	**33,570**	31,556
Future income tax assets (note 20)	**152,500**	144,551
Other assets (note 6)	**28,043**	27,745
Investment in affiliate, at equity (note 7)	**14,152**	12,845
Intangible assets (note 8)	**920,482**	932,443
Goodwill (note 8)	**582,627**	583,811
Total Assets	**$ 3,281,919**	$ 3,524,475
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 59,093**	$ 44,883
Energy contracts payable (note 21)	**754,933**	714,545
Fair value of open energy contracts (note 21)	**141,894**	202,760
Daily settlements and cash deposits (note 21)	**193,065**	565,408
Deferred revenue	**18,651**	15,074
Deferred revenue – initial and additional listing fees (note 14)	**88,887**	78,001
Fair value of interest rate swaps (note 11)	**697**	2,117
Future income tax liabilities (note 20)	**10**	118
Obligations under capital leases (note 12)	**3,326**	3,413
Income taxes payable	**6,090**	3,232
Term loan (note 10)	**429,754**	–
	1,696,400	1,629,551
Accrued employee benefits payable (note 9)	**12,843**	12,787
Obligations under capital leases (note 12)	**3,799**	5,512
Future income tax liabilities (note 20)	**236,736**	234,697
Other liabilities (note 13)	**23,259**	21,832
Deferred revenue	**1,011**	882
Deferred revenue – initial and additional listing fees (note 14)	**444,338**	405,123
Fair value of interest rate swaps (note 11)	**–**	3,584
Term loan (note 10)	**–**	429,016
Total Liabilities	**2,418,386**	2,742,984
Non-controlling Interests	**10,422**	10,915
Shareholders' Equity:		
Share capital (note 15)	**1,104,131**	1,102,619
Share option plan (note 17)	**11,220**	8,708
Deficit	**(261,727)**	(343,975)
Accumulated other comprehensive (loss) income	**(513)**	3,224
Total Shareholders' Equity	**853,111**	770,576
Commitments and contingent liabilities (notes 12 and 25)		
Total Liabilities and Shareholders' Equity	**$ 3,281,919**	$ 3,524,475

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Wayne Fox
Chair

J. Spencer Lanthier
Director

Consolidated Statements of Income

Years ended December 31, 2010 and 2009 *(In thousands of Canadian dollars, except per share amounts)*	**2010**	2009
Revenue:		
Issuer services	**$ 162,955**	$ 142,962
Trading, clearing and related	**242,165**	237,535
Information services	**154,415**	149,004
Technology services and other	**15,928**	30,631
Total revenue	**575,463**	560,132
Expenses:		
Compensation and benefits	**133,478**	129,369
Information and trading systems	**47,773**	46,120
General and administration	**72,967**	69,266
Amortization	**32,307**	32,194
Total operating expenses	**286,525**	276,949
Income from operations	**288,938**	283,183
Income from investment in affiliate	**1,307**	420
Unrealized loss on investment carried at cost (note 21)	**(1,662)**	–
Investment income	**5,212**	4,623
Goodwill impairment charge	**–**	(77,255)
Interest expense (note 10)	**(6,205)**	(6,071)
Net mark to market on interest rate swaps (note 11)	**(223)**	(1,414)
Income before income taxes	**287,367**	203,486
Income taxes (note 20)	**90,741**	96,952
Net income before non-controlling interests	**196,626**	106,534
Non-controlling interests	**91**	1,833
Net income	**$ 196,535**	$ 104,701
Earnings per share (note 19):		
Basic	**$ 2.64**	$ 1.41
Diluted	**$ 2.64**	$ 1.41

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31, 2010 and 2009 *(In thousands of Canadian dollars)*		**2010**		**2009**
Net income	**$**	**196,535**	$	104,701
Other comprehensive loss:				
Unrealized loss on translating financial statements of self-sustaining foreign operations (net of tax – $nil)		**(3,737)**		(20,880)
Comprehensive income	**$**	**192,798**	$	83,821

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2010 and 2009 *(In thousands of Canadian dollars)*	**2010**	2009
Common shares:		
Balance, beginning of period	**$ 1,102,619**	$ 1,084,399
Issuance of common shares	**–**	32,052
Proceeds from options exercised	**1,226**	573
Cost of exercised options	**286**	170
Purchased under normal course issuer bid	**–**	(14,575)
Balance, end of period	**1,104,131**	1,102,619
Share option plan:		
Balance, beginning of period	**8,708**	5,969
Cost of exercised options	**(286)**	(170)
Cost of share option plan	**2,798**	2,909
Balance, end of period	**11,220**	8,708
Deficit:		
Balance, beginning of period	**(343,975)**	(319,843)
Net income	**196,535**	104,701
Dividends on common shares	**(114,287)**	(112,973)
Shares purchased under normal course issuer bid	**–**	(15,860)
Balance, end of period	**(261,727)**	(343,975)
Accumulated other comprehensive (loss) income:		
Balance, beginning of period	**3,224**	24,104
Unrealized loss on translating financial statements of self-sustaining foreign operations	**(3,737)**	(20,880)
Balance, end of period	**(513)**	3,224
Shareholders' equity, end of period	**$ 853,111**	$ 770,576

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009 *(In thousands of Canadian dollars)*	2010	2009
Cash flows from (used in) operating activities:		
Net income	**$ 196,535**	$ 104,701
Adjustments to determine net cash flows:		
Amortization	**32,307**	32,194
Unrealized loss on marketable securities	**635**	153
Income from investment in affiliate, at equity	**(1,307)**	(420)
Unrealized loss on investment carried at cost (note 21)	**1,662**	–
Cost of share option plan	**2,798**	2,909
Amortized financing fees	**738**	738
Non-controlling interests	**91**	1,833
Goodwill impairment charge	**–**	77,255
Unrealized gain on interest rate swaps (note 11)	**(5,004)**	(6,776)
Unrealized foreign exchange loss	**141**	343
Future income taxes	**(8,994)**	3,476
Accounts receivable and prepaid expenses	**(11,124)**	(12,524)
Other assets	**(1,960)**	(9,226)
Accounts payable and accrued liabilities	**14,529**	(10,409)
Long-term accrued and other liabilities	**1,018**	2,506
Deferred revenue	**53,807**	33,154
Income taxes	**4,325**	(15,030)
	280,197	204,877
Cash flows from (used in) financing activities:		
Reduction in obligation under capital lease	**(3,850)**	(2,754)
Restricted cash	**(194)**	543
Proceeds from exercised options	**1,226**	573
Dividends on common shares	**(114,287)**	(112,973)
Shares purchased under normal course issuer bid	**–**	(30,435)
Dividends paid to non-controlling interests	**–**	(6,353)
	(117,105)	(151,399)
Cash flows from (used in) investing activities:		
Additions to premises and equipment	**(12,813)**	(7,136)
Additions to intangible assets	**(9,684)**	(13,152)
Marketable securities	**(159,071)**	(7,071)
Acquisitions, net of cash acquired (note 2)	**–**	(37,932)
	(181,568)	(65,291)
Unrealized foreign exchange loss on cash and cash equivalents held in foreign subsidiaries	**(705)**	(2,651)
Decrease in cash and cash equivalents	**(19,181)**	(14,464)
Cash and cash equivalents, beginning of period	**87,978**	102,442
Cash and cash equivalents, end of period	**$ 68,797**	$ 87,978
Supplemental cash flow information:		
Interest paid	**$ 5,748**	$ 4,619
Interest received	**5,419**	3,962
Income taxes paid	**95,385**	110,350

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2010 and 2009 (In thousands of Canadian dollars, except per share amounts)

TMX Group Inc. owns and operates two national stock exchanges, Toronto Stock Exchange, serving the senior equity market and TSX Venture Exchange, serving the public venture equity market, Montréal Exchange Inc. ("MX"), Canada's national derivatives exchange, Natural Gas Exchange Inc. ("NGX"), an exchange providing a platform for the trading and clearing of natural gas, electricity, and crude oil contracts in North America, Shorcan Brokers Limited ("Shorcan"), an inter-dealer broker, and The Equicom Group Inc. ("Equicom"), providing investor relations and related corporate communications services.

1. Significant Accounting Policies:

(a) Basis of presentation:

The consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"), and they include the accounts of TMX Group Inc. and its wholly owned subsidiaries, including TSX Inc. ("TSX"), MX, NGX, Shorcan, Equicom, CDEX Inc. to September 8, 2010, NetThruPut Inc. ("NTP") from May 1, 2009, TMX Exchange Services Limited from October 26, 2010, TMX Select Inc. from August 3, 2010 and the wholly-owned or controlled subsidiaries of TSX, MX, NGX and Shorcan, collectively referred to as the "Company".

The preparation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the year, along with related disclosures. Areas where management has applied significant judgement include deferred revenue – initial and additional listing fees, the carrying values of goodwill and intangible assets, pensions and other post-employment benefits, long term incentive plan liabilities, income taxes, bad debt provisions, sales return provisions, obligations under capital leases and the fair value of financial instruments including open energy contracts. Actual results could differ from those estimates.

(b) Basis of consolidation:

Subsidiaries are entities controlled by the Company, and they are consolidated from the date on which control is transferred to the Company until the date that control ceases.

Equity accounted investees are entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in these entities are recognized initially at cost and subsequently accounted for using the equity method of accounting.

Intercompany balances and transactions have been eliminated in full on consolidation.

(c) Premises and equipment:

Premises and equipment are recorded at cost less accumulated amortization, and any impairment in value.

Amortization is provided over the following useful lives of the assets:

Asset	Basis	Rate
Computers and electronic trading equipment	Straight line	3–5 Years
Computers and electronic trading equipment under capital leases	Straight line	Over the term of the leases
Furniture, fixtures and other equipment	Straight line	5 Years
Leasehold improvements	Straight line	Over terms of various leases to a maximum of 15 Years

Legal obligations associated with the restoration costs on the retirement of premises and equipment are recognized as incurred. The obligations are initially measured at an estimated fair value of the future cost discounted to present value, and a corresponding amount is capitalized with the related assets and depreciated in line with the above useful lives.

Premises and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, the Company will then determine the fair value of the asset, and will recognize an impairment charge equal to the excess of the carrying value over the fair value.

(d) Revenue recognition:

Revenue for goods and services is recognized when the services are provided or the goods are sold.

Issuer services revenues are derived primarily from recurring annual sustaining fees and transaction-based fees for initial and additional listings. Sustaining fees for existing issuers are billed during the first quarter of the year and the amount is recorded as deferred revenue and amortized over the year on a straight-line basis. Initial and additional listing fees are recorded as deferred revenue – initial and additional listing fees and are recognized on a straight-line basis over an estimated service period of ten years.

Trading and related revenues for cash markets and derivatives trading are recorded and recognized as revenue in the month in which the trades are executed or when the related services are provided.

Clearing revenue related to derivatives clearing is recognized in the month in which the settlement of the related transaction occurs.

Trading, clearing, settlement and related revenues relating to NGX trading and clearing are recognized over the period the services are provided. Revenues and expenses related to the value of energy products traded or swap differential payments made during the year, and unrealized gains and losses on open energy contracts, are not recognized in these consolidated financial statements as NGX does not function as principal in these trading activities.

Information services revenue is derived primarily from real time market data revenue which is recognized based on usage as reported by customers and vendors, less a provision for sales returns from the same customers. The Company conducts periodic audits of the information provided and records additional revenues, if any, at the time that collectability of the revenues is reasonably assured. Fixed income indices revenue is recognized over the period the service is provided. Boston Options Exchange Group, LLC's ("BOX") revenue from the Options Price Reporting Authority ("OPRA") is received quarterly based on its pro-rata share of industry trade (not contract) volume. Estimates of OPRA's quarterly revenue are made and accrued each month. Other information services revenue is recorded and recognized as revenue in the month in which the services are provided.

Technology services and other revenue includes revenue from technology license fees which is recognized in the month of transfer of the license to the customer. Other technology services and other revenue is recorded and recognized as revenue in the month in which the services are provided.

(e) Income taxes:

Future income taxes are provided in recognition of temporary differences between: (i) the carrying amount of assets and liabilities and their respective tax bases, (ii) operating losses, and (iii) tax credit carry forwards made for financial reporting and income tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the enactments or substantive enactments occur. Where realization of a future tax asset is not considered "more likely than not", a valuation allowance is provided against that asset.

(f) Employee future benefits:

TSX, TSX Venture Exchange Inc. and NGX have registered pension plans with a defined benefits tier and a defined contributions tier covering substantially all of their employees, as well as a retirement compensation arrangement ("RCA") for senior management, and MX has a defined benefit registered pension plan for certain former officers. Benefits are based on years of service and the employee's compensation. The costs of these programs are being funded currently, except for MX, where a portion is guaranteed by a letter of credit. In addition, the Company provides other employee future benefits, such as supplementary medical and dental coverage, to defined eligible employees ("other benefit plans"). The cost of the other benefit plans is not being funded, however, a provision for this has been made in the accounts.

The Company accrues its obligations under employee defined benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies for its defined benefit plans:

(i) The cost of defined benefit pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and expected health care cost.

(ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

(iii) Past service costs from plan amendments or initiation are amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

(iv) Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the accrued benefit obligations and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

(v) When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

For defined contribution plans, the expense is charged to the income statement as incurred.

(g) Intangible assets:

Intangible assets are recorded at cost less accumulated amortization, where applicable, and any impairment in value.

Amortization, where applicable, is provided over the following useful lives of the intangible assets:

Asset	Basis	Rate
Indefinite life intangibles		
Derivative products	n/a	n/a
Trade names	n/a	n/a
Regulatory designation	n/a	n/a
Crude oil products	n/a	n/a
Index licenses	n/a	n/a
Definite life intangibles		
Customer bases	Declining balance	2–7%
Customer bases	Straight line	3–30 Years
Data license	Straight line	10 Years
Capitalized software and software development	Straight line	5 Years

Indefinite life intangible assets are reviewed for impairment at least annually. When the carrying amount of the intangible asset exceeds the fair value of the intangible asset, an impairment loss is recognized as an amount equal to the excess and is identified separately on the statement of income.

Definite life intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted cash flows, the Company will then determine the fair value of the asset, and will recognize an impairment charge equal to the excess of the carrying value over the fair value.

(h) Goodwill:

Goodwill is recognized at cost less any subsequent impairment in value. Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the effective date of the transaction.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is initially determined as described in the preceding paragraph, using the fair value of the reporting unit as if it were the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is identified separately on the statement of income.

(i) Earnings per share:

Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share options, if dilutive. The number of additional shares is calculated using the treasury stock method which assumes that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(j) Share-based compensation:

The Company has both equity-settled and cash-settled share-based compensation plans, which are described in notes 17 and 18. The Company accounts for all share-based payments to eligible employees that call for settlement by the issuance of equity instruments, granted on or after January 1, 2003, using the fair value based method. Under the fair value based method, compensation cost attributable to options to employees is measured at fair value at the grant date, using a recognized option pricing model, and amortized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash is measured at intrinsic value and amortized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost.

No compensation cost is recognized for options or cash-settled awards that employees forfeit if they fail to satisfy the service requirement for vesting.

(k) Cash and cash equivalents:

Cash and cash equivalents consist of cash and liquid investments having an original maturity of three months or less and are carried at their estimated fair values, with changes in their fair values being recorded in net income in the period in which they occur. Estimated fair values of the investments are determined based on quoted market values.

(l) Restricted cash:

MX operates a separate regulatory division, responsible for the approval of participants and market regulation, which operates on a cost recovery basis. Restricted cash represents the surplus of this regulatory division. An equivalent and off-setting amount is included in accounts payable and accrued liabilities.

(m) Financial Instruments:

The company classifies its financial assets and liabilities according to their characteristics and the purpose for which they were acquired, as follows:

Held for trading:

Held for trading includes classified derivatives and financial assets or liabilities designated by the Company as held for trading on initial recognition. These are measured at fair value with changes in fair value recognized through net income.

Loans and receivables:

Loans and receivables includes non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted on an active market. These are recorded initially at fair value, then at amortized cost using the effective interest method.

Held to maturity:

Held to maturity includes non-derivative financial assets with fixed or determinable payments and a fixed maturity, and the Company intends and is able to hold to maturity. These are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Available-for-sale:

Available-for-sale includes non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. These are measured at fair value with unrealized gains and losses recorded in other comprehensive income (loss) until the asset is sold or if an unrealized loss is considered other than temporary. Investments in equity instruments that do not have a quoted market price are measured at cost.

(n) Daily settlements and cash deposits:

The amounts due from and to Clearing Members of the Canadian Derivatives Clearing Corporation ("CDCC") as a result of marking open futures positions to market and settling option transactions each day are required to be collected from or paid to Clearing Members prior to the commencement of trading the next day. Daily settlements and cash deposits also include cash margin deposits and clearing fund cash deposits of Clearing Members held in the name of CDCC. The amounts due from Clearing Members are presented as an asset in the balance sheet and are not offset against the amounts due to other Clearing Members, which are presented as a liability. There is no impact on the consolidated statements of income.

(o) Energy contracts:

NGX energy contracts receivable and payable positions are recognized for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not yet been made. There is no impact on the consolidated statements of income.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statements of income.

(p) Foreign currency translation:

The assets and liabilities of the Company's self-sustaining foreign operations, which include BOX, are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at the relevant average monthly exchange rates. The resulting unrealized exchange gain or loss is included in accumulated other comprehensive (loss) income within shareholders' equity.

The Company's integrated foreign operations are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, and revenue and expenses are translated at the relevant average monthly exchange rates. Non-monetary assets, and any associated amortization charges, are translated at historical exchange rates. Resulting foreign exchange gains and losses are included in Technology services and other revenue for the period.

Revenues earned, expenses incurred and capital assets purchased in foreign currencies are translated at the prevailing exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the period end rate. Resulting foreign exchange gains and losses are included in Technology services and other revenue for the period.

(q) Future accounting changes:

International Financial Reporting Standards ("IFRS"):

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, these financial statements will be the last prepared by the Company under pre-conversion Canadian GAAP, and the conversion to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which current and comparative information will be prepared under IFRS. The Company will also present an opening IFRS statement of financial position, or balance sheet, as at January 1, 2010, the Company's date of transition, as part of the Company's 2011 interim and annual financial statements.

2. Business acquisition:

On May 1, 2009, the Company acquired 100% of the outstanding common shares of NTP. The principal business activity of NTP is to provide an electronic trading platform and clearing facility for physical crude oil products. The aggregate purchase price consisted of:

Common shares of TMX Group (878,059 shares issued)	$	32,052
Cash		23,680
Book value of the option to acquire NTP		9,500
Direct transaction costs		1,242
Restructuring costs		401
Aggregate purchase price	**$**	**66,875**

The acquisition was accounted for under the purchase method and the results of operations have been included in the consolidated statements of income from the date of acquisition.

The restructuring costs primarily relate to the costs of consolidating NGX and NTP's technology services and offices.

The Company's common shares issued as part of the transaction were valued at $36.50 per share. The $36.50 per share represents the volume weighted average market price of the Company's common shares over a reasonable period before and after April 1, 2009, the day the Company exercised its option to acquire NTP. The purchase price has been allocated to the fair values of the assets acquired and liabilities assumed as follows:

	Net assets acquired
Cash and cash equivalents	$ 643
Energy contracts receivable	363,140
Fair value of open energy contracts	4,297
Other current assets	4,012
Premises and equipment	25
Future income tax asset	901
Intangible assets	49,620
Goodwill	30,581
Net tangible and intangible assets acquired	**453,219**
Less liabilities assumed:	
Current liabilities	4,395
Energy contracts payable	363,140
Fair value of open energy contracts	4,297
Other liabilities	8
Future income tax liability	14,504
Total net assets acquired	**$ 66,875**

The Company recognized $80,201 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	**Amortization Period**	**Amount**
Goodwill	n/a	$ 30,581
Indefinite life intangible assets:		
Product list	Not amortized	14,863
Index licenses	Not amortized	1,854
Definite life intangible assets:		
Customer base	21 years*	32,828
Capitalized software	1 year	75
Total goodwill and intangible assets		**$ 80,201**

* 22 years on acquisition

The goodwill acquired is not deductible for tax purposes.

Crude oil contracts entered into on or after May 1, 2009, transact through NGX and follow NGX's collateral model, where each contracting party is required to provide collateral, in the form of cash or letters of credit, which exceeds its outstanding credit exposure as determined by NGX in accordance with its margining methodology.

3. Segmented information:

The Company operates in three reportable segments: the Cash Markets ("Cash") segment, the Derivatives Markets ("Derivatives") segment, and the Energy Markets ("Energy") segment. In the Cash segment, the Company owns and operates Canada's two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange, Shorcan, a fixed income inter-dealer broker, and Equicom, an investor relations and corporate communications services provider. The Derivatives segment provides markets for trading derivatives, clearing options and futures contracts and certain over-the-counter ("OTC") products through MX and its subsidiaries, CDCC, Montréal Climate Exchange Inc. ("MCeX"), and BOX. In the year ended December 31, 2009, the Derivatives segment included a $77,255 goodwill impairment charge relating to BOX. The Energy segment provides a platform for the trading and clearing of natural gas, electricity and crude oil contracts through NGX, and includes the brokering of crude oil through Shorcan Energy Brokers Inc. ("Shorcan Energy"), a wholly owned subsidiary of Shorcan.

Year ended December 31*	**Cash**	**Derivatives**	**Energy**	**Total**
2010				
Issuer services	**$ 162,955**	**$ –**	**$ –**	**$ 162,955**
Trading, clearing and related	**113,131**	**83,679**	**45,355**	**242,165**
Information services	**138,514**	**15,318**	**583**	**154,415**
Technology services and other	**10,575**	**5,331**	**22**	**15,928**
Total revenue	**425,175**	**104,328**	**45,960**	**575,463**
Net income	**158,055**	**26,157**	**12,323**	**196,535**
Goodwill	**116,912**	**413,856**	**51,859**	**582,627**
Total assets	**643,546**	**1,592,438**	**1,045,935**	**3,281,919**
2009				
Issuer services	$ 142,962	$ –	$ –	$ 142,962
Trading, clearing and related	119,575	78,533	39,427	237,535
Information services	132,589	16,220	195	149,004
Technology services and other	11,805	19,193	(367)	30,631
Total revenue	406,931	113,946	39,255	560,132
Net income	133,518	(42,905)	14,088	104,701
Goodwill	116,913	415,039	51,859	583,811
Total assets	522,090	1,942,921	1,059,464	3,524,475

* Includes results from dates of acquisitions in the year

4. Cash and cash equivalents and marketable securities:

Cash and cash equivalents and marketable securities are comprised of:

	2010	**2009**
Cash	**$ 24,272**	$ 49,888
Overnight money market	**43,779**	36,062
Treasury bills	**746**	2,028
Cash and cash equivalents	**$ 68,797**	$ 87,978
Money market funds	**$ 148,402**	$ 30,619
Bonds and bond funds	**113,203**	72,550
Marketable securities	**$ 261,605**	$ 103,169

The Company's exposure to interest rate risk on its marketable securities is discussed in note 22.

5. Premises and equipment:

Premises and equipment are comprised of:

As at December 31, 2010	Cost	Accumulated amortization	Net book value
Computers and electronic trading equipment	**$ 63,759**	**$ 51,112**	**$ 12,647**
Computers and electronic trading equipment under capital leases	**12,574**	**5,634**	**6,940**
Furniture, fixtures and other equipment	**16,712**	**15,649**	**1,063**
Leasehold improvements	**53,556**	**40,636**	**12,920**
	$ 146,601	**$ 113,031**	**$ 33,570**

As at December 31, 2009	Cost	Accumulated amortization	Net book value
Computers and electronic trading equipment	$ 58,515	$ 47,517	$ 10,998
Computers and electronic trading equipment under capital leases	11,608	2,762	8,846
Furniture, fixtures and other equipment	16,411	15,268	1,143
Leasehold improvements	48,630	38,061	10,569
	$ 135,164	$ 103,608	$ 31,556

The gross carrying amounts and accumulated amortization above include the effects of foreign exchange translation for the US dollar (“USD”) denominated assets where applicable.

Amortization charged for the year was $12,957 (2009 – $14,191).

6. Other assets:

As at December 31	2010	2009
Accrued benefit assets (note 9)	**$ 21,252**	$ 19,259
Investments carried at cost (note 21)	**6,617**	8,280
Other	**174**	206
	$ 28,043	$ 27,745

7. Investment in affiliate:

The Company owns a 47% equity interest in CanDeal.ca Inc. (“CanDeal”), an electronic trading system for the institutional debt market. The investment is accounted for using the equity method. As part of the investment, the Company and CanDeal entered into an agreement under which the Company would provide technological services in support of CanDeal’s electronic trading system. This agreement was terminated during 2009. In 2010, the Company charged CanDeal $nil (2009 – $135) for technology services and remitted to CanDeal $563 (2009 – $1,548) as part of a revenue sharing arrangement.

8. Goodwill and intangible assets:

(a) Impairment:

(i) Goodwill:

The Company performed its annual goodwill impairment analysis during the fourth quarter of 2010 and determined that the fair values of each of its reporting units exceeded their carrying values. Therefore, the second step of the impairment test was not required.

In assessing whether or not there is an impairment, the Company uses an income approach, based on a discounted cash flow (“DCF”) model, to determine the fair value of its reporting units. If there is indication of impairment, the Company uses the DCF model to estimate the amount of impairment. Under the DCF approach, the Company estimates the discounted future cash flows for five to eight years, depending

on the reporting unit, along with a terminal value. The future cash flows are based on the Company's estimates of expected future operating results, economic conditions and a general outlook for the industry in which the reporting unit operates. The discount rates used by the Company consider the weighted average cost of capital of the Company and certain risk premiums. The terminal value is the value attributed to the reporting unit's operations beyond the projected time period using a perpetuity rate based on expected economic conditions and a general outlook for the industry. A market comparative approach is also used to assess the reasonableness of the fair value determined under the DCF model.

The tests referred to above require the Company to make various assumptions regarding projected cash flows, including long-term growth rates, and discount rates for the various reporting units. These assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections, long-term projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in a different outcome with reporting units and their associated goodwill being impaired.

(ii) Intangible assets:

During the fourth quarter of 2010, the Company performed impairment analyses on its indefinite life intangibles and on its definite life intangibles where circumstances indicated that the asset may be impaired. The Company determined that the carrying values of its intangible assets were not impaired.

Recoverability of definite life intangible assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. The fair values of the indefinite life intangibles were determined using a DCF model, based on various assumptions regarding projected cash flows, including long term growth rates and discount rates. These assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in an impairment of one or more of the Company's intangible assets.

(b) Goodwill:

A summary of the changes in goodwill is as follows:

	2010	2009
Balance, beginning of year	**$ 583,811**	$ 650,554
Purchase price adjustment related to BOX	**–**	(7,778)
Acquisition of NTP (note 2)	**–**	30,581
Other acquisitions and adjustments	**–**	3,065
Foreign exchange movement	**(1,184)**	(15,356)
Impairment charge	**–**	(77,255)
Balance, end of year	**$ 582,627**	$ 583,811

(c) Intangible assets:

A summary of the Company's intangible assets is as follows:

	2010			2009		
	Gross carrying amount	**Accumulated amortization**	**Net book value**	**Gross carrying amount**	**Accumulated amortization**	**Net book value**
Indefinite life						
Derivative products	**$ 630,926**	**$ –**	**$ 630,926**	$ 630,926	$ –	$ 630,926
Trade names	**28,214**	**–**	**28,214**	28,214	–	28,214
Regulatory designation	**2,000**	**–**	**2,000**	2,000	–	2,000
Crude oil products	**14,863**	**–**	**14,863**	14,863	–	14,863
Index licenses	**1,855**	**–**	**1,855**	1,855	–	1,855
	677,858	**–**	**677,858**	677,858	–	677,858
Definite life						
Capitalized software and software development	**47,327**	**15,776**	**31,551**	40,441	8,321	32,120
Customer bases	**249,574**	**42,293**	**207,281**	250,731	32,708	218,023
Data licenses	**6,500**	**2,708**	**3,792**	6,500	2,058	4,442
	303,401	**60,777**	**242,624**	297,672	43,087	254,585
	$ 981,259	**$ 60,777**	**$ 920,482**	$ 975,530	$ 43,087	$ 932,443

The gross carrying amounts and accumulated amortization above include the effects of foreign exchange translation for the USD denominated assets where applicable.

During 2010, the Company capitalized $9,684 of software and software development costs (2009 – $13,152).

During 2010, the Company recognized amortization expense of $19,350 (2009 – $18,003).

9. Employee future benefits:

Information about the Company's benefit plans is as follows:

Total cash amounts recognized as paid or payable for employee future benefits in 2010, consisting of employer contributions to the defined benefit pension plans, employer contributions to the other benefit plans, and employer contributions to the defined contribution plans, was $8,438 (2009 – $15,200).

Defined benefit plans:

The Company, excluding MX, measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at September 30 of each year. The measurement date for MX plan assets and accrued benefit obligations is December 31 of each year. For the Company, excluding MX, the most recent actuarial valuation of the registered pension plan for funding purposes was as at December 31, 2009, and the next required valuation is as at December 31, 2012 (as at December 31, 2010 for NGX plan). For the RCA plan, the most recent actuarial valuation for funding purposes was as at December 31, 2009, and the next required valuation is as at December 31, 2010. For the MX plan, the most recent actuarial valuation for funding purposes was as at January 1, 2009 and the next required valuation will be no later than December 31, 2011, or at the date of a plan amendment, if earlier.

Accrued benefit assets and accrued benefit obligations related to the Company's defined benefit plans are included in the consolidated balance sheet as follows:

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	**2009**	**2010**	**2009**
Other assets	**$ 21,252**	$ 19,259	**$ –**	$ –
Accrued employee benefits payable	**–**	–	**(12,843)**	(12,787)
Total	**$ 21,252**	$ 19,259	**$ (12,843)**	$ (12,787)

Further details on the changes in these balances over the year are as follows:

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	**2009**	**2010**	**2009**
Accrued benefit obligation:				
Balance, beginning of year	**$ 51,956**	$ 51,293	**$ 7,481**	$ 8,829
Adjustment for inclusion of subsidiary employees	**–**	–	**–**	1,098
Current service cost	**1,687**	1,699	**341**	269
Interest cost	**3,580**	3,505	**514**	430
Benefits paid	**(2,905)**	(3,851)	**(239)**	(202)
Employee contributions	**218**	239	**–**	–
Actuarial losses (gains)	**10,731**	700	**2,712**	(34)
Reduction in obligation due to settlement	**–**	(1,902)	**–**	–
Curtailment gain	**–**	–	**(16)**	–
Special termination benefits	**–**	228	**–**	–
Plan amendments	**–**	45	**–**	(2,909)
Balance, end of year	**$ 65,267**	$ 51,956	**$ 10,793**	$ 7,481
Plan assets:				
Fair value, beginning of year	**$ 63,587**	$ 54,058	**$ –**	$ –
Actual return on plan assets	**4,729**	2,789	**–**	–
Employer contributions	**4,948**	12,254	**239**	202
Employee contributions	**218**	239	**–**	–
Benefits paid	**(2,905)**	(3,851)	**(239)**	(202)
Net transfers out	**–**	(1,902)	**–**	–
Fair value, end of year	**$ 70,577**	$ 63,587	**$ –**	$ –
Funded status-plan surplus (deficit)	**5,310**	$ 11,631	**$ (10,793)**	$ (7,481)
Unamortized net actuarial loss	**15,733**	6,523	**2,864**	153
Employer contributions after measurement date	**205**	1,010	**58**	58
Unamortized past service costs	**4**	95	**(4,972)**	(5,517)
Accrued benefit asset (liability)	**$ 21,252**	$ 19,259	**$ (12,843)**	$ (12,787)

Plan assets consist of:

Asset category	Percentage of plan assets	
	2010	**2009**
Equity securities	**49%**	50%
Debt securities	**38%**	36%
Canada Revenue Agency refundable tax account	**13%**	14%
	100%	100%

The elements of the Company's defined benefit plan costs recognized in the year are as follows:

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	**2009**	**2010**	**2009**
Current service cost	**$ 1,687**	$ 1,699	**$ 341**	$ 269
Interest cost	**3,580**	3,505	**514**	430
Actual return on plan assets	**(4,729)**	(2,789)	**–**	–
Plan amendments	**–**	45	**–**	(2,909)
Adjustment for inclusion of subsidiary employees	**–**	–	**–**	1,098
Special termination benefits	**–**	228	**–**	–
Curtailment gain	**–**	–	**(3)**	–
Actuarial losses (gains)	**10,731**	700	**2,712**	(34)
	11,269	3,388	**3,564**	(1,146)

Elements of employee future benefit costs before adjustments to recognize the long- term nature of employee future benefit costs:

Difference between expected return and actual return on plan assets for the year (a)	**1,326**	(465)	**–**	–
Difference between actuarial (gains) losses recognized for the year and actual actuarial (gains) losses on accrued benefit obligations for the year (b)	**(10,537)**	(413)	**(2,712)**	37
Difference between amortization of past service costs for the year and actual plan amendments for the year (c)	**91**	447	**(559)**	1,199
Difference between costs arising in the period and costs recognized in the year in respect of transitional obligation (asset)	**–**	13	**–**	–
Net benefit plan expense	**$ 2,149**	$ 2,970	**$ 293**	$ 90

(a) Expected return on plan assets of $(3,403) (2009 – $(3,254)) less the actual return on plan assets of $(4,729) (2009 – $(2,789)).

(b) Actuarial (gain) loss recognized for the year of $194 (2009 – $287) less the actual actuarial (gain) loss on accrued benefit obligation of $10,731 (2009 – $700).

(c) Amortization of past service costs for the year of $91 (2009 – $492) less the actual plan amendments for the year of $nil (2009 – $45).

The significant actuarial assumptions adopted in measuring the obligation are as follows (weighted average):

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	**2009**	**2010**	**2009**
Discount rate	**5.50%**	6.70%	**5.50%**	6.70%
Rate of compensation increase	**3.75%**	3.75%	**3.75%**	3.75%
Expected long-term rate of return on plan assets	**6.00%**	6.40%	**n/a**	n/a

The assumed health care cost trend rate at December 31, 2010 was 7.2% (2009 – 7.3%), decreasing to 4.5% (2009 – 4.5%) over 19 years (20 years in 2009).

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2010:

	Increase	**Decrease**
Total of service and interest cost	$ 30	$ (26)
Accrued benefit obligation	$ 681	$ (579)

The average remaining service period of the active employees covered by the pension plans is between 5 and 15 years, depending on the plan (2009 – between 10 and 15 years). The average remaining service period of the active employees covered by the other retirement benefits plans is 18 years (2009 – 18 years).

MX has provided a letter of guarantee in the amount of $720 to the benefit of the trustee of the MX employee future benefit plan, using a part of the operating line of credit in place with its bank (note 10).

Defined contribution plans:

In 2010, the Company contributed and expensed $4,058 (2009 – $2,378) to the defined contribution tier, which amounts are not included in the recognized defined benefit costs above.

10. Credit facilities:

The Company has the following credit facilities:

	Interest rate	Year of maturity	Authorized	Amount drawn at December 31, 2010	Amount drawn at December 31, 2009
TMX Group Inc. non-revolving three year term facility	30 day B.A. + 45 bps	2011	$ 430,000	$ 430,000	$ 430,000
TMX Group Inc. revolving three year term facility	–	2011	50,000	–	–
MX operating line of credit	–	N/A	3,000	–	–
CDCC revolving standby credit facility	–	N/A	50,000	–	–
NGX letter of credit	–	N/A	USD 100,000	–	–
NGX overdraft facility	–	N/A	20,000	–	–
NGX EFT daylight facility	–	N/A	300,000	–	–
Total credit facilities				**$ 430,000**	$ 430,000

In connection with the acquisition of MX, the Company established a non-revolving three-year term credit facility of $430,000 and a revolving three-year credit facility of $50,000. The Company may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances ("B.A.") or in USD by way of LIBOR loans and/or US base rate loans. On April 30, 2008, the Company drew $430,000, which becomes due for repayment on April 18, 2011, when the revolving three-year facility of $50,000 also expires. The Company is currently assessing its options with regards to the repayment and/or refinancing of the loan. As at December 31, 2010, the Company has prepaid $246 of financing fees, which leaves a net credit facility liability of $429,754. These financing fees will be amortized over the remaining term of the loan.

MX has an outstanding letter of credit for $720 issued against the MX operating line of credit. This letter of credit has been issued as a guarantee to the trustee under the MX employee future benefit plan in respect of accrued future employee benefits.

The credit facilities are unsecured and include certain covenants that the Company must maintain (note 23). The Company was in compliance with these covenants at December 31, 2010.

During 2010, the Company recognized interest expense on the facilities of $5,884 (2009 – $5,828) which included $738 (2009 – $738) of amortized financing fees.

11. Interest rate swaps:

Effective August 28, 2008, the Company entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on its $430,000 non-revolving three year term facility. The interest rate swaps in place during 2010 are as follows:

Swap number	Notional value	Maturity date	Interest rate the Company will receive	Interest rate the Company will pay	Fair value unrealized gain/(loss) at December 31, 2010	Fair value unrealized gain/(loss) at December 31, 2009
#2	$ 100,000	August 31, 2010	30 day B.A.	3.749%	$ expired	$ (2,117)
#3	100,000	April 18, 2011	30 day B.A.	3.829%	(697)	(3,584)
Total	**$ 200,000**				**$ (697)**	$ (5,701)

The Company marks to market the fair value of these interest rate swaps as an adjustment to income. During 2010, unrealized gains of $5,004 (2009 – unrealized gains of $6,776) and realized losses of $5,227 (2009 – realized losses of $8,190) have been reflected in net income. Both amounts have been included within mark to market on interest rate swaps.

12. Commitments and capital lease obligations:

The Company is committed under long-term leases and licenses as follows:

(a) The rental of office space, under various long-term operating leases with remaining terms of up to eleven years, including certain asset retirement obligations with regards to these leases.

(b) The rental of computer hardware and software for terms of one to three years under operating leases.

(c) The rental of computer hardware and software for terms of one to three years under capital leases.

(d) Certain data licenses for remaining terms of up to 6 years.

Current lease and license obligations over the remaining terms are as follows:

Years ending December 31:	Capital lease obligations	Other non-capital commitments
2011	$ 3,516	$ 15,061
2012	2,878	11,911
2013	1,019	8,801
2014	–	7,771
2015	–	7,360
Thereafter	–	21,408
	$ 7,413	$ 72,312
Interest amount (at an average rate of 3.9%)	(288)	–
	7,125	–
Less: Obligation under capital leases – current	(3,326)	–
Obligation under capital leases – long-term	$ 3,799	–

In addition, the Company is responsible for additional taxes, maintenance and other direct charges with respect to its leases. The additional amount will be approximately $9,483 for 2011.

13. Other liabilities:

Other liabilities include amounts payable under the long-term incentive plan (note 18), amounts related to acquisitions made in previous years and asset retirement obligations.

14. Deferred revenue – initial and additional listing fees:

Deferred revenue – initial and additional listing fees represents non-refundable fees received from listed issuers. This deferred revenue is recognized on a straight-line basis over an estimated service period of ten years.

15. Share capital:

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. No preference shares have been issued.

Each common share of the Company entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights and the transferability of the shares. No person or combination of persons acting jointly or in concert is permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of the Company without the prior approval of the Ontario Securities Commission ("OSC") and Quebec's Autorité des marchés financiers ("AMF").

Each common share of the Company is also entitled to receive dividends if, as and when declared by the Board of Directors of the Company. All dividends that the Board of Directors of the Company may declare and pay will be declared and paid in equal amounts per share on all common shares, subject to the rights of holders of the preference shares. Holders of common shares will participate in any distribution of the net assets of the Company upon liquidation, dissolution or winding-up on an equal basis per share, but subject to the rights of the holders of the preference shares.

There are no pre-emptive, redemption, purchase or conversion rights attaching to the common shares, except for the compulsory sale of shares or redemption provision described in connection with enforcing the restriction on ownership of voting shares of the Company.

The following transactions occurred with respect to the Company's common shares:

	Number of common shares		Share capital	
	2010	**2009**	**2010**	**2009**
Balance, beginning of the period	**74,307,041**	74,403,577	**$ 1,102,619**	$ 1,084,399
Issued (note 2)	**–**	878,059	**–**	32,052
Repurchased and cancelled	**–**	(1,000,000)	**–**	(14,575)
Options exercised	**63,421**	25,405	**1,512**	743
Balance, end of the period	**74,370,462**	74,307,041	**$ 1,104,131**	$ 1,102,619

16. Employee share purchase plan:

The Company offers an employee share purchase plan for eligible employees of the Company and of its designated subsidiaries. Under the employee share purchase plan, contributions by the Company and by eligible employees will be used by the plan administrator, CIBC Mellon Trust Company, to make purchases of common shares of the Company on the open market. Each eligible employee may contribute up to 10% of the employee's salary to the employee share purchase plan. The Company will contribute to the plan administrator the funds required to purchase one common share of the Company for each two common shares purchased on behalf of the eligible employee, up to a maximum annual contribution of $3. Shareholder approval is not required for this plan or any amendments to the plan.

The Company accounts for its contributions as compensation expense when the amounts are contributed to the plan. Compensation expense related to this plan was $1,320 for the year ended December 31, 2010 (2009 – $1,324).

17. Share option plan:

The Company established a share option plan in 2002, the year of its initial public offering. All employees of the Company and those of its designated subsidiaries at or above the director level are eligible to be granted share options under the share option plan.

According to the terms of the Company's plan, under no circumstances may any one person's share options and all other share compensation arrangements exceed 5% of the outstanding common shares issued of the Company. 4,064,226 common shares of the Company remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 5% of the outstanding common shares of the Company.

The fair value of each share option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2010: dividend yield of 4.1% (2009 – 3.5%); expected volatility of 32.8% (2009 – 26.8%); risk-free interest rate of 3.5% (2009 – 4.0%) and expected life of 7 years (2009 – 7 years).

Options granted will expire in 2011, 2012, 2013, 2014, 2015, 2016, and 2017.

Share options granted in 2010 have a strike price of $29.52. Share options granted in 2009 have strike prices in the range of $31.59 to $34.24.

Share options:

	2010		2009	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding, beginning of year	**1,382,569**	**$ 35.53**	1,021,819	$ 39.14
Granted	**457,782**	**29.52**	635,717	31.63
Forfeited	**(98,199)**	**40.24**	(249,562)	41.65
Exercised	**(63,421)**	**19.32**	(25,405)	22.58
Outstanding, end of year	**1,678,731**	**$ 34.23**	1,382,569	$ 35.53

At December 31, 2010, 720,715 options were fully vested and exercisable at strike prices in the range of $10.53 to $54.50. During 2010, the Company recognized compensation costs of $2,798 in relation to its share option plan (2009 – $2,909).

18. Interim bonus and long-term incentive plan:

Effective January 1, 2001, the Company introduced an interim bonus plan (in lieu of a long-term incentive plan) for certain employees or officers of the Company. The interim bonus plan provided a deferred award based on the annual financial performance of the Company. Amounts earned in 2001 were converted into deferred share units ("DSUs") for executive officers and restricted share units ("RSUs") for other participants, based on the price of one common share of the Company, in conjunction with the public offering of the Company. Amounts earned in 2002 were converted into DSUs or RSUs based on the value of one common share of the Company on December 31, 2002.

The DSUs discussed above are fully vested, but can only be redeemed for cash payment upon termination of employment or retirement. The RSUs discussed above vested and were redeemed in cash by December 31, 2005.

In January 2004, the Board approved a long-term incentive plan ("LTIP") for certain employees or officers of the Company. The LTIP provides for the granting of RSUs, which vest over a maximum of three years and are payable provided the employee is still with the Company. The amount of the award payable at the end of the second year following the year in which the RSUs were granted will be determined by the total shareholder return over the period. Total shareholder return represents the appreciation in share price of the Company plus dividends paid on a common share of the Company, measured at the time RSUs vest.

In addition, to assist the Company's officers to meet their equity ownership requirements, the Company gives officers who have not met their ownership requirements the opportunity to convert all or part of their short-term incentive award into DSUs. These DSUs vest immediately.

The Company records its obligation under the LTIP, if any, in the period in which the award is earned. The Company has purchased swaps to economically hedge against the impact of its share price fluctuations on the non-performance based portion of the LTIP (note 21). As at December 31, 2010, the total accrual for the Company's LTIP is $11,466 (December 31, 2009 – $6,303) and this is included in accounts payable and accrued liabilities and other liabilities. The accrual is based on actual dividends paid, continuation of the most recent quarterly dividend and the closing price of the Company's common shares for the period.

19. Earnings per share:

	2010	2009
Net income	**$ 196,535**	$ 104,701
Weighted average number of common shares outstanding	**74,331,877**	74,131,244
Basic earnings per share	**$ 2.64**	$ 1.41
Diluted weighted average number of common shares outstanding	**74,423,104**	74,255,480
Diluted earnings per share	**$ 2.64**	$ 1.41

20. Income taxes:

Income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 31% (2009 – 33%) to pre-tax income from operations as a result of the following:

	2010	2009
Income before income taxes, and after non-controlling interests	**$ 287,276**	$ 201,653
Computed expected income tax expense	**$ 89,055**	$ 66,548
Rate differential due to various jurisdictions	**(2,685)**	(7,257)
Provincial tax holiday	**(3,512)**	(3,393)
Impairment charges and non-deductible expenses	**1,758**	22,176
Share of income from affiliate	**(401)**	(137)
Deferred revenue not affecting income tax expense	**–**	(380)
Impact of changes in substantively enacted income tax rates	**–**	10,356
Valuation allowance	**1,275**	8,605
Future tax rate adjustments on temporary differences	**6,695**	2,360
Other	**(1,444)**	(1,926)
	$ 90,741	$ 96,952

In recent years, the Company has benefited from tax measures announced by the ministère des Finances du Québec in 2001, which were intended to support the financial sector in the province of Québec, including, among others, exchanges and clearing houses such as MX and CDCC. These measures provided income tax exemption, capital tax exemption, and an exemption from employer contributions to the Health Services Fund relating to eligible activities performed by MX and CDCC. This provincial tax holiday was in place until December 31, 2010, and standard statutory rates will be applicable going forward.

The income tax provisions for the years ended December 31, 2010 and 2009 are as follows:

		2010		2009
Current income tax expense	**$**	**99,734**	$	93,410
Future income tax expense (benefit)		**(8,993)**		3,542
	$	**90,741**	$	96,952

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability at December 31, 2010 and 2009 are presented below:

		2010		2009
Non-capital loss carryforwards	**$**	**8,726**	$	8,438
Premises and equipment		**3,584**		2,003
Cumulative eligible capital/intangible assets		**(202,138)**		(199,468)
Total return swaps and interest rate swaps		**(1,060)**		1,834
Restructuring provision		**–**		185
Deferred listing revenue		**137,264**		128,384
Employee future benefits		**(2,274)**		(1,885)
Long term incentive plan		**5,883**		3,803
Other temporary differences		**2,267**		2,335
Valuation allowance		**(6,847)**		(9,218)
	$	**(54,595)**	$	(63,589)
Future tax assets:				
Current	**$**	**29,651**	$	26,675
Long-term		**152,500**		144,551
Future tax liabilities:				
Current		**(10)**		(118)
Long-term		**(236,736)**		(234,697)

21. Financial instruments:

The Company has classified the significant impacts of its financial instruments as follows:

(a) Financial instruments – carrying values and fair values:

December 31, 2010

Asset/(Liability)	Held for trading		Available-for-sale (carried at cost less impairment)	Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
	Classified	Designated				
Cash and cash equivalents	**$ –**	**$ 68,797**	**$ –**	**$ –**	**$ 68,797**	**$ 68,797**
Marketable securities	**–**	**261,605**	**–**	**–**	**261,605**	**261,605**
Restricted cash	**–**	**1,105**	**–**	**–**	**1,105**	**1,105**
Accounts receivable	**–**	**–**	**–**	**85,201**	**85,201**	**85,201**
Energy contracts receivable	**–**	**–**	**–**	**754,933**	**754,933**	**754,933**
Fair value of open energy contracts	**141,894**	**–**	**–**	**–**	**141,894**	**141,894**
Daily settlements and cash deposits	**–**	**–**	**–**	**193,065**	**193,065**	**193,065**
Investments in privately-owned companies	**–**	**–**	**6,617**	**–**	**6,617**	**6,617**
Accounts payable and accrued liabilities	**–**	**–**	**–**	**(59,093)**	**(59,093)**	**(59,093)**
Total return swaps	**4,479**	**–**	**–**	**–**	**4,479**	**4,479**
Interest rate swaps	**(697)**	**–**	**–**	**–**	**(697)**	**(697)**
Obligations under capital leases	**–**	**–**	**–**	**(7,125)**	**(7,125)**	**(7,125)**
Energy contracts payable	**–**	**–**	**–**	**(754,933)**	**(754,933)**	**(754,933)**
Fair value of open energy contracts	**(141,894)**	**–**	**–**	**–**	**(141,894)**	**(141,894)**
Daily settlements and cash deposits	**–**	**–**	**–**	**(193,065)**	**(193,065)**	**(193,065)**
Term loan payable, net	**–**	**–**	**–**	**(429,754)**	**(429,754)**	**(428,880)**

December 31, 2009

Asset/(Liability)	Held for trading		Available-for-sale (carried at cost less impairment)	Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
	Classified	Designated				
Cash and cash equivalents	$ –	$ 87,978	$ –	$ –	$ 87,978	$ 87,978
Marketable securities	–	103,169	–	–	103,169	103,169
Restricted cash	–	911	–	–	911	911
Accounts receivable	–	–	–	79,427	79,427	79,427
Energy contracts receivable	–	–	–	714,545	714,545	714,545
Fair value of open energy contracts	202,760	–	–	–	202,760	202,760
Daily settlements and cash deposits	–	–	–	565,408	565,408	565,408
Investments in privately-owned companies	–	–	8,280	–	8,280	8,280
Accounts payable and accrued liabilities	–	–	–	(44,350)	(44,350)	(44,350)
Total return swaps	(533)	–	–	–	(533)	(533)
Interest rate swaps	(5,701)	–	–	–	(5,701)	(5,701)
Obligations under capital leases	–	–	–	(8,925)	(8,925)	(8,925)
Energy contracts payable	–	–	–	(714,545)	(714,545)	(714,545)
Fair value of open energy contracts	(202,760)	–	–	–	(202,760)	(202,760)
Daily settlements and cash deposits	–	–	–	(565,408)	(565,408)	(565,408)
Term loan payable, net	–	–	–	(429,016)	(429,016)	(427,025)

(b) Fair value measurement:

The Company uses a fair value hierarchy to categorize the inputs used in its valuation of assets and liabilities carried at fair value. The extent of the Company's use of unadjusted quoted market prices (Level 1), models using observable market information as inputs (Level 2) and models using unobservable market information (Level 3) in its valuation of assets and liabilities carried at fair value is as follows:

As at December 31, 2010

Asset/(Liability)	**Fair value measurements using:**			**Assets/(liabilities) at fair value**
	Level 1	**Level 2**	**Level 3**	
Cash and cash equivalents	**$ 68,797**	**$ –**	**$ –**	**$ 68,797**
Marketable securities	**261,605**	**–**	**–**	**261,605**
Restricted cash	**1,105**	**–**	**–**	**1,105**
Fair value of open energy contracts	**–**	**141,894**	**–**	**141,894**
Total return swaps	**–**	**4,479**	**–**	**4,479**
Interest rate swaps	**–**	**(697)**	**–**	**(697)**
Fair value of open energy contracts	**–**	**(141,894)**	**–**	**(141,894)**

As at December 31, 2009

Asset/(Liability)	**Fair value measurements using:**			**Assets/(liabilities) at fair value**
	Level 1	**Level 2**	**Level 3**	
Cash and cash equivalents	$ 87,978	$ –	$ –	$ 87,978
Marketable securities	73,308	29,861	–	103,169
Restricted cash	911	–	–	911
Fair value of open energy contracts	–	202,760	–	202,760
Total return swaps	–	(533)	–	(533)
Interest rate swaps	–	(5,701)	–	(5,701)
Fair value of open energy contracts	–	(202,760)	–	(202,760)

There were no significant transfers during the years between Levels 1 and 2.

(c) Marketable securities:

The investment portfolio includes pooled fund investments managed by an external investment fund manager. There is no contracted maturity date for the investments.

The Company has designated its marketable securities as held-for-trading. At December 31, 2010, these investments have been measured at fair value and unrealized losses of $635 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2010 (2009 – unrealized losses of $153).

(d) Total return swaps:

The Company has entered into a series of total return swaps ("TRSs") which synthetically replicate the economics of the Company purchasing the Company's shares as a partial fair value hedge to the share appreciation rights of the non-performance element of RSUs and DSUs that are awarded to directors and employees of the Company and its designated subsidiaries. The Company marks to market the fair value of the TRSs as an adjustment to income, and simultaneously marks to market the liability to holders of the units as an adjustment to income. Both amounts are reflected within Compensation and benefits in the income statement. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five trading days of the year compared with the Company's share price at the date of entering into the TRSs. The fair value of the TRSs and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The following tables represent the TRSs which are outstanding:

As at December 31, 2010:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	**1 to 3 years**	**Total**	**Gain**	**Loss**	**Net**
Equity contract #20	**$ –**	**$ 1,258**	**$ 1,258**	**$ 332**	**$ –**	**$ 332**
Equity contract #25	**–**	**820**	**820**	**250**	**–**	**250**
Equity contract #26	**5,161**	**–**	**5,161**	**1,642**	**–**	**1,642**
Equity contract #27	**540**	**–**	**540**	**220**	**–**	**220**
Equity contract #28	**3,411**	**–**	**3,411**	**1,264**	**–**	**1,264**
Equity contract #29	**2,079**	**–**	**2,079**	**771**	**–**	**771**
	$ 11,191	**$ 2,078**	**$ 13,269**	**$ 4,479**	**$ –**	**$ 4,479**

As at December 31, 2009:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	**1 to 3 years**	**Total**	**Gain**	**Loss**	**Net**
Equity contract #16	$ 407	$ –	$ 407	$ –	$ (28)	$ (28)
Equity contract #20	–	1,258	1,258	58	–	58
Equity contract #21	5,338	–	5,338	–	(574)	(574)
Equity contract #22	600	–	600	29	–	29
Equity contract #23	4,408	–	4,408	–	(12)	(12)
Equity contract #24	2,399	–	2,399	–	(6)	(6)
	$ 13,152	$ 1,258	$ 14,410	$ 87	$ (620)	$ (533)

Unrealized gains of $5,012 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2010 (2009 – unrealized gains of $5,305).

(e) Interest rate swaps:

The Company entered into a series of interest rate swap agreements, which commenced on August 28, 2008, to partially manage its exposure to interest rate fluctuations on the non-revolving three year term facility (notes 10 and 11). As at December 31, 2010, there was only one interest rate swap still in effect.

The Company marks to market the fair value of the interest rate swaps. Unrealized gains of $5,004 and realized losses of $5,227 have been reflected within net income, as Mark to market on interest rate swaps, for the year ended December 31, 2010 (2009 – unrealized gains of $6,776 and realized losses of $8,190).

(f) NGX energy contracts:

NGX energy contracts receivable and payable positions are recognized for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not yet been made. There is no impact on the consolidated statement of income.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statement of income.

(g) CDCC daily settlements and cash deposits:

The amounts due from and to CDCC as a result of marking open futures positions to market and settling option transactions each day are required to be collected from or paid to Clearing Members prior to the commencement of trading the next day. Daily settlements and cash deposits also include cash margin deposits and clearing fund cash deposits of Clearing Members held in the name of CDCC. The amounts due from Clearing Members are presented as an asset in the balance sheet and are not offset against the amounts due to other Clearing Members, which are presented as a liability. There is no impact on the consolidated statement of income.

(h) Investments in privately-owned companies:

The Company holds certain equity investments in privately-owned companies. As these equity instruments are privately owned and do not have quoted market prices in active markets, these available-for-sale investments are carried at cost less any impairment losses. During 2010, the Company recognized an unrealized loss of $1,662 on its investments, a significant portion of which was an unrealized foreign exchange loss.

22. Risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to the Company associated with a counterparty's failure to fulfill its financial obligations and arises principally from the Company's investments in marketable securities, total return swaps and interest rate swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan, Shorcan Energy, NGX and CDCC.

(i) Investments in marketable securities

The Company manages its exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk. The investment policy of the Company will only allow excess cash to be invested within a specific money market fund and a specific short term bond and mortgage fund. The money market fund manages credit risk by limiting its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund manages credit risk by limiting its investments to high-quality Canadian corporate bonds, government bonds and up to 40% of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Corporate bonds held must have a minimum credit rating of BBB by DBRS Limited at the time of purchase. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. The Company does not have any investments in non-bank asset-backed commercial paper.

(ii) Total return swaps and interest rate swaps

The Company limits its exposure to credit risk on TRSs and interest rate swaps by contracting with a major Canadian chartered bank.

(iii) Accounts receivable

The Company's exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of its customers, many of whom are banks and financial institutions. The Company invoices its customers on a regular basis and maintains a collections team to monitor customer accounts and minimize the amount of overdue receivables. There is no concentration of credit risk arising from accounts receivable from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading or data privileges.

(iv) Clearing and/or brokerage operations

The Company is exposed to credit risk in the event that customers, in the case of Shorcan and Shorcan Energy, or contracting parties, in the case of NGX, or Clearing Members, in the case of CDCC, fail to settle on the contracted settlement date.

Shorcan and Shorcan Energy's risk is limited by their status as agents, in that they do not purchase or sell securities for their own account. As agents, in the event of a failed trade, Shorcan or Shorcan Energy have the right to withdraw their normal policy of anonymity and advise the two counterparties to settle directly.

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a major Canadian chartered bank. This collateral may be accessed by NGX in the event of default by a contracting party. NGX measures total potential exposure for both credit and market risk for each contracting party on a real-time basis as the aggregate of:

(a) Outstanding energy contracts receivable;

(b) "Variation Margin", comprised of the aggregate "mark-to-market" exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and

(c) "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of contracting party exposure at December 31, 2010, NGX held cash collateral deposits of $835,739 (December 31, 2009 – $1,040,319) and letters of credit of $1,941,367 (December 31, 2009 – $1,963,685). These amounts are not included in the Company's consolidated balance sheet.

CDCC is exposed to the risk of default of its Clearing Members. CDCC is the central counterparty and guarantor of all transactions carried out on MX's markets and on the OTC market when the transaction is cleared through CDCC. It primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

CDCC's principal risk management practice is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities. Should a Clearing Member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate the Clearing Member's positions.

CDCC's margining system is complemented by a Daily Capital Margin Monitoring ("DCMM") process that evaluates the financial strength of a Clearing Member against its margin requirements. Every day, CDCC monitors the margin requirements of a Clearing Member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100%. The additional margin requirement is equal to the excess of the ratio over 100%.

CDCC also maintains a clearing fund of deposits of cash and securities from all Clearing Members. The aggregate level of clearing funds required from all Clearing Members must cover the worst loss that CDCC could face if one counterparty is failing under various extreme but plausible market conditions. Each Clearing Member contributes to the clearing fund in proportion to its margin requirements. If, by a Clearing Member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other Clearing Members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC's margin deposits and clearing fund deposits are held by approved depositories under irrevocable agreements. This collateral may be accessed by CDCC in the event of default by a Clearing Member. As a result of these calculations of Clearing Member exposure at December 31, 2010, CDCC held margin deposits of $2,911,169 (December 31, 2009 – $3,101,757), and clearing fund deposits of $264,087 (December 31, 2009 – $205,055), held primarily in government and equity securities. These amounts are not included in the Company's consolidated balance sheet.

(v) Facilities and guarantees

NGX maintains an unsecured clearing backstop fund of USD 100,000. The Company is the guarantor, on an unsecured basis, of this fund.

In response to both the credit and liquidity risks that CDCC is exposed to through its clearing operations, CDCC has arranged a total of $50,000 in revolving standby credit facilities with a Canadian Schedule 1 bank to provide liquidity in the event of default by a Clearing Member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%.

Neither facility has been drawn upon at December 31, 2010.

(b) Market risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income or the value of its holdings of financial instruments.

(i) Foreign currency risk

The Company is exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and accounts payable principally denominated in USD. In 2010, the Company recognized USD denominated revenue of approximately USD 105,000, including BOX, less various USD expenses (2009 – USD 110,000). The approximate impact of a 10% rise and a 10% decline in the Canadian dollar ("CAD") compared to the USD on these transactions as at December 31, 2010 is a $5,300 decrease or increase in net income respectively. At December 31, 2010, cash and cash equivalents and accounts receivable, excluding BOX, and current liabilities, excluding BOX, include USD 13,379 (December 31, 2009 – USD 11,920), and USD 755 (December 31, 2009 – USD 598) respectively, which are exposed to changes in the USD – CAD exchange rate. The approximate impact of a 10% rise and a 10% decline in the CAD compared to the USD on these exposed balances at December 31, 2010 is a $1,256 decrease or increase in net income respectively. In addition, net assets related to BOX are denominated in USD, and the effect of exchange rate movements on the Company's share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise and a 10% decline in the CAD compared to the USD on the translation of the net assets related to BOX at December 31, 2010 is a $5,213 decrease or increase in other comprehensive income respectively.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its marketable securities, non-revolving term loan payable and interest rate swaps.

External investment fund managers have been engaged by the Company to manage the asset mix and the risks associated with its marketable securities. At December 31, 2010 the Company held $261,605 in these funds (December 31, 2009 – $103,169). The approximate impact on the carrying value of these investments of a 1% rise and a 1% fall in interest rates is ($2,796) and $2,796 respectively.

The Company has a non-revolving term loan payable of $430,000 (note 10). The Company entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the loan (note 11). At December 31, 2010, the fair value of the remaining interest rate swap was a liability of $697. The approximate impact of a 1% rise or fall in interest rates on the fair value of the remaining swap is approximately a $300 decrease or increase in the liability respectively. The approximate impact on net income of a 1% rise and a 1% fall in interest rates with respect to the loan to expiry is a decrease of $(1,250) and an increase of $1,250 respectively.

(iii) Equity price risk

The Company is exposed to equity price risk arising from its RSU and DSU plans, as the Company's obligation under the plans is partly based on the price of the Company's shares. The Company has entered into TRSs as a partial fair value hedge to the share appreciation rights of the RSUs and DSUs awarded under the plan. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five trading days of the reporting period compared with the Company's share price at the date of entering into the TRSs. As at December 31, 2010, a 25% increase in the share price of the Company would result in a net $2,816 decrease in net income. A 25% decrease in the share price of the Company would result in a net $3,681 increase in net income.

(iv) Other market price risk

The Company is exposed to other market price risk from the activities of Shorcan, Shorcan Energy, NGX and CDCC if a customer, contracting party or Clearing Member, as the case may be, fails to take or deliver either securities, derivative products or energy products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan and Shorcan Energy's risk is limited by their status as an agent, in that they do not purchase or sell securities or commodities for their own account, the short period of time between trade date and settlement date, and the defaulting customer's liability for any difference between the amounts received upon sale of, and the amount paid to acquire, the securities or commodities.

Both NGX's and CDCC's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each contracting party or Clearing Member.

The Company is also exposed to other market price risk on a portion of its sustaining fees revenue, which is based on quoted market values of listed issuers as at December 31 of the previous year.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its Cash and Marketable securities, all of which are held in short term instruments, and its credit facilities (note 10) and capital (note 23).

23. Capital maintenance:

The Company's primary objectives in managing capital, which it defines as including its share capital and various credit facilities, include:

(i) Maintaining sufficient capital for operations, to ensure market confidence and to meet capital maintenance requirements imposed on its subsidiaries:

(a) In respect of TSX, as required by the OSC to maintain certain financial ratios as defined in the OSC recognition order, as follows:

(i) a current ratio not less than 1.1:1;

(ii) a debt to cash flow ratio not greater than 4:1; and

(iii) a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1

The Company has complied with these externally imposed capital requirements;

(b) In respect of TSX Venture Exchange Inc., as required by various provincial securities commissions to maintain adequate financial resources

The Company has complied with these externally imposed capital requirements;

(c) In respect of NGX to:

(i) maintain adequate financial resources as required by the Alberta Securities Commission; and

(ii) maintain a current ratio of no less than 1:1 and a tangible net worth of not less than $9,000 as required by a major Canadian chartered bank

The Company has complied with these externally imposed capital requirements;

(d) In respect of MX, as required by the AMF to maintain certain financial ratios as defined in the AMF recognition order, as follows:

(i) a working capital ratio of more than 1.5:1;

(ii) a cash flow to total debt ratio of more than 20%; and

(iii) a financial leverage ratio consisting of total assets to shareholders' equity of less than 4:1

The Company has complied with these externally imposed capital requirements;

(e) In respect of Shorcan by the Investment Industry Regulatory Organization of Canada ("IIROC") which requires Shorcan to maintain a minimum level of shareholders' equity of $500

The Company has complied with these externally imposed capital requirements;

(ii) Providing sufficient capital to meet the covenants imposed in connection with credit facilities (note 10) that require the Company to maintain:

(a) a maximum debt to adjusted EBITDA ratio of 3.5:1;

(b) a minimum consolidated net worth based on a contracted formula; and

(c) a debt incurrence test of not more than 3:1

The Company has complied with these externally imposed capital requirements;

(iii) Retaining sufficient capital to invest and continue to grow our business; and

(iv) Returning capital to shareholders through dividends paid to shareholders and purchasing shares for cancellation pursuant to normal course issuer bids.

The current economic conditions have not changed our objectives, policies or processes for managing capital.

24. Related party transactions:

Any transactions entered into between the Company and related parties are on terms and conditions that are at least as favourable to the Company as market terms and conditions and are recorded at the agreed upon exchange amount.

25. Contingent liabilities:

From time to time in connection with its operations, the Company or its subsidiaries are named as a defendant in actions for damages and costs sustained by plaintiffs, or as a respondent in court proceedings challenging the Company's or its subsidiaries' regulatory actions, decisions or jurisdiction.

26. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial presentation adopted in the current period. In particular, commencing in 2010, provisions for doubtful accounts receivable are included in General and administration expenses whereas, in 2009, these provisions were reflected as a reduction in various sources of revenue. The comparative figures for both revenue and expenses in 2009 have been reclassified to conform with the financial presentation adopted in 2010.

27. Subsequent event:

The Company announced on February 9, 2011 an agreement to combine its operations with London Stock Exchange Group plc ("LSEG") in an all-share merger of equals. The merger is being unanimously recommended by the Board of Directors of TMX Group Inc.("TMX") and the Board of Directors of LSEG. The merger will be implemented by means of a Canadian plan of arrangement under which TMX shareholders will receive 2.9963 LSEG shares for each TMX share they hold. TMX shareholders that are residents of Canada for tax purposes will be entitled to elect to receive exchangeable shares (each an "Exchangeable") in a Canadian subsidiary of LSEG for each TMX share that they hold. TMX shareholders electing to receive Exchangeables will receive the same number of Exchangeables as the number of new ordinary LSEG shares to which they would otherwise have been entitled to receive under the terms of the merger. On an ongoing basis, each Exchangeable will carry the right to be exchanged for one LSEG share and will carry mirror-image economic rights to an LSEG share (together with certain ancillary rights). In addition, each Exchangeable will permit the holder to vote one LSEG share at any shareholder meeting of LSEG. The Exchangeables allow Canadian resident TMX shareholders to participate in the transaction on a tax-deferred basis, provided they file a valid tax election. The Exchangeables will also allow Canadian resident TMX shareholders to receive dividends from a Canadian corporation, which are generally subject to more favourable tax treatment than dividends from a non-Canadian corporation. TMX shareholders will therefore own 45% and LSEG shareholders will own 55% of the combined TMX-LSEG group ("Merged Group"). The shares of the Merged Group will be listed on Toronto Stock Exchange, trading in Canadian Dollars and London Stock Exchange, trading in Sterling. The Exchangeables will also be listed on Toronto Stock Exchange, trading in Canadian Dollars.

Completion of the merger is subject to customary regulatory and other approvals as well as certain other conditions. The following provides an overview of certain approvals and conditions that must be met:

a) Approval by at least 66⅔% of the votes cast by shareholders of TMX at a special meeting of TMX shareholders;

b) Approval by a majority of votes cast by LSEG shareholders at a general meeting of LSEG shareholders;

c) Ontario court approval of the Plan of Arrangement;

d) Certain regulatory approvals, including under the Investment Canada Act, Competition Act (Canada), as well as from the Ontario Securities Commission, Autorité des marchés financiers (Québec), Alberta Securities Commission, British Columbia Securities Commission, U.S. Securities and Exchange Commission, Financial Services Authority (UK), Bank of Italy and Commissione Nazionale per le Società e la Borsa; and

e) Listing of the LSEG shares and the Exchangeables on Toronto Stock Exchange and listing of the LSEG shares issuable pursuant to the Plan of Arrangement on the London Stock Exchange.

The merger agreement, which provides for a long-stop date of November 9, 2011 (with up to a 30-day extension in certain circumstances), contains customary provisions for a transaction of this nature, including customary representations and warranties, covenants, undertakings and conditions. In the merger agreement, each of TMX and LSEG have agreed not to solicit other offers. The merger agreement provides that the Boards of Directors of each of TMX and LSEG may, under certain circumstances, terminate the agreement in favour of an unsolicited superior proposal, subject to a payment of a termination fee of 1% of the market capitalization of the LSEG at the time of entering into the agreement, and subject to a right by each party to match the superior proposal in question.

It is anticipated that the relevant shareholders' meetings will take place in the second quarter of 2011 and court approval will be sought within three business days of TMX's shareholders approving the merger. Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the third quarter of 2011.

Three-Year Review – Financial Information*

(in thousands of dollars)	**2010**	2009[1]	2008[2]
Revenue:			
Issuer Services	**$ 162,955**	$ 142,962	$ 153,049
Trading, clearing and related	**242,165**	237,535	222,932
Information services	**154,415**	149,004	136,988
Technology services and other	**15,928**	30,631	22,127
	$ 575,463	$ 560,132	$ 535,096
Expenses	**$ 286,525**	$ 276,949	$ 229,725
Income from operations	**$ 288,938**	$ 283,183	$ 305,371
Income from investment in affiliate	**1,307**	420	1,426
Unrealized loss on investment carried at cost	**(1,662)**	–	–
Investment income	**5,212**	4,623	14,824
Goodwill impairment charge	**–**	(77,255)	–
Interest expense	**(6,205)**	(6,071)	(10,508)
Mark to market on interest rate swaps	**(223)**	(1,414)	(13,289)
Other acquisition related expenses	**–**	–	(15,902)
Non-controlling interests	**(91)**	(1,833)	(1,821)
Income taxes	**(90,741)**	(96,952)	(98,149)
Net Income	**$ 196,535**	$ 104,701	$ 181,952
Operating cash flow	**$ 280,197**	$ 204,877	$ 244,189
Working capital[3]	**$ (145,855)**	$ 161,973	$ 146,931
Total Assets	**$ 3,281,919**	$ 3,524,475	$ 3,688,645
Shareholders' Equity	**$ 853,111**	$ 770,576	$ 794,629

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

1 The financial results of NetThruPut Inc., acquired May 1 2009, have been included in these results from acquisition.

2 The financial results of Montreal Exchange Inc., acquired May 1 2008, and Boston Options Exchange Inc., acquired August 29, 2008, have been included in these results from acquisition.

3 Please see note 10 of the financial statements for further details on the term loan due for repayment in 2011.

Board of Directors

As of March 25, 2011

WAYNE C. FOX (CHAIR)

Corporate Director
Committees: Governance, Human Resources
Director since: 1997

TULLIO CEDRASCHI

Corporate Director
Committees: Governance, Human Resources (Chair)
Director since: 2001

RAYMOND CHAN

Executive Chairman
Baytex Energy Trust
Committees: Finance and Audit and Human Resources
Director since: 2006

DENYSE CHICOYNE

Corporate Director
Committees: Finance and Audit
Director since: 2008

JOHN A. HAGG

Corporate Director
Committees: Human Resources, Public Venture Market
Director since: 2001

HARRY A. JAAKO

Executive Officer and Principal
Discovery Capital Management Corp.
Committees: Finance and Audit, Public Venture Market (Chair)
Director since: 2001

THOMAS A. KLOET

Chief Executive Officer
TMX Group Inc.
Director since: 2008

J. SPENCER LANTHIER

Corporate Director
Committees: Finance and Audit (Chair), Governance
Director since: 2000

JEAN MARTEL

Partner
Lavery, de Billy LLB
Committees: Finance and Audit, Public Venture Market
Director since: 1999

JOHN P. MULVIHILL

Chairman and Chief Executive Officer
Mulvihill Capital Management Inc.
Committees: Governance (Chair)
Director since: 1996

KATHLEEN M. O'NEILL

Corporate Director
Committees: Finance and Audit, Governance
Director since: 2005

GERRI B. SINCLAIR

Executive Director
Centre for Digital Media
Committees: Human Resources, Public Venture Market
Director since: 2005

JEAN TURMEL

President
Perseus Capital Inc.
Committees: Governance
Director since: 2008

LAURENT VERREAULT

Chief Executive Officer and Chairman
GLV Inc.
Committees: Human Resources
Director since: 2008

TMX Group Executive Committee

As of March 25, 2011

THOMAS A. KLOET

Chief Executive Officer
TMX Group Inc.

KEVAN COWAN

President, TSX Markets and Group Head of Equities

BRENDA HOFFMAN

Senior Vice President, Group Head of Information Technology
TMX Group Inc.

MARY LOU HUKEZALIE

Vice President, Group Head of Human Resources
TMX Group Inc.

PETER KRENKEL

President and Chief Executive Officer
NGX

ALAIN MIQUELON

President and Chief Executive Officer
Montréal Exchange Inc.

SHARON C. PEL

Senior Vice President, Group Head of Legal and Business Affairs
TMX Group Inc.

MICHAEL PTASZNIK

Senior Vice President and Chief Financial Officer
TMX Group Inc.

ERIC SINCLAIR

President
TMX Datalinx

Shareholder Information

STOCK LISTING

Toronto Stock Exchange
Share Symbol “X”

AUDITOR

KPMG LLP
Toronto, ON

REGISTERED OFFICE AND HEAD OFFICE OF TMX GROUP

The Exchange Tower
130 King Street West
Toronto, ON
M5X 1J2

HEAD OFFICE OF TSX VENTURE EXCHANGE

300 – 5th Avenue SW
10th Floor
Calgary, AB
T2P 3C4

HEAD OFFICE OF MONTRÉAL EXCHANGE

Tour de la Bourse
800, square Victoria
Montreal, QC
H4Z 1A9

HEAD OFFICE OF NGX

140 – 4th Avenue SW
Suite 2330
Calgary, AB
T2P 3N3

HEAD OFFICE OF SHORCAN

20 Adelaide Street East
Suite 1000
Toronto, ON
M5C 2T6

HEAD OFFICE OF EQUICOM

20 Toronto Street
Suite 500
Toronto, ON
M5C 2B8

REGIONAL OFFICE

VANCOUVER
650 West Georgia Street
Suite 2700
Vancouver, BC
V6B 4N9

SHARE TRANSFER AGENT

Requests for information regarding share transfers should be directed to the Transfer Agent:

CIBC Mellon Trust Company
PO Box 7010
Adelaide Street Postal Station
Toronto, ON
M5C 2W9
Tel: (416) 643-5500 (Toronto Area)
1-800-387-0825 (North America)
Fax: (416) 643-5501
E-mail: inquiries@cibcmellon.com

INVESTOR CONTACT INFORMATION

Investor Relations may be contacted at:
Tel: (416) 947-4277 (Toronto Area)
1-888-873-8392 (North America)
Fax: (416) 947-4727
E-mail: shareholder@tmx.com

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