TMX GROUP INC.

2011 ANNUAL REPORT

The TMX Factors

Four key factors contribute to TMX Group's success. Together they enable the company to deliver strong results, drive innovation and create growth.

1 Critical Economic Infrastructure

Exchanges and clearing houses play unique and central roles in the economy: exchanges facilitate capital formation, enhance market efficiency and provide vital risk management tools; clearinghouses provide an important infrastructure that mitigates risk and strengthens the market. TMX Group operates exchanges in equities, derivatives and energy, and provides clearing services in derivatives and energy – all are essential to the efficiency of the Canadian capital markets.

2 Commitment to Innovation

The market demands that our company remain technologically innovative as well as proactive with our product and service offerings. TMX Group teams work continuously to ensure that we anticipate, meet and exceed our clients' needs for speed, functionality, global connectivity and investment choice.

3 SME and Resources Specialization

Canada's economy, while broadly diversified, has particular strengths in natural resources and small-to-medium sized enterprises (SMEs). Toronto Stock Exchange and TSX Venture Exchange are global leaders in mining, energy and clean technology and have significant expertise in supporting the growth of SMEs. Natural Gas Exchange also provides a platform for trading and clearing underlying commodities, including natural gas and crude oil.

4 Canada's Strength

Canada has a strong and well-developed economy with a top-tier credit rating, the lowest net debt-to-GDP ratio in the G7, well-regulated financial markets and a sound banking system. Our country's strong economic fundamentals make our market attractive to international investors. TMX Group travels the globe to promote Canada as an investment opportunity and our exchanges as listing and trading venues.

Delivering results

The TMX Factors provide a foundation for our past, present and future operational success.

Diversified for strength

$263M

TRADING, CLEARING, AND RELATED

- Cash Markets (equities & fixed income)
- Derivatives Markets
- Energy Markets

$231M

ISSUER SERVICES

- Initial Listing Fees
- Sustaining Listing Fees
- Additional Listing Fees
- Other Issuer Services

$165M

INFORMATION SERVICES

- Real-Time (equities)
- Real-TIme (derivatives)
- Online/historical/3rd party data/other
- Fixed income
- Data Delivery Solutions/co-location

$15M

TECHNOLOGY SERVICES AND OTHER

2011 KEY PERFORMANCE MEASURES

$3.17
DILUTED EPS

$3.57
ADJUSTED DILUTED EPS

$304M
CASH FLOWS FROM OPERATING ACTIVITIES

$490M
CASH ON HAND

Driving innovation

TMX Group is focused on anticipating our clients evolving needs and on creating products and services to meet them. In 2011, all areas of TMX Group delivered on our commitment to deliver innovative solutions.

Customer needs

- Increase capacity
- Decrease latency
- Enhance functionality
- Risk management
- Global networking
- Investment choices

Product and Service Solutions

- Enterprise Expansion Phase II completed
- Dark order types introduced
- TMX Select launched
- S&P/TSX 60 Mini Futures contract launched
- London and Beijing offices opened
- 10 new NGX hubs added in the US
- Co-location services expanded
- TMXnet NA implemented
- TSX InfoSuite launched

Creating growth

TMX Group's overall strategy is to enhance our core business domestically and to expand horizontally, vertically and geographically by offering innovative products and services across asset classes.

Enhance multi-asset class trading to secure the foundation of our core business:

- Maintain superior technology, identify new means and sources of order flow, and develop and sell innovative new products and services;
- Continue to enhance relationships with market participants and other stakeholders.

Diversify revenue base, both organically and through corporate development:

- Expand horizontally to achieve a leadership position in all exchange tradable asset classes and product types in Canada, especially in derivatives and commodities;
- Expand vertically into additional issuer services, new clearing services, risk management services, execution and information services, and software solutions.

Leverage our competitive advantages to become the leading global exchange group for small to medium sized enterprises and resource issuers:

- Attract issuers, investors and intermediaries to Canada;
- Sell data, technology and other services.

2012 INITIATIVES

- Work toward implementation of TMX Quantum XA, our new equities trading system
- Leverage our derivatives over-the-counter clearing services
- Enhance our energy clearing capabilities
- Expand our fixed income trading network
- Introduce innovative product and services across the company
- Promote the strengths of our markets internationally

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Forward-Looking Information

This annual report contains forward-looking statements, which are not historical facts but are based on certain assumptions and reflect TMX Group's current expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. We have no intention to update this forward looking information, except as required by applicable securities law.

Letter from the Chair

I am pleased to report to you on behalf of TMX Group's Board of Directors as we look back on an eventful 2011.

In a year of global economic unrest and modest growth, we were able to achieve solid operating results.

The support agreement with Maple Group Acquisition Corporation, signed at the end of October 2011, represents a promising step forward for TMX Group and the Board unanimously supports the transaction. We continue to work closely with Maple as part of the process to obtain the required regulatory approvals.

It was a particularly busy year in terms of the number of Board meetings. I would like to thank my fellow TMX Group Directors for their valuable contributions during our deliberations last year, as well as for their ongoing dedication and insight.

Working together with the executive management committee, we remain dedicated to enhancing Canada's premier integrated exchange group in order to better serve Canadian capital markets.

On behalf of the Board of Directors, I would also like to thank Laurent Verreault and Jean Turmel who stepped down in 2011 for their years of diligent service to TMX Group.

In closing, I would like to acknowledge the committed efforts of TMX Group management and employees throughout 2011 and beyond. The company continues to evolve and deepen its excellent worldwide reputation through the hard work of its team.

W. Fox

Wayne Fox
Chair, Board of Directors
TMX Group Inc.
March 1, 2012

Letter from the CEO

I am pleased to report on an exceptionally active year for TMX Group. Corporate development activity, technology initiatives, regulatory changes, international expansion, new products and services and much more made not only for a very interesting year in 2011, but also marked an important stage in our company's evolution.

2011 in Review

In terms of our performance, we are pleased that we were able to achieve top and bottom line growth with revenue up 8% and adjusted earnings per share up 11% over 2010.

Although there were signs of economic strength in Canada as advanced economies around the world worked to regain balance and restore investor faith, we were not immune to the effects of global uncertainty. Capital markets activity, including equities financings and volumes, slowed in the latter part of the year. However, TMX Group's 2011 results were fortified by our long-term diversification strategy. In particular, our derivatives markets were up sharply in terms of volumes and open interest compared with 2010.

Macroeconomic factors continue to impact our revenue drivers and the exchange industry remains highly competitive. We compete internationally for investment capital and order flow, and continue to face significant domestic competition in a fragmented equities marketplace. As the number of Alternative Trading Systems (ATSs) increases, our competitive response remains focused on enhancing our products and services and bringing technological innovation to our markets. In 2011, we delivered new on-book Dark Order types to our markets and launched our own ATS called TMX Select. These important initiatives are designed to provide additional execution opportunities and increase the efficiency of our markets. We also implemented multiple changes to our equity trading fee schedule in 2011 to reduce costs for all market participants.

In terms of financings, according to the most recent data from the World Federation of Exchanges, we ranked sixth in the world in total financings amongst our exchange peers, up from eighth in 2010. In 2011, for the third year in a row, we listed more new issuers than any other exchange group in the world. We were also pleased to see that the number of graduates from TSX Venture Exchange to Toronto Stock Exchange was up 18% in 2011 compared to 2010. This is an important measure of success for our unique listing structure.

With increased volatility in global capital markets, we experienced increased volumes in our derivatives business, as market participants took advantage of our risk management products. Montréal Exchange (MX) established several new records in 2011 and total volume was up 40% over 2010, reflecting a surge in trading across all major products. In 2011, MX re-launched the Two-Year and Five-Year Government of Canada Bond futures contracts, as well as "Red" (two years to expiration) and "Green" (three years to expiration) Three-Month Canadian Bankers' Acceptance Futures contracts. MX also introduced a new S&P/TSX 60 Mini Futures Contract (SXM).

Volume traded on MX's U.S. subsidiary, BOX, was up 52% compared with 2010 and BOX's overall market share in the ultra competitive U.S. equity options market increased from 2.5% in 2010 to 3.3% in 2011.

Market conditions impacted our energy business in 2011 as lower natural gas prices and lower price volatility in the market resulted in lower volumes for NGX in 2011 compared with 2010. NGX continues to expand its presence in the U.S., having added thirteen additional hubs in 2011 and to date this year. We have also faced challenges in gaining traction following the launch of crude oil products in March 2011 under the NGX/ICE alliance and are focused on developing this business. Revenue from Shorcan Energy Brokers, our inter-participant brokerage, was up in 2011 versus 2010 reflecting higher volumes.

Building for Our Future

Our team had a very active second half of 2011 as we invested in some interesting new business opportunities and announced exciting next steps in terms of our technology.

At the end of November, we made a bid to acquire Razor Risk Technologies Limited (Razor), a Sydney-based provider of credit risk software to clearinghouses, stock exchanges, financial institutions and brokerages around the world. The bid was supported by Razor's Board of Directors and management. In February we were pleased to announce that we received the required acceptance for our bid. The acquisition of Razor provides us with a point of entry into the attractive risk management technology sector.

In December, TMX Group announced the purchase of a 16% stake in the Bermuda Stock Exchange and that I had joined its board of directors. This investment is a small one, but it provides interesting geographical and product development opportunities.

Our technology team works continually to anticipate and meet evolving market needs. In November, we announced the successful completion of the second phase of our Enterprise Expansion project. Importantly, in February, we announced the timing for implementation of our next generation equity trading technology. TMX Quantum XA, as we have called it, will provide our trading clients with dramatically enhanced speed and capacity. We expect that it will be 20 times faster than our current engine is today. We intend to launch it on TMX Select in the first half of 2013, with implementation on Toronto Stock Exchange and TSX Venture Exchange to follow beginning at the end of 2013.

TMX Datalinx continues to diversify its customer offerings. In July 2011, we acquired Atrium Networks (rebranded TMX Atrium), a leading provider of low-latency infrastructure solutions for the North American and European financial communities. The acquisition accelerates the expansion of TMX Group's data network into Europe and the U.S. In February 2012, we announced that due to strong customer demand, we advanced implementation of the fourth phase of our co-location facility to the second quarter of 2012. Interest in co-locating with us has expanded beyond the initial participants to include a wide range of clients who seek the benefits of close proximity access to Toronto Stock Exchange, TSX Venture Exchange, Montréal Exchange, and TMX Select trading engines and market data feeds.

We also took some major steps to enhance TMX Group's international profile and presence in 2011, as we opened offices in London in January and Beijing in November. The new offices are focused on advancing Canada's capital markets and the business of TMX Group's equities and derivatives exchanges, while providing a local presence to better serve our new and existing clients in these regions. In early 2012, MX expanded its sales and customer service team into the New York market, to better serve and grow the existing and future client base there.

In December 2009, CDCC was awarded the mandate to develop the infrastructure for central-counterparty services for the Canadian fixed income market by the Investment Industry Association of Canada. After extensive work with industry participants throughout 2011, on February 21, 2012, we were proud to launch our fixed income central counterparty services and clearing of repurchase (repo) agreements. We are confident that we have delivered a repo clearing solution that both meets the needs of clearing participants and strengthens the Canadian market.

Corporate Activity

As you know, TMX Group was in the headlines throughout much of 2011. In the first half of the year, the interest focused on our merger agreement with London Stock Exchange Group, which was announced on February 9, 2011. On June 29, 2011, we determined that, despite the fact that the majority of shareholder votes cast were in support of the merger, the two-thirds threshold required to approve the merger would not be achieved, and we terminated the agreement.

In July 2011, our Board of Directors authorized our management team and advisors to hold discussions with Maple Group Acquisition Corporation (Maple) which had initially made an unsolicited non-binding written proposal to acquire TMX Group in May 2011, and on June 13, 2011, made a formal offer to acquire TMX Group (which was subsequently varied on June 24, 2011 to increase the consideration payable to TMX Group shareholders). At the end of October 2011, following careful examination of the Maple offer, its value to shareholders and its potential benefits to the company and the Canadian capital markets, TMX Group signed a support agreement with Maple, and announced that our Board of Directors unanimously recommends that TMX Group shareholders accept the Maple offer.

In the course of negotiations regarding the support agreement, Maple agreed to make several changes and enhancements to the original Maple offer addressing concerns we had previously identified. Included in these changes, Maple has agreed to pay TMX Group a reverse termination fee of $39 million if the Maple transaction is not completed because required regulatory approvals are not obtained. In addition, a number of changes to the corporate governance structure that will be implemented following completion of the Maple transaction were also negotiated.

Since the end of October 2011, we have been working closely with Maple to secure the necessary regulatory approvals in accordance with the support agreement. While there can be no assurance that the required regulatory approvals will be obtained, we continue to believe that the Maple transaction is the right path forward for TMX Group and provides important potential benefits for Canada's capital markets and capital market participants. Our Board of Directors continues to unanimously recommend that TMX Group shareholders accept and tender their shares under the Maple offer.

Looking back on the year, I think it is fair to say that 2011 was a very productive year for the company. As we continue to evolve as a public company, I am optimistic about TMX Group's future prospects. Management and our entire employee team will continue to focus on the successful execution of our business plan, and will explore all growth opportunities within the context of our broad strategic plan.

I look forward to updating you on our next steps.

Thomas A. Kloet
CEO
TMX Group Inc.
March 1, 2012

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 2011 the Board held nine regular meetings and 25 special meetings and held 34 in camera sessions without management and non-independent directors present. Attendance by Directors at these meetings was 97%[1], either in person, by teleconference or by video conference. The Board plans to hold nine regular meetings in 2012. 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 March 1, 2012, the Board has a non-executive Chair and knowledgeable and experienced Directors, 11 out of 12 (92%) 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.

1 Jean Turmel was a member of the TMX Group Board and is also a member of the board of Ontario Teachers' Pension Plan Board, which is an investor in Maple Group Acquisition Corporation ("Maple") and, as such, recused himself from the deliberations regarding Maple and therefore did not participate in any Board meetings where Maple matters were discussed. As a result his meeting attendance for those meetings was not taken into account when calculating the Directors attendance at all meetings.

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.

Directors, with the approval of the Chair, may seek additional professional development education at the expense of TMX Group. As well, all Directors are members, at our expense, of the Institute of Corporate Directors ("ICD") where Directors have access to ICD events and publications which provide additional sources of relevant information.

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 under both NI 52-110 and the Recognition Order. 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 and Executive Compensation

At its annual meeting, TMX Group provides shareholders the opportunity to vote on executive compensation, on a non-binding advisory basis.

In 2011, Towers Watson was retained by the Human Resources Committee to conduct a formal assessment of the features of TMX Group's compensation programs to determine whether any material risks could result from the design of any of these programs. The assessment concluded that TMX Group has adopted a number of compensation practices to impose appropriate limits and avoid excessive or inappropriate risk-taking. For more information on TMX Group's executive compensation practices, please refer to our Management Information Circular.

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.

2011 Management's Discussion and Analysis

February 8, 2012

This MD&A of TMX Group Inc.'s (TMX Group) 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, 2011, compared with the year ended December 31, 2010. This MD&A is dated February 8, 2012 and should be read carefully together with our 2011 audited annual financial statements, including notes, which are prepared in accordance with International Financial Reporting Standards (IFRS). 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 IFRS, unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

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.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board requires publicly accountable enterprises such as TMX Group to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the TMX Group audited consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For each reporting period in 2011, we presented comparative information for 2010, both for interim and annual financial statements, as applicable, on an IFRS basis. Our consolidated financial statements for the year ended December 31, 2011 are our first annual financial statements prepared in accordance with IFRS. As this is our first year of reporting under IFRS, First-time Adoption of IFRS (IFRS 1) is applicable.

In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening balance sheet in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian generally accepted accounting principles (pre-conversion Canadian GAAP). We have included supplementary reconciliations of the impact of the conversion to IFRS on our net income attributable to TMX Group shareholders for the year ended December 31, 2010 in this MD&A (see ***Changes in Accounting Policies***) (for a more detailed discussion and reconciliations of each quarter of 2010, see our unaudited condensed consolidated financial statements and MD&A for the quarter ended March 31, 2011).

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 – a discussion of our current business environment;
- Our Business – a detailed description of each of our operations and our products and services;
- 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 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.

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 information services to customers around the world.

TMX | Toronto Stock Exchange

Toronto Stock Exchange (TSX) is Canada's senior equities market, providing domestic and international investors with access to the Canadian marketplace. At December 31, 2011, 1,587 issuers with an aggregate market capitalization of $2.0 trillion were listed on Toronto Stock Exchange. Volume traded on Toronto Stock Exchange was 103.59 billion securities in 2011.

TMX | TSX Venture Exchange

TSX Venture Exchange (TSXV) is Canada's premier junior listings market, providing companies at the early stages of growth the opportunity to raise capital. At December 31, 2011, 2,444 issuers with an aggregate market capitalization of $49.0 billion were listed on TSX Venture Exchange. Volume traded on TSX Venture Exchange was 64.98 billion securities in 2011.

TMX | Select

TMX Select is our new Canadian alternative trading system (ATS) trading TSX and TSXV listed securities. TMX Select offers additional execution options to the industry through differentiated features and pricing.

TMX | Equicom

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

TMX | Shorcan

Shorcan Brokers Inc. (Shorcan) is Canada's first inter-dealer broker (IDB), providing facilities 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.

CANDEAL
(47% Ownership)

Candeal.ca Inc. (CanDeal) is a dealer to client electronic fixed income platform of which we own 47%. CanDeal provides online access to a large pool of liquidity for Canadian government bonds and money market instruments.

TMX | Montréal Exchange

Montréal Exchange Inc. (MX or Montréal Exchange) is Canada's standardized financial derivatives exchange. Headquartered in Montréal, MX offers trading in interest rate, index and equity derivatives. In 2011, a record 61.98 million contracts were traded on MX.

TMX | CDCC

Canadian Derivatives Clearing Corporation (CDCC) offers clearing and settlement services for all MX transactions and certain OTC derivatives. 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.

BOX® Boston Options Exchange
(53.8% Ownership)

MX has a 53.8% ownership interest in Boston Options Exchange Group, LLC, (BOX), a U.S. equity options market for which MX is also the technical operator and technology developer. In 2011, 139.7 million contracts were traded on BOX.

TMX | NGX

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 2011, total energy volumes# of 15.47 million terajoules were traded or cleared on NGX.

TMX | Shorcan Energy

Shorcan Energy Brokers Inc. (Shorcan Energy Brokers), is an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

TMX | Datalinx

TMX Datalinx, our information services division, sells real time data, data delivery services and other market information to a global customer base. Toronto Stock Exchange and TSX Venture Exchange data was distributed through an average of 160,4362+ professional and equivalent real-time subscriptions in 2011. The average number of subscriptions to MX derivatives data in 2011 was 25,770+.

\# 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.

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

TMX Atrium, which was acquired by TMX Group in July 2011, is our financial network, a leading provider of low-latency infrastructure solutions for the Global financial community. The network currently offers 25 points of presence in 11 countries, 24 trading venues and 300 data sources.

Our revenue from the aforementioned business areas is categorized as follows:

2011 Revenue $673.5 M		**Cash**							**Derivatives**			**Energy**	
		TSX	**TSXV**	**TMX Select**	**Equicom**	**Shorcan Fixed Income**	**PC Bond**	**TMX Atrium**	**MX**	**BOX**	**CDCC**	**NGX**	**Shorcan Energy Brokers**
Issuer Services	$ 230.5	√	√		√								
Trading & Clearing	$ 262.6	√	√	√		√			√	√	√	√	√
Information Services	$ 165.1	√	√	√			√	√	√	√		√	
Technology Services & Other	$ 15.3	√							√				

Vision, Corporate Strategy, Initiatives and Accomplishments[1]

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

Corporate Strategy: To enhance our core business domestically and to expand horizontally, vertically and geographically by offering innovative products and services across asset classes.

1. *Enhance core multi-asset class trading to secure the foundation of our core business:*
   - Maintain superior technology, identify new means and sources of order flow, and develop and sell innovative new products and services.
   - Continue to enhance relationships with Participating Organizations (POs) and other stakeholders.
2. *Diversify revenue base, both organically and through corporate development:*
   - Horizontal expansion: to achieve a leadership position in all exchange tradable asset classes and product types in Canada (especially in derivatives and commodities).
   - Vertical expansion: into additional issuer services, new clearing services, risk management services, execution and information services, and software solutions.
3. *Leverage our competitive advantages to become the leading global exchange group for small to medium sized enterprises (SMEs) and resource issuers:*
   - Attract issuers, investors and intermediaries to Canada.
   - Sell data, technology and other services.

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.

TMX Group Business Strategies, Initiatives and Accomplishments[2]

Business Strategies

Issuer Services

- Continue to enhance our leading brand, develop deeper customer relationships and build loyalty.
- Expand product and service offerings to listed issuers.
- Increase international growth by attracting SMEs and resource companies.

Equity Trading

- Further our leadership position with continued innovation in our operations, processes and trading technology.
- Expand our customer base and our superior product and service offerings, while maintaining competitive pricing.

Fixed Income Trading

- Implement initiatives to increase liquidity for both cash and futures markets and develop linkages between asset classes.
- Grow product base (including Repo, Swaps and Overnight Index Swaps) and diversify revenue both organically and through acquisitions.
- Extend network, enabling further expansion of market connectivity.

Derivatives Trading and Clearing

- Promote the strengths of our growing Canadian derivatives market: price transparency, liquidity and central counter party clearing – both domestically and internationally.
- Leverage our over-the-counter (OTC) clearing service offering to capitalize on new opportunities arising due to industry reform.
- Grow the retail and high net worth derivatives trading community in Canada.

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.
- Develop new products and expand/enter into new markets by adding additional points of distribution.
- Position NGX to be able to capitalize on proposed regulatory changes.

Information Services

- Enhance our core product offerings, acquire global content and add value across asset classes.
- Continue to pursue opportunities within our multi-market environment to provide low latency consolidated datafeeds, co-location and data delivery solutions.
- Expand international sales capabilities and efforts to further diversify our revenue and customer base.

Technology Services

- Execute our continually evolving technology roadmap in order to maximize enterprise performance and increase enterprise functionality.
- Expand and focus our technology services business to leverage our increasing portfolio of globally competitive technology assets and services.

Initiatives and Accomplishments

In 2011 and to date in 2012, we successfully advanced our strategy by executing on a number of initiatives across our business:

Issuer Services

In 2011, we ranked first in the world for the number of new listings, with 533 entities going public or graduating on our two equity exchanges[#] (including New Listings, Initial public offerings (IPOs), Capital Pool Companies® (CPCs), Qualifying Transactions (QTs), Reverse Takeovers (RTOs) and Direct Listings). This is the third straight year that TMX Group's equity exchanges have led global exchanges in the number of new listings. As of December 31, 2011, TMX Group equity exchanges were second in the world by number of listings, seventh by market capitalization and eighth by equity capital raised[°].

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.

\# As at December 31, 2011, 533 new listings, including 45 graduates from TSX Venture Exchange to Toronto Stock Exchange.

° Rankings based on World Federation of Exchanges statistics.

In May 2011, TMX Group and QuoteMedia, Inc. launched TSX InfoSuite, a new market data and shareholder solution designed to enhance the suite of services for Toronto Stock Exchange and TSX Venture Exchange listed issuers. TSX InfoSuite's offerings include stock quotes and key company information, in-depth market data on issuers, shareholder information and sector data.

Cash Equities Trading

TMX Select

In July 2011, we launched trading on TMX Select, an alternative equities trading system. TMX Select was created in response to our customers' evolving trading strategies, TMX Select features a customer-focused pricing model, which extends significant savings to liquidity takers. TMX Select's "symmetrical pricing" model, in which both liquidity seekers and providers are charged the same fee, is significantly different from the standard maker-taker model currently in place in other Canadian marketplaces. TMX Select also features expanded trading hours, a simplified market structure, and strict price/time priority. In Q4/11, TMX Select captured more than 1% of equity trading volume in Canada.

Dark Order Types

In March 2011, in keeping with our efforts to offer our customers additional trade execution choices, we introduced new on-book Dark Order types on both Toronto Stock Exchange and TSX Venture Exchange. These new non-displayed order types called Dark Mid-Point and Dark Limit Orders are among the important features of our integrated market model, designed to maximize execution opportunities and reduce costs for all participants, including retail investors, fund managers and liquidity providers while maintaining the integrity of the central limit order book.

In June 2011, the Dark Mid-Point and the Dark Limit order types were made available for all equity securities on both Toronto Stock Exchange and TSX Venture Exchange. Since their introduction, trading of dark orders on Toronto Stock Exchange and TSX Venture Exchange has grown considerably, reaching a peak of approximately 12.0 million securities traded on December 21, 2011. The benefits of integrating the dark order types with the visible book has been well received by our clients where over 60% of POs are posting dark orders and over 100 POs have received price improvement at a substantially reduced transaction cost when their orders interact with dark liquidity.

Pricing

In 2011, we implemented the following changes to our equity trading fee schedule:

- Effective March 1, 2011, we reduced the fees for large contributors to our Market on Open (MOO) facility through the introduction of a fee cap, and introduced net credit payments for trading in our continuous limit order book and additional changes.
- Effective April 1, 2011, we made changes which provided cost savings to participants that trade equities where the trade price per-security is lower than $1.00.
- Effective June 6, 2011, we introduced the fee schedule associated with our Dark Order Types, providing participants opportunities to significantly reduce their transaction fees while benefiting from price improvement and efficiencies when trading against dark liquidity.
- Effective July 1, 2011, we made changes to our Smart Order Router fees, allowing users to route orders free of charge in order to meet regulatory obligations.
- Effective October 1, 2011, we made changes to our market making fee schedule for Toronto Stock Exchange, including introducing monthly credits.

Technology

In November 2011, we successfully completed the second phase of our equity Enterprise Expansion project. This initiative was designed to provide customers with significantly improved trading technology and performance across the TSX Quantum trading enterprise. The second phase of the Enterprise Expansion project accommodates higher throughput and capacity at 55,000 order messages per second, more than doubling existing capabilities with the introduction of a second trading engine partition. In 2011, we incurred annual operating expenses, including amortization, of approximately $8.0 million to support this initiative.

In February 2012, we announced the planned production implementation of our next generation equity trading technology called TMX Quantum XA, which is based on hardware acceleration. Hardware acceleration is a general term that refers to the off-loading of processing work from server CPUs onto specialized hardware.

TMX Quantum XA will provide TMX Group equity trading participants with dramatically enhanced speed and capacity as well as more efficient order processing. It is expected that there will be a twenty-fold reduction in median latency to sub-100 microseconds on order executions. The new trading system is designed to be capable of handling 200,000 orders per second. TMX Quantum XA will initially be implemented on TMX Select in Q1/13. Implementation on Toronto Stock Exchange and TSX Venture Exchange will follow, beginning at the end of 2013. We expect to incur incremental annual operating expenses of approximately $4.0 million to support this initiative.

Derivatives Trading and Clearing

Trading

MX established several new records for activity in 2011, including:

- Record total volume of 61.98 million contracts traded, surpassing the previous record of 44.30 million contracts traded set in 2010.
- Daily record of 285,500 contracts traded on the Three-Month Canadian Bankers' Acceptance Futures (BAX) on August 4, 2011, surpassing the previous record of 223,041 contracts traded set on February 27, 2007.
- Record open interest on BAX on August 4, 2011, reaching 796,862 contracts. The previous record was set on May 26, 2011 with open interest of 699,569 contracts.
- Daily record of 5,248,720 contracts in overall open interest on December 15, 2011.

In 2011, we re-launched our Two-Year and Five-Year Government of Canada Bond futures contracts, as well as Red (second year) and Green (third year) Three-Month Canadian Bankers' Acceptance Futures contracts, with committed market makers providing continuous posted markets. We also introduced a new S&P/TSX 60 Mini Futures Contract (SXM), launched user-defined strategies with implied pricing on our equity and ETF options markets and added new risk management tools for participants. In an effort to capitalise on the upcoming Basel III regulatory reforms, and to become only the third country to develop a full sovereign futures curve, the Montreal Exchange invested in marketing and the recruitment of market makers during 2011.

Also in 2011, BOX announced the receipt of a patent specifically related to price improvement auctions for electronic trading of financial instruments. BOX launched its innovative price improvement auction, the Price Improvement Period (PIP), designed to provide customers with the best possible price in the electronic marketplace, in 2004.

Clearing

CDCC continues to work with the dealer and user community to develop the infrastructure for central-counterparty services for the Canadian fixed income market. The planned go-live date for the clearing of OTC fixed income repurchase agreements (repos) is currently scheduled for Q1/12 to allow for additional industry testing of the system and controls.

Energy Trading

In 2011, NGX expanded its U.S. clearing operations by offering physical natural gas clearing at the following hubs:

- In February 2011, two additional hubs in Texas: Houston Ship Channel located east of Houston, and Oasis – Waha Pool, a broad region in west Texas.
- In April 2011, three hubs were added including the Opal Plant Tailgate at Opal, Wyoming. Tennessee Zone 0 (South) in south Texas and ANR SW in Kansas.
- In July 2011, two more hubs were added: the Oneok Gas Transportation (OGT) hub in Oklahoma and at Tennessee Zone 0 (North) in northern Texas.
- In October 2011, three additions were made: Trunkline Z1A, Trunkline East La. and Trunkline West La.

As of December 31, 2011, NGX offers physical clearing of natural gas at 40 U.S. locations.

Information Services

In June 2011, TMX Datalinx implemented its ultra-low latency network, TMXnet North America (NA), between Toronto, New York and Chicago. TMXnet NA is used to deliver TMX and other Canadian capital markets data to clients in New York and Chicago, as well as U.S. financial data to clients in TMX's co-location facility and the Toronto core. The network will also be used to offer dedicated telecommunications links for TMX Group's co-location clients.

TMX Datalinx also entered into a bilateral agreement with NASDAQ OMX® Global Data Products to make each marketplace's market data available in their respective co-location facilities. Using TMXnet NA, TMX's co-location clients and NASDAQ OMX's co-location clients can receive low latency, reliable and cost efficient access to NASDAQ OMX and TMX market data.

In July 2011, we acquired Atrium Networks (rebranded TMX Atrium), a leading provider of low-latency infrastructure solutions for the North American and European financial communities. The acquisition accelerates the expansion of TMX Group's data network into Europe and the U.S. The network currently offers 25 points of presence in 11 countries, 24 trading venues and 300 data sources.

In November 2011, PC-Bond launched an arrangement with NASDAQ OMX to offer a new family of U.S. Treasury Fixed Income indexes, the RBC Insight Total Return U.S. Treasury (TRUST) indexes.

Technology Services

In May 2011, we announced that London Stock Exchange Group plc (LSEG)'s pan-European derivatives market, Turquoise Derivatives, had successfully migrated to the SOLA trading system. SOLA, which was created by Montréal Exchange, is also the trading technology platform for Borsa Italiana's IDEM market and the Oslo Bors. The SOLA technology is designed for scalability and to efficiently meet ever expanding capacity and performance requirements.

In November 2011, TMX Group and Razor Risk Technologies Limited (Razor) announced a Takeover Bid Implementation Agreement under which a subsidiary of TMX Group has made a takeover bid for all of the issued shares in Razor. As of February 3, 2012, approximately 88% of total Razor shares had been tendered.

The acquisition of Razor will provide us with a point of entry into the risk management technology sector. Headquartered in Sydney, Razor provides credit risk software to clearing houses, stock exchanges, financial institutions and brokerages around the world. It develops and integrates economic capital, market, credit and liquidity risk management requirements across multiple asset classes.

Other

As part of our overall objective to enhance TMX Group's international profile and presence, we opened international offices in London, U.K. in January 2011 and Beijing, China in November 2011. The U.K. office is primarily focused on the derivatives and information services parts of our business. The China office is focused primarily on advancing Canada's capital markets and the business of TMX Group's equity exchanges while providing a local presence to better serve our new and existing clients in the region. In early 2012, Montréal Exchange expanded its sales and customer service team into the New York market.

The Maple Offer

On October 30, 2011, TMX Group and Maple Group Acquisition Corporation (Maple) announced that they had entered into a support agreement in respect of Maple's proposed acquisition of all of the outstanding TMX Group shares pursuant to an integrated two-step transaction valued at approximately $3.8 billion. Maple has also proposed to acquire Alpha Trading Systems Limited Partnership, together with Alpha Trading Systems Inc. (the Alpha Transaction) and The Canadian Depository for Securities Limited (CDSL) (the CDSL Transaction and, together with the Alpha Transaction, the Related Transactions).

The first step is Maple's offer to acquire between 70% and 80% of the TMX Group shares for $50.00 in cash per share, on a pro rated basis, to be followed by a second step court approved plan of arrangement that will provide TMX Group shareholders (other than Maple) with Maple shares in exchange for their remaining TMX Group shares, on a one-for-one basis. The Maple offer remains subject to a non-waivable minimum tender condition that at least 70% of the TMX Group shares must be tendered to the Maple offer on or before its final expiry, in addition to other conditions (including regulatory approvals required in respect of the Maple offer and the Related Transactions, and other conditions as described in TMX Group's Notice of Change to Directors' Circular dated November 8, 2011 (the Notice of Change). Assuming the minimum of 70% of the TMX Group shares are acquired for cash under the Maple offer, former TMX Group shareholders would own 41.7% of Maple following the second step plan of arrangement. Assuming the maximum of 80% of the TMX Group shares are acquired for cash under the first step offer, former TMX Group shareholders would own 27.8% of Maple following the second step plan of arrangement.

As set out in the Notice of Change, the TMX Group Board is unanimously recommending that TMX Group shareholders accept and tender their shares to the Maple offer, and vote in favour of the second-step arrangement transaction. In making its determinations, the TMX Group Board took into account a number of factors, including the value of the transaction to TMX Group shareholders as well as the expected benefits of the Maple transaction to TMX Group and Canadian capital markets participants and other stakeholders. In addition to other changes and enhancements since Maple's original offer of June 13, 2011, Maple has agreed to pay TMX Group a reverse termination fee of $39.0 million if the Maple transaction is not completed because required regulatory approvals are not obtained. We are liable for the payment of success fees to our financial advisors of approximately $21.0 million which are contingent upon the successful completion of the Maple transaction. TMX Group has not accrued this fee.

In connection with entering into the support agreement, Maple agreed to extend its offer until February 29, 2012. Based on information provided to TMX Group by Maple, on January 30, 2012, a total of 12,844,353 TMX Group shares had been deposited under the Maple offer. If by February 28, 2012 all conditions to completion of the Maple offer have been satisfied or waived (other than the receipt of the necessary regulatory approvals and those conditions that by their terms are to be satisfied immediately prior to expiry of the Maple offer), the outside date of February 29, 2012 may be extended by either TMX Group or Maple to April 30, 2012 if necessary in order to obtain the required regulatory approvals, including approval under the *Competition Act* (Canada) and from applicable provincial securities regulatory authorities. However, Maple would not be required to extend its offer beyond February 29, 2012 if the regulatory approvals would not be obtained by April 30, 2012.

If any of the regulatory approvals from regulatory authorities other than the OSC and the AMF have yet to be obtained and the Maple offer will otherwise expire within 21 days, Maple will extend the Maple offer to a date that is at least 21 days after the OSC and the AMF have each made their respective decisions (and without limiting Maple's obligations to further extend the Maple offer if required pursuant to the support agreement, but provided that Maple is not required to extend the Maple offer beyond April 30, 2012), subject to those decisions being satisfactory to Maple in accordance with the support agreement. This extension will give each other relevant regulatory authority additional time to take the OSC and AMF decisions into account for the purposes of its own independent review, if it chooses to take the additional time.

Under the support agreement, TMX Group and Maple have agreed to proceed diligently and in a coordinated fashion to obtain the applicable regulatory approvals, including from securities regulatory authorities and the Commissioner of Competition. Maple has further agreed to use commercially reasonable efforts to pursue and obtain the applicable regulatory approvals and to negotiate, commit to and effect regulatory commitments that may be required by federal or provincial regulatory authorities in order to do so, provided they do not result in a "Material Detriment", as defined in the support agreement.

On October 7, 2011, the OSC and the AMF issued public notices outlining certain issues related to the Maple offer and requested comments from interested parties in respect of the Maple offer and the Related Transactions. The BCSC and ASC also issued a joint notice requesting comments regarding the proposed transactions. Public hearings were held by the AMF on November 24 and 25, 2011 and by the OSC on December 1 and 2, 2011 to allow interested parties to make additional submissions regarding the Maple offer and the Related Transactions and the issues raised by the OSC and the AMF. In addition, in numerous meetings with Maple and TMX Group, securities regulatory authorities have provided additional clarification of the issues and concerns that they consider to be raised by the Maple offer and the Related Transactions.

On November 29, 2011, the Commissioner of Competition provided Maple and TMX Group with her views with respect to the Maple offer and the Related Transactions. The Commissioner expressed serious concerns about the likely competitive effects of the proposed transactions in the current environment, primarily in connection with equities trading and clearing and settlement services in Canada. The Commissioner indicated that she had not reached a final conclusion and that her views may be affected by further factual information and developments, which may include changes in the applicable securities regulatory regime, and any commitments or other remedial measures that Maple may be prepared to take to address her concerns.

Maple has continued to engage in ongoing discussions with, answered questions from, and made numerous submissions to, securities regulatory authorities and the Competition Bureau on the issues and concerns raised by them in respect of the Maple offer and the Related Transactions, including recently submitting a proposed CDSL pricing model and proposing remedies to address concerns regarding equities trading.

Maple is continuing to seek to resolve outstanding issues and concerns raised by the securities regulatory authorities and the Competition Bureau. However, there can be no assurance that remedies short of a Material Detriment, as defined in the support agreement, will address the issues and concerns raised by the securities regulatory authorities and the Commissioner or that the regulatory approvals will be obtained. If the Maple offer is not completed because of a failure to obtain the regulatory approvals, TMX Group's recourse in that circumstance is likely to be limited to receipt of the reverse termination fee. See "Summary of Agreements Relating to the Maple Offer – Support Agreement – Maple Termination Fee" in the Notice of Change.

Additional information regarding the status of the Maple offer and the support agreement is available in the Notice of Change, including the TMX Group Board's reasons for its recommendation of the Maple offer, and Maple's Notice of Variation and Extension dated October 31, 2011, as well as Maple's Notice of Extension dated January 31, 2012, each of which has been mailed to TMX Group shareholders.

Further details are also available in joint TMX Group-Maple press releases dated October 30, 2011, November 29, 2011 and January 31, 2012. The full text of the support agreement is also available on SEDAR under TMX Group's corporate profile at **www.sedar.com**.

TMX Group and LSEG Terminate Merger Agreement

On June 29, 2011, TMX Group agreed with LSEG to terminate our merger agreement which was announced on February 9, 2011.

TMX Group shareholders were scheduled to vote on the merger on June 30, 2011. A majority of shareholder votes cast by proxy prior to the June 28, 2011 proxy deadline supported the merger resolution; however, it was determined that the two-thirds threshold required to approve the merger would not have been achieved.

In terminating the merger agreement, TMX Group agreed to pay a $10.0 million expense fee to LSEG. This $10.0 million expense fee would have become payable by TMX Group under the merger agreement if TMX Group shareholder approval of the merger had not been obtained. The $10.0 million expense fee has been included in **LSEG and Maple Related Costs** for 2011. TMX Group also agreed to pay a $29.0 million fee to LSEG if Maple's proposed acquisition is consummated as contemplated in the support agreement with Maple. TMX Group has not accrued this $29.0 million fee.

Market Conditions[3]

From a macro perspective, the relative strength of the Canadian and global economies impacts our key revenue drivers. In a growing economy, we would typically expect an increase in the levels and nature of market activity on our exchanges; an increase in 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. While it is not possible to quantify the potential changes in some of these drivers, 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. In 2011, the European debt situation, U.S. economy and Canadian interest rate environment have negatively impacted various areas of our business. In addition, an increase in the North American supply of natural gas has led to lower natural gas prices and less price volatility which contributed to lower volumes. Following the credit crisis in 2008, regulators in Canada, the U.S. and in Europe have and are proposing and evaluating numerous changes to the financial system, including higher capital reserves, greater transparency, and increased utilization of regulated exchanges and central counterparties for over the counter derivatives. Based on the results of these deliberations and the markets reaction to them, volumes and activity may be enhanced or reduced.

We operate in the highly competitive exchange industry, both domestically and internationally. In addition to competing with North American exchanges and ATSs directly for trading of interlisted issuers, we also compete internationally with global marketplaces for investment capital and order flow. Domestically, since entering the Canadian equities market, ATSs have fragmented trading volumes. In 2010, Toronto Stock Exchange and TSX Venture Exchange held, on a combined basis, an average share of 73% of equities volume traded in Canada. In 2011, our combined monthly average share of volume (including trading on our new ATS, TMX Select, launched in July, 2011) declined to 67% overall. Our market share was 71% in December 2011, although that share changes on a daily basis. We continue to face significant competitive pressure in this multi-marketplace domestic environment. In August, 2011, another new ATS began trading and in October, 2011, a number of global financial institutions invested in one of our competitors. There are currently 13 Canadian equity marketplaces. We compete for listings both in North America and internationally, particularly for SMEs as well as resource companies. In Canada, we currently compete for junior listings with Canadian National Stock Exchange (CNSX). Alpha ATS L.P. (Alpha ATS), an alternative trading system formed by a group of Canada's banks and investment dealers, has become a significant competitor in our cash equities markets. Alpha ATS currently trades Toronto Stock Exchange and TSX Venture Exchange listed issuer securities. In December, 2011, the OSC approved the recognition of Alpha LP and Alpha Exchange as an exchange giving them the ability to also list issuers effective in 2012. As of the date of this MD&A, they not received the same recognition from the British Columbia Securities Commission (BCSC) or the Alberta Securities Commission (ASC).

NGX's business of trading and clearing physical natural gas, electricity and crude oil contracts and Shorcan Energy Brokers business face primary competition in energy markets in Canada and the United States from OTC bilateral markets (supported by voice brokers other than Shorcan) and competing exchanges listing and clearing similar energy products. Other exchanges and electronic trading platforms are now starting to list physical products designed to compete more directly with the NGX contracts. Our alliance with IntercontinentalExchange, Inc. (ICE) positions NGX to efficiently deliver products to the trader desktops while providing the tools to deliver clearing for exchange-traded as well as OTC bilateral contracts.

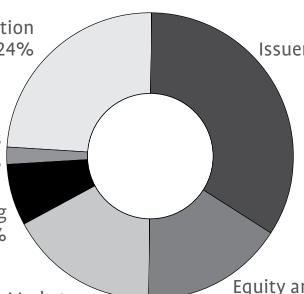
In addition to competition from foreign derivatives exchanges that offer comparable derivatives products, MX faces domestic competition from OTC derivatives trading that occurs bilaterally between institutions. We may in the future also face competition from other Canadian derivatives marketplaces. In 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.

MX's subsidiary, BOX, operates in the intensely competitive U.S. equity options market.

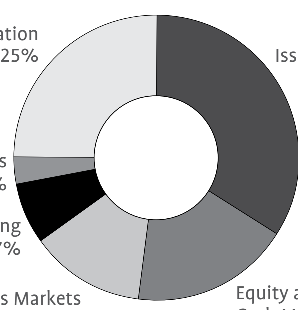
Our Business

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

2011 revenue of $673.5 million



2010 revenue of $625.6 million

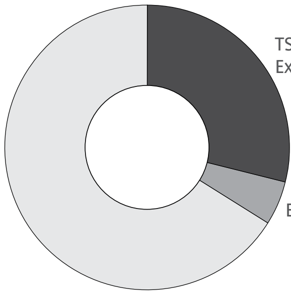


3 The "***Market Conditions and Outlook***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

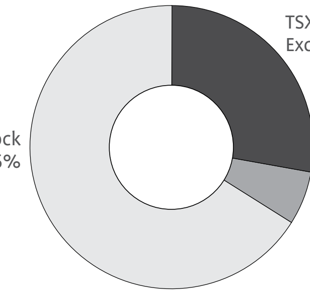
Issuer Services

Revenue Composition

2011 issuer services revenue of $230.5 million



2010 issuer services revenue of $213.1 million



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 provides a market called NEX[4] 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 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 CPC program or RTOs.

The CPC program, which celebrated its 25th Anniversary in November 2011, provides an alternative, two-step introduction to listing on TSX Venture Exchange. Through the program, CPC founders with financial markets experience raise a pool of capital that is listed on the Exchange as a CPC. The CPC founders then seek out entrepreneurs with growth and development stage companies. Once a fit is found between the two, they complete a business combination known as a QT.

Since its inception in 1986, 2282 CPCs have listed on TSX Venture Exchange (and its predecessor exchanges) as of December 31, 2011. Over the past 10 years, 560 companies that originally listed as CPCs have graduated from TSX Venture Exchange to Toronto Stock Exchange.

Issuers list a number of different types of securities including conventional securities such as common shares, exchange traded funds (ETFs) and structured products, preferred shares, rights and warrants, and a variety of alternative types of structures such as exchangeable shares, convertible debt instruments and limited partnership units. In 2011, Toronto Stock Exchange reached over 240 exchange traded products (ETPs) comprised of 228 ETFs and 14 exchange traded notes (ETNs). The number of ETPs has more than doubled in the past two years bringing the total market capitalization of listed ETPs to approximately $52.2 billion at December 31, 2011.

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, provide 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 global 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 2011, we ranked first in the world for the number of new listings, with 533 entities going public or graduating on our two equity exchanges[#] (including New Listings, Initial public offerings (IPOs), Capital Pool Companies® (CPCs), Qualifying Transactions (QTs), Reverse Takeovers (RTOs) and Direct Listings). This is the third straight year that TMX Group's equity exchanges have led global exchanges in the number of new listings. As of December 31, 2011, TMX Group equity exchanges were second in the world by number of listings, seventh by market capitalization and eighth by equity capital raised°.

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

As at December 31, 2011, 533 new listings, including 45 graduates from TSX Venture Exchange to Toronto Stock Exchange.

° Ranking based on World Federation of Exchanges statistics.

Key Statistics

- At December 31, 2011, 1,587 issuers with an aggregate market capitalization of $2.0 trillion were listed on Toronto Stock Exchange, compared with 1,516 issuers at December 31, 2010 with an aggregate market capitalization of $2.2 trillion. The S&P/TSX Composite Index≠ level was 11,955.09 on December 31, 2011, an 11% decrease from 13,443.22 on December 31, 2010.
- At December 31, 2011, 2,444 issuers with an aggregate market capitalization of $49.0 billion were listed on TSX Venture Exchange, compared with 2,376 issuers at December 31, 2010 with an aggregate market capitalization of $72.1 billion. The S&P/TSX Venture Composite Index≠ level was at 1,484.66 on December 31, 2011, a 35% decrease from 2,287.85 on December 31, 2010.

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 listing fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Initial listing fees fluctuate with the number of transactions and value of securities being listed or reserved in a given period. Issuers who graduate from TSX Venture Exchange to Toronto Stock Exchange are considered initial listings, but pay no application fee and may receive a discount in certain circumstances up to a maximum of 25% of the initial listing fee.

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 fluctuate with the number of transactions and value of securities being listed or reserved.

Sustaining Listing Fees[5]

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 for existing issuers 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 for new issuers are billed in the quarter that the new listing takes place and are amortized over the remainder of the year on a straight-line basis.

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 a decrease in sustaining fees in 2012, due to lower market capitalization at the end of 2011 when compared with the end 2010. This will also be somewhat dependent on new listings and delistings in 2012, as new issuers are subject to a prorated sustaining listing fee and issuers that delist may receive a partial refund of sustaining listing fees paid in 2012. We benchmark our listing fees against those of our peers in the global exchange industry.

Prior to becoming effective, changes to Toronto Stock Exchange listing fees are filed with the OSC. Any changes to TSX Venture Exchange listing fees are posted for a 60-day notice period before taking effect. It is possible within this period that the BCSC and/or the ASC may object, or require revisions to, the proposed fee changes.

2012 Pricing

To date, there have been no major price changes announced for Toronto Stock Exchange and TSX Venture Exchange for 2012.

Competition

We compete for listings both in North America and internationally, particularly for SMEs and resource companies. Domestically, we currently compete for junior listings with CNSX. Alpha ATS currently trades Toronto Stock Exchange and TSX Venture Exchange listed issuer securities. In December 2011, the OSC approved the recognition of Alpha LP and Alpha Exchange as an exchange giving them the ability to also list issuers effective in 2012. As of the date of this MD&A, they not received the same recognition from the BCSC or the ASC.

While some Canadian issuers 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, 2011 there were 339 issuers interlisted on other exchanges, including 100 on NYSE, 74 on NYSE Amex, 46 on NASDAQ, 39 on ASX and 38 on AIM. There were also 176 issuers quoted on OTCQX, a U.S. OTC marketplace. As at December 31 2011, only 13 Canadian issuers bypassed our markets and were listed solely outside of Canada.

We also compete with institutions and various market participants that offer alternative forms of financing that are not necessarily traded in public markets including private venture capital and various forms of debt financing.

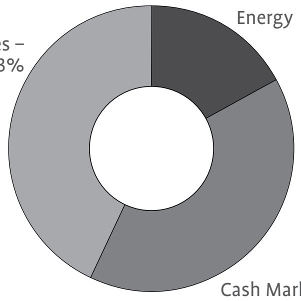
5 The "***Sustaining Listing Fees***" section above contains certain forward-looking statements. Please refer to "***Caution Regarding Forward-Looking Information***" for a discussion of risks and uncertainties related to such statements.

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

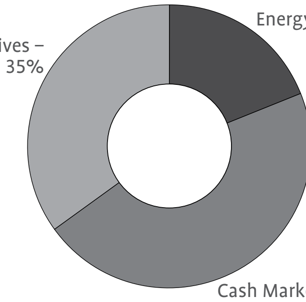
Trading and Clearing

Toronto Stock Exchange, TSX Venture Exchange, TMX Select, MX, NGX, Shorcan and Shorcan Energy Brokers

2011 trading, clearing and related revenue of $262.6 million



2010 trading, clearing and related revenue of $242.2 million



Cash equities trading – Toronto Stock Exchange, TSX Venture Exchange and TMX Select

Overview and Description of Products and Services

Trading on Toronto Stock Exchange, TSX Venture Exchange and TMX Select occurs on a continuous basis on our fully electronic trading systems throughout the day. Retail, institutional and other proprietary investors place orders to buy or sell securities through POs who act as principals or agents. 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 CDSL, a recognized clearing agency in which we have an 18% ownership interest. The other owners of CDSL are the major Canadian chartered banks and the Investment Industry Regulatory Organization of Canada (IIROC).

Technology

As part of our continuing effort to provide customers with the most advanced trading technology and performance, we are continuing to invest in, and are implementing a multi-phased initiative to expand the infrastructure across our trading and data enterprise. The first expansion phase was completed in Q1/10. In November 2011, we successfully completed the second phase of our equity Enterprise Expansion project. This initiative was designed to provide customers with significantly improved trading technology and performance across the TSX Quantum trading enterprise. The second phase of the Enterprise Expansion project accommodates higher throughput and capacity at 55,000 order messages per second, more than doubling existing capabilities with the introduction of a second trading engine partition.

Key Statistics

- Volume traded on Toronto Stock Exchange was 103.59 billion securities in 2011, a 1% decrease from 104.56 billion securities traded in 2010.
- Volume traded on TSX Venture Exchange was 64.98 billion securities in 2011, a 4% decrease from 67.89 billion securities in 2010.
- The combined volume traded on our cash equities markets, including TMX Select, was 169.77 billion securities in 2011, a 2% decrease compared with 172.45 billion securities in 2010.

Pricing

We have a volume-based fee structure for issues traded on Toronto Stock Exchange and TSX Venture Exchange. This model is structured so that market participants have an incentive to enter passive orders into 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 in the month in which the trade is executed.

In 2011, we implemented the following changes to our equity trading fee schedule:

- Effective March 1, 2011, we reduced the fees for large contributors to our MOO facility through the introduction of a fee cap, and introduced net credit payments for trading in our continuous limit order book and additional changes.
- Effective April 1, 2011, we made changes which provided cost savings to participants that trade equities where the trade price per-security is lower than $1.00.
- Effective June 6, 2011, we introduced the fee schedule associated with our Dark Order Types, providing participants opportunities to significantly reduce their transaction fees while benefiting from price improvement and efficiencies when trading against dark liquidity.

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

- Effective July 1, 2011, we made changes to our Smart Order Router fees, allowing users to route orders free of charge in order to meet regulatory obligations.
- Effective October 1, 2011, we made changes to our market making fee schedule for Toronto Stock Exchange, including introducing monthly credits.

Prior to becoming effective, changes to Toronto Stock Exchange, TSX Venture Exchange and TMX Select trading fees are filed with the OSC, BCSC and ASC for a 45-day period before becoming effective. It is possible that the regulators may object, or require revisions to, the proposed fee changes.

2012 Pricing

To date, there have been no major changes announced to our equity trading fee schedule for 2012.

Competition and Market Share

There are currently 13 Canadian equity marketplaces which trade or intend to trade Toronto Stock Exchange and TSX Venture Exchange listed securities, including dark and visible trading venues and mechanisms to internalize order flow within a PO. The largest competitive impact thus far has been from Alpha ATS, which was launched in November 2008 by a group of Canada's leading banks and investment dealers with multiple interests.

In 2011, our combined monthly average share of volume (including trading on our new ATS, TMX Select, launched in July, 2011) declined to 67% overall. Our market share was 71% in December 2011, although that share changes on a daily basis. We continue to face significant competitive pressure in this multi-marketplace domestic environment. In August, 2011, another new ATS began trading and in October, 2011, a number of global financial institutions invested in one of our competitors.

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 including 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 foreign participants and order flow by raising the level of awareness regarding the benefits of trading on Toronto Stock Exchange and TSX Venture Exchange.

Derivatives Trading and Clearing – MX and BOX

Overview and Description of Products and Services

Our domestic financial derivatives trading is conducted through MX. Our U.S. derivatives trading is conducted through our controlled subsidiary, BOX, an equity options market located in the U.S. 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.

Products and Services

Derivatives-Trading

MX

MX offers interest rate, index, equity and exchange-rate derivatives to Canadian and international market participants. 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. Slightly more than half of the 2011 volume on MX is represented by three futures contracts – the Three-Month Canadian Bankers' Acceptance Futures contract (BAX®), the Ten-Year Government of Canada Bond Futures contract (CGB®) and the S&P/TSX 60 Standard Futures contract (SXF) – with the balance represented by our equity and ETF options market. Viewed from an asset-class perspective, equity derivatives represent slightly more than half the activity on the MX.

BOX

BOX is an all-electronic equity derivatives market and was created as a simpler, faster, more transparent and less costly alternative to the other 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 several equity options markets in the U.S., offering an electronic equity derivatives market on almost 1,500 options classes. All BOX trade volume is cleared through the Options Clearing Corporation.

Derivatives-Clearing

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 for options and futures contracts traded on MX markets and for some products on the OTC market. CDCC has a long-term rating of AA and a short-term rating of A1 from Standard and Poor's, based on CDCC's prudent and standardized risk management policies and operational procedures.

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.

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 2011, MX set a second consecutive annual volume record with 61.98 million contracts traded, an increase of 40% from 44.30 million contracts traded in 2010 and total open interest was up 26% at the end of 2011 versus the end of 2010.
- BOX volumes increased by 52% (139.68 million contracts traded in 2011 versus 91.75 million contracts traded in 2010).

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 each transaction based on the number of contracts included in each transaction. MX trading revenue is directly correlated to the volume of contracts traded on the derivatives market. Derivatives trading revenue is recognized in the month in which the trade is executed.

CDCC clearing members 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.

BOX participants are charged fees on a per transaction basis. Trading fees are directly correlated to the volume of contracts traded. Options Regulatory Fees are fees based on the number of customer contracts executed by participant firms. 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. In Q3/11, BOX adjusted its fee schedule for broker dealer trades executed outside the PIP and adjusted its liquidity fees and credits. In Q4/11, BOX introduced fees for trades executed as a professional customer.

Prior to becoming effective, changes to MX trading fees are filed with the Autorité des marchés financiers (AMF) for a 45-day period before becoming effective. It is possible that the AMF may object, or require revisions to, the proposed fee changes. Changes to BOX trading fees are filed with the U.S. Securities and Exchange Commission (SEC).

2012 Pricing

To date, there have been no significant price changes announced for MX and BOX for 2012.

Competition

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 and transparent market and quotation data. 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, 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 U.S., 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.

BOX operates in the highly competitive U.S. equity options market. BOX's overall equity options market share increased from 2.5% in 2010 to 3.3% in 2011. BOX competes for market share with NYSE Amex Options, NYSE Arca Options, CBOE, International Securities Exchange (ISE), The NASDAQ Options Market, NASDAQ OMX PHLX and BATS Options among others.

NGX

Overview and Description of Products and Services

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 with 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. In Q1/11, NGX added Canadian and U.S. physical crude oil products and ICE added Canadian financial crude oil products to the existing clearing and technology alliance.

NGX also owns The Alberta Watt Exchange (Watt-Ex), a provider of ancillary services to the Alberta Electric System Operator which uses Watt-Ex to procure its operating reserve electricity for the Alberta grid.

Key Statistics

- In 2011, NGX total energy volume[#] was 15.47 million terajoules traded or cleared, compared with 16.72 million terajoules in 2010, representing an overall decrease of 7%.
- As of December 31, 2011, NGX listed over 41 crude oil grades at 13 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. Energy trading and clearing revenue is recognized over the period the relevant services are provided.

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

2012 Pricing

To date, there have been no major price changes announced for 2012.

Competition

The NGX business faces competition in Canada and the U.S. from other exchanges, electronic trading and clearing platforms and from the OTC or bilateral markets (with support from voice brokers) and competing exchanges listing and clearing energy products. In 2011, NGX faced increased competition from voice brokers, including Shorcan Energy Brokers, a wholly-owned subsidiary of Shorcan.

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 OTC clearing services for standard off-exchange bilateral energy transactions.

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 Brokers provide an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

Key Statistics

- In 2011, we estimate that the IDB market represented about 35% of total fixed income trading in Canada and that Shorcan's share of this market was about 40%.
- We estimate Shorcan Energy Brokers' inter-participant brokered market share is approximately 60%.

Pricing

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

2012 Pricing

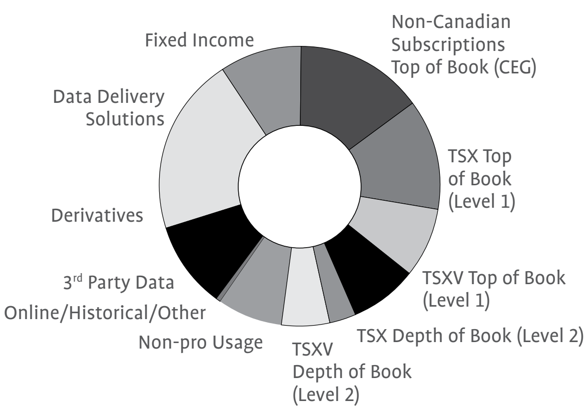
To date, there have been no price changes announced for 2012.

Competition

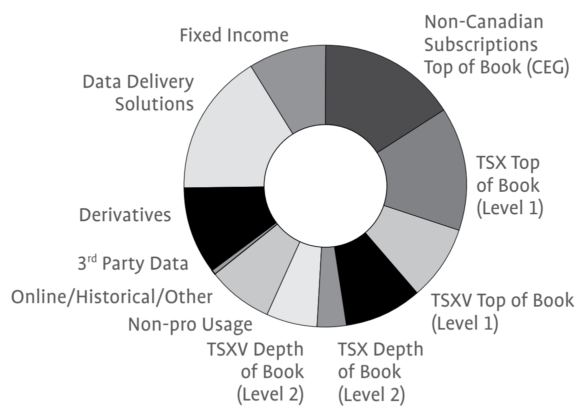
Shorcan, and Shorcan Energy Brokers have several competitors in the fixed income IDB and energy markets in Canada. Shorcan continues to work towards increasing market share as well as diversifying revenue and increasing utilization of electronic trading within the fixed income IDB market.

Information Services – TMX Datalinx, MX and BOX

2011 information services revenue of $165.1 million



2010 information services revenue of $154.4 million



Overview and Description of Products and Services

Real-Time Market Data Products – CEG, Level 1 and Level 2

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 to end users directly or via more than 100 Canadian and global redistributors that sell data feeds and desktop market data.

For our cash equities markets, we offer our subscribers Level 1 real-time services for Toronto Stock Exchange and TSX Venture Exchange, including NEX and Level 2 real-time services for Toronto Stock Exchange, TSX Venture Exchange and TMX Select. Level 1 provides trades, quotes, corporate actions and index level information. Level 2 provides a more in-depth look at the order book and allows distributors to obtain Market Book® for Toronto Stock Exchange, TSX Venture Exchange and TMX Select. Market Book is an end user display service which includes MarketDepth by Price, MarketDepth by Order and MarketDepth by Broker for all committed orders and trades. We offer direct data feeds to clients with trading strategies that require lower latency. Our Quantum Binary Feed provides clients with predictable latency for Level 1 and Level 2 binary data translated to a standard, high frequency format for Toronto Stock Exchange and TSX Venture Exchange.

We also provide market participants with low-latency access to real-time Level 1 and Level 2 market data consolidated to include all domestic equities marketplaces, by way of our TMX Information Processor Consolidated Data Feed (CDF™), Canadian Best Bid and Offer (CBBO®), Consolidated Last Sale (CLS™) and Consolidated Depth of Book (CDB™) services.

TMX Datalinx market data is available globally through TMX Atrium, our low latency financial network, through connectivity to NYSE Technologies' Secure Financial Transaction Infrastructure® (SFTI®) locations across the United States and Europe, through NASDAQ OMX Global Data Products distribution services and through a host of network carriers and extranets.

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.

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 a TSX/CP Equities News service in partnership with The Canadian Press.

Real-Time Derivative Market Data Products

TMX Datalinx distributes MX 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 1 and Level 2 real-time data.

Information services revenue is also generated by the sale of data to resellers of information as well as the sale of individual data delivery real-time subscriber products delivered through browser-based and mobile services.

BOX distributes its market data, like the other U.S. options markets, 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 – Co-location, TMXnet and TMX Atrium[6]

TMX Datalinx provides co-location services to a broad range of domestic and international market participants. TMX co-location services clients benefit from stable, low latency access to the Toronto Stock Exchange, TSX Venture Exchange, TMX Select and MX trading engines and market data feeds, as well as a broad range of other market data sources and technology providers.

TMX co-location services offering was introduced in 2008 and has expanded since then. In 2012, we expect to incur capital expenditures of approximately $4.0 million associated with building Co-location Services Phase 4 bringing the total number of co-location spaces to 190, and expect to generate incremental revenues commencing in Q2/12.

Index Products – Equities and Derivatives

TMX Datalinx has an arrangement with Standard & Poor's Financial Services LLC (S&P) 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 S&P, we launched new indices in 2011 to complement our core S&P/TSX suite of indices, including the benchmark S&P/TSX Composite Equal Weight. Also new to the mix were two S&P/TSX Venture indices, S&P/TSX Venture Select Index and S&P/TSX Venture 30, upon which ETFs were launched in 2011, allowing both Canadian and US investors to track the performance of smaller-cap Canadian stocks trading on TSX Venture Exchange.

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 November 2011, PC-Bond launched an arrangement with NASDAQ OMX® to offer a new family of U.S. Treasury Fixed Income indexes, the RBC Insight Total Return U.S. Treasury (TRUST) indexes.

6 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 trademark of Standard & Poor's and "TSX" is the trademark of TSX Inc.

Key Statistics

- Overall, there was a 1% decrease in the number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (157,255+ professional and equivalent real-time market data subscriptions at December 31, 2011 compared with 159,572+ at December 31, 2010).
- There was a 19% increase in the number of MX market data subscriptions (28,238+ MX market data subscriptions at December 31, 2011 compared with 23,718+ at December 31, 2010).

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. 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.

Real-time market data revenue is recognized based on usage as reported by customers and vendors, less a provision for sales allowances from the same customers. Fixed income indices revenue is recognized over the period the service is provided. Other information services revenue is recognized when the services are provided.

In 2011, approximately 34% 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, TSX Venture Exchange, TMX Select and MX market data are filed with the OSC, BCSC, ASC and the AMF, as required, for a 45-day notice period before becoming effective. It is possible that the regulators may object, or require revisions to, the proposed fee changes.

2011 and 2012 Pricing

In May 2011, TMX Datalinx announced both a fee reduction and unbundling of its TSX Level 1 product, reducing the professional subscription fee from $38.00 to $32.00, which came into effect October 1, 2011. The index level data will be removed from the TSX Level 1 product and the fee will be reduced further, to $30.00 effective April 1, 2012, giving users the flexibility to subscribe to only the data they require. Users will subsequently be able to subscribe to S&P/TSX index level data for $1.50 per month.

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 linked to maintaining order flow.

We have continued to diversify and target new data customers with recent initiatives such as the consolidation of our equities and derivatives data centres and the expansion of our co-location services.

Technology 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 designing, building, installing and operating trading and related systems at our exchanges as well as other global exchanges. Technology services and other revenue is recognized when the license is sold or when the service is provided.

In keeping with our strategy to diversify revenue, offer our customers leading technology services and support our internal platforms, in November 2011, TMX Group and Razor announced a Takeover Bid Implementation Agreement under which a subsidiary of TMX Group has made a takeover bid for all of the issued shares in Razor.

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. Most services under this arrangement are expected to terminate on March 31, 2012.

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

Derivatives Markets Technology Services

In May, 2011, we announced that LSEG's pan-European derivatives market, Turquoise Derivatives, had successfully migrated to the SOLA trading system. SOLA, which was created by Montréal Exchange, is also the trading technology platform for Borsa Italiana's IDEM market and the Oslo Bors. The SOLA technology is designed for scalability to efficiently meet ever expanding capacity and performance requirements.

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Net income attributable to TMX Group shareholders of $237.5 million, or $3.18 per common share ($3.17 on a diluted basis) for 2011 decreased slightly compared with $237.7 million, or $3.20 per common share ($3.19 on a diluted basis) for 2010. The decrease in net income attributable to TMX Group shareholders was largely due to increased expenses due to $37.2 million (pre-tax) in LSEG and Maple related costs, a commodity tax adjustment*, lower cash markets trading revenue, and higher compensation and benefits expenses. This was partially offset by higher revenue from issuer services, derivatives markets trading and clearing and information services as well as lower income tax expense in 2011 compared with 2010.

Adjusted Earnings per Share Reconciliation for 2011 and 2010**

The following is a reconciliation of earnings per share to adjusted earnings per share**:

	2011		2010	
	Basic	**Diluted**	Basic	Diluted
Earnings per share	**$ 3.18**	**$ 3.17**	$ 3.20	$ 3.19
Adjustment:				
Adjustment related to LSEG and Maple related costs, net of income tax	**$ 0.37**	**$ 0.37**	–	–
Adjustment related to commodity tax adjustment, net of income tax*	**$ 0.03**	**$ 0.03**	–	–
Adjustment related to a write-down of our 19.9% interest in EDX London Limited (EDX) to its estimated fair value, net of income tax	**–**	**–**	$ 0.02	$ 0.02
*Adjusted earnings per share***	**$ 3.58**	**$ 3.57**	$ 3.22	$ 3.21

Adjusted earnings per share** of $3.58 per common share ($3.57 on a diluted basis), was higher than adjusted earnings per share of $3.22 per common share ($3.21 on a diluted basis) for 2010. The increase in adjusted earnings per share** was largely due to higher revenue from issuer services, derivatives markets trading and clearing, issuer services and information services, including TMX Atrium, acquired July 29, 2011, somewhat offset by lower cash markets trading revenue. There were higher compensation and benefits expenses in 2011 compared with 2010, partially offset by reduced income tax expense.

Revenue

Revenue was $673.5 million in 2011, up $47.9 million, or 8% compared with $625.6 million in 2010, reflecting higher revenue from derivatives markets trading and clearing, issuer services and information services, including revenue from TMX Atrium, acquired July 29, 2011, somewhat offset by lower cash markets trading revenue.

Issuer services revenue

(in millions of dollars)	**2011**	**2010**	**$ increase**	**% increase**
Initial listing fees	**$ 29.4**	$ 28.7	$ 0.7	2%
Additional listing fees	**$ 110.8**	$ 106.1	$ 4.7	4%
Sustaining listing fees	**$ 76.8**	$ 65.0	$ 11.8	18%
Other issuer services	**$ 13.5**	$ 13.3	$ 0.2	2%
Total	**$ 230.5**	$ 213.1	$ 17.4	8%

- Initial listing fees in 2011 increased over 2010 primarily due to an increase in the number of issuers who converted from income trusts to corporate entities, partially offset by a decrease in the value of initial financings on Toronto Stock Exchange and TSX Venture Exchange in 2011 compared with 2010.

* See "***General and Administration***" section.

** The terms adjusted earnings per share and adjusted diluted earnings per share do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share and adjusted diluted earnings per share to indicate operating performance exclusive of LSEG and Maple-related costs incurred in 2011, a commodity tax adjustment in 2011 and the adjustment related to the write-down of our 19.9% interest in EDX to its estimated fair value in 2010. Management uses these measures to assess our financial performance exclusive of these costs and to enable comparability across periods.

- Additional listing fees increased over 2010 due to an increase in the value of additional financings on Toronto Stock Exchange and TSX Venture Exchange, and fee changes which were effective January 1, 2011.
- The increase in sustaining listing fees was due to the overall higher market capitalization of listed issuers on both exchanges at the end of 2010 compared with the end of 2009, and fee changes on TSX Venture Exchange which were effective January 1, 2011.

Trading, clearing and related revenue

(in millions of dollars)	**2011**	**2010**	**$ increase/ (decrease)**	**% increase/ (decrease)**
Cash markets revenue	$ 105.5	$ 113.1	$ (7.6)	(7%)
Derivatives markets revenue	$ 112.7	$ 83.7	$ 29.0	35%
Energy markets revenue	$ 44.4	$ 45.4	$ (1.0)	(2%)
Total	$ 262.6	$ 242.2	$ 20.4	8%

Cash Markets

- The decrease in cash markets equity trading revenue was primarily due to changes to our equity trading fee schedule:

Effective date	Description of the fee change
March 1, 2010	Active trading fees on securities trading at less than $1.00 in the post-open continuous market were reduced;
April 1, 2010	Trading fees for securities trading at $1.00 and higher were reduced;
March 1, 2011	Trading fees for significant usage of our MOO facility were reduced Net credit payments for trading in our continuous limit order book were introduced
April 1, 2011	Additional changes were made that provided cost savings to participants that trade equities where the trade price per-share is lower than $1.00
October 1, 2011	Changes were introduced to our market making fee schedule for Toronto Stock Exchange, including introducing monthly credits.

- The decrease in revenue was also due to a 4% decrease in the volume of securities traded on TSX Venture Exchange in 2011 compared with 2010 (64.98 billion securities in 2011 versus 67.89 billion securities in 2010). Cash markets equity trading revenue also decreased from Toronto Stock Exchange due to a 1% decrease in the volume of securities traded on Toronto Stock Exchange in 2011 compared with 2010 (103.59 billion securities in 2011 versus 104.56 billion securities in 2010), partially offset by a favourable change in product mix. Cash markets revenue included revenue from TMX Select, which was launched in July 2011, with 1.19 billion securities traded in the period.
- Revenue from Shorcan fixed income trading in 2011 decreased from 2010, due to lower volumes.

Derivatives Markets

- The increase in derivatives markets revenue reflects an increase in trading and clearing revenue from MX and CDCC. Volumes increased by 40% (61.98 million contracts traded in 2011 versus 44.30 million contracts traded in 2010) reflecting increased trading across all major products. The increase in revenue was partially offset by a change in customer and product mix. Open interest was up 26% at December 31, 2011 compared with December 31, 2010.
- The increase in derivatives markets revenue also reflects an increase in BOX revenues. There was a 52% increase in BOX volumes (139.68 million contracts in 2011 versus 91.75 million contracts traded in 2010). The increase in revenue was also due to price increases which were effective in Q3/10, Q3/11 and Q4/11, as well as increased revenue from option regulatory fees charged in the U.S. in respect of BOX in 2011, partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 2011 compared with 2010.

Energy Markets

- The decrease in energy markets revenue reflects a 7% decrease in total energy volume[#] on NGX in 2011 compared with 2010 (15.47 million terajoules in 2011 compared to 16.72 million terajoules in 2010). The lower volumes were largely as a result of lower natural gas prices and less price volatility in the market during 2011 compared with 2010. NGX crude oil revenues were also lower. There has been limited traction following the launch of crude oil products in March 2011 under the NGX/ICE alliance and increased competition from voice brokers, including Shorcan Energy Brokers.
- The lower revenue was also as a result of the impact of depreciation of the U.S. dollar against the Canadian dollar in 2011 compared with 2010.
- The decreased revenue was partly offset by higher revenue from Shorcan Energy Brokers due to higher volumes in 2011 compared with 2010.

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

Information services revenue

(in millions of dollars)

	2011	2010	$ increase	% increase
	$ 165.1	$ 154.4	$ 10.7	7%

- The increase in revenue was due to the addition of revenue from TMX Atrium, acquired July 29, 2011 and higher revenue from co-location services and TMXnet.
- The increase in revenue was also due to higher revenue from fixed income indices, index data licensing and BOX's share of U.S. market data revenue.
- The increased revenue was partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 2011 compared with 2010, price reductions that were effective October 1, 2011 and the effect of customer enterprise agreements.
- Overall, there was a 4% increase in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (160,436+ professional and equivalent real-time market data subscriptions in 2011 compared with 154,039+ in 2010). There was also an 11% increase in the average number of MX market data subscriptions (25,770+ MX market data subscriptions in 2011 compared with 23,191+ in 2010).

Technology services and other revenue

(in millions of dollars)

	2011	2010	$ (decrease)	% (decrease)
	$ 15.3	$ 15.9	$ (0.6)	(4%)

- Technology services revenue decreased primarily due to lower SOLA technology services, this decrease was partially offset by realized and unrealized net foreign exchange gains in 2011 compared with 2010.

Operating Expenses

Operating expenses in 2011 were $301.5 million, up $14.9 million, or 5%, from $286.6 million in 2010 due to higher costs associated with employee performance incentive plans, an overall increase in salary and benefits costs, the inclusion of costs related to TMX Atrium, acquired July 29, 2011, as well as a commodity tax adjustment*. These increases were partially offset by higher capitalization of costs associated with technology initiatives.

Compensation and Benefits

(in millions of dollars)

	2011	2010	$ increase	% increase
	$ 147.9	$ 133.5	$ 14.4	11%

- The higher costs are related to an overall increase in salary and benefits costs relating to increased headcount and merit increases, as well as the loss of certain exemptions related to the Québec tax holiday which ended on December 31, 2010 (see ***Income Tax Expense***). There were 906 employees at December 31, 2011, including 24 from TMX Atrium, acquired July 29, 2011, versus 841 employees at December 31, 2010. The increased headcount attributable to TMX Atrium contributed in part to the higher costs. We continue to invest in our leading technologies, and over the past year we have also added resources to support the growth of our business.
- Compensation and benefits costs also increased due to higher costs associated with short-term employee performance incentive plans and long-term employee performance incentive plans that are tied to share price appreciation.
- The increases were partially offset by higher capitalization of costs associated with technology initiatives in 2011 compared with 2010.

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

* See "***General and Administration***" section.

Information and Trading Systems

(in millions of dollars)

		2011		2010		$ (decrease)	% (decrease)
	$	**49.8**	$	50.7	$	(0.9)	(2%)

- *Information and trading systems* expenses were lower due to reduced on-going operating costs, following the replacement and decommissioning of legacy hardware.
- The reduction in expenses was partially offset, by expenses associated with new technology initiatives. During 2011, we invested in a number of new projects, including the second phase of enterprise expansion, market order protection, storage consolidation, TMX Quantum XA™ and the expansion of our co-location facility.
- The reduction in expenses was further offset by the inclusion of costs related to TMX Atrium, acquired July 29, 2011.

General and Administration

(in millions of dollars)

		2011		2010		$ increase	% increase
	$	**75.7**	$	73.0	$	2.7	4%

- *General and administration* costs increased largely due to recording a $5.2 million provision related to a commodity tax adjustment, which includes $2.9 million for prior periods. The commodity tax adjustment is related to ruling requests that we have submitted to the Canada Revenue Agency (CRA) and Revenu Québec (RQ) relating to the application of Harmonized Sales Tax and Goods and Services Tax (collectively, HST) and Québec Sales Tax (QST) on our trade execution fees on equities and derivatives. Effective February 2011, we stopped charging HST/QST on these trade execution fees for both Toronto Stock Exchange and TSX Venture Exchange. Effective August 2011, we stopped charging HST/QST on these trade execution fees for the Montréal Exchange. TMX Select has also submitted a ruling request to the CRA and to RQ and as such we do not charge HST/QST on any of its trade execution fees. We are confident that the ruling requests will be approved and as such, have not provided for HST/QST not charged to customers in 2011. If the ruling requests are approved, we may be required to repay to the taxation authorities the input tax credits for HST (ITCs) claimed prior to February 2011 on the affected businesses. TMX Group firmly believes that the liability related to these ITCs should be $0; however, a repayment of up to four years of ITCs previously claimed may be required. As a result, we have estimated the range of possible outcomes to be between $0 and $6.0 million. Future estimates may be different and a change in the provision may be required.
- In addition to the commodity tax adjustment we have incurred higher marketing and new initiatives costs and have included costs related to TMX Atrium, acquired July 29, 2011.
- These increases were partially offset by lower bad debt expenses and lower corporate development costs.

Depreciation and Amortization

(in millions of dollars)

		2011		2010		$ (decrease)	% (decrease)
	$	**28.1**	$	29.4	$	(1.3)	(4%)

- Depreciation and amortization costs decreased due to reduced amortization relating to assets that were fully depreciated by December 31, 2011.
- This decrease was partially offset by increased amortization of intangible assets related to newly launched products, including on-book Dark Order types and Quantum feeds.

LSEG and Maple Related Costs

(in millions of dollars)

		2011		2010		$ increase	% increase
	$	**37.2**		–	$	37.2	–

- LSEG and Maple Related Costs include a $10.0 million fee paid to LSEG following termination of our merger agreement on June 29, 2011.
- LSEG and Maple Related Costs also include legal, advisory and other costs incurred during 2011.

Finance Income (formerly Investment Income)

(in millions of dollars)

	2011	2010	$ increase	% increase
	$ 10.1	$ 5.2	$ 4.9	94%

- *Finance income* increased primarily due to increased cash available for investment in 2011 compared with 2010.

Finance Costs (formerly Interest Expense)

(in millions of dollars)

	2011	2010	$ increase	% increase
	$ 9.5	$ 6.0	$ 3.5	58%

- *Finance costs* increased as a result of higher interest rates and fees on the Term loan outstanding (see ***Term Loan***).

Income Taxes

(in millions of dollars)

			Effective tax rate (%)	
	2011	**2010**	**2011**	**2010**
	$ 93.0	$ 100.1	**28%**	30%

- The effective tax rate for 2011 was lower than 2010 reflecting a decrease in federal and Ontario corporate income tax rates, somewhat offset by a higher Québec corporate income tax rate that resulted from the expiry of a provincial tax holiday related to the financial sector on December 31, 2010.
- The decrease in effective tax rate was also due to BOX reporting a significant increase in the amount of income earned in 2011, as compared to the prior year, with no corresponding tax expense reported due to the availability of prior year tax loss carryforwards.

Net Income/(Loss) Attributable to Non-Controlling Interests

(in millions of dollars)

	2011	2010	$ increase	% increase
	$ 6.1	$ (0.2)	$ 6.3	–

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated in our Income Statement.
- Net income/(loss) attributable to non-controlling interests represents the other BOX unitholders' share of BOX's net income or loss in the period. The increase in net income from 2010 to 2011 of $6.3 million reflected higher overall trading volumes and increased pricing on BOX.

Segment Analysis – Product

Cash Markets – Equities and Fixed Income (includes LSEG and Maple Related Costs)

(in millions of dollars)

	2011	2010	$ increase/ (decrease)	% increase/ (decrease)
Revenue	**$ 496.1**	$ 475.3	$ 20.8	4%
LSEG and Maple Related Costs	**$ 37.2**	–	$ 37.2	–
Net Income attributable to TMX Group shareholders	**$ 188.5**	$ 199.0	$ (10.5)	(5%)

The increase in revenue primarily reflects higher issuer services revenue from additional and sustaining listing fees as well as from information services in 2011 compared with 2010. The increase was partially offset by a decline in cash markets trading revenue. Net income decreased due to the LSEG and Maple related costs, a commodity tax adjustment and higher compensation and benefits expenses. This decrease was partially offset by higher revenue, the impact of a lower effective tax rate and lower allocation of corporate costs.

(in millions of dollars)

	December 31, 2011	December 31, 2010	$ increase
Total Assets	**$ 582.8**	$ 484.9	$ 97.9
Total Liabilities	**$ 557.0**	$ 534.9	$ 22.1

Total Assets increased primarily due to an increase in cash and marketable securities at December 31, 2011 compared with December 31, 2010. Total Liabilities increased at December 31, 2011 compared with December 31, 2010 due to an increase in liabilities arising from higher costs associated with long-term employee performance incentive plans that are tied to share price appreciation and a commodity tax adjustment in 2011.

Derivative Markets – MX and BOX

(in millions of dollars)

	2011	2010	$ increase	% increase
Revenue	**$ 132.8**	$ 104.3	$ 28.5	27%
Net income attributable to TMX Group shareholders	**$ 37.7**	$ 26.3	$ 11.4	43%

The increase in revenue largely reflects higher volume on MX and BOX and price increases on BOX which were effective in Q3/10, Q3/11 and Q4/11.

Net income attributable to TMX Group shareholders for 2011 increased due to the increased revenue, lower general and administration costs and lower depreciation and amortization in 2011 compared with 2010 partially offset by higher compensation and benefits expenses, a higher allocation of corporate costs compared with 2010 and the higher effective tax rate due to the expiry of a Québec tax holiday tax on December 31, 2010, BOX's higher income was not subject to tax due to the availability of prior year tax loss carryforwards (see ***Income Tax Expense***).

(in millions of dollars)

	December 31, 2011	December 31, 2010	$ increase
Total Assets	**$ 1,854.0**	$ 1,439.1	$ 414.9
Total Liabilities	**$ 784.4**	$ 415.0	$ 369.4

Total Assets increased primarily due to an increase in Daily Settlements and Cash Deposits of $357.7 million at December 31, 2011 compared with December 31, 2010. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $357.7 million higher at December 31, 2011 compared with December 31, 2010. The increase was also due to an increase in cash and marketable securities.

Energy Markets – NGX and Shorcan Energy Brokers

(in millions of dollars)

	2011	2010	$ (decrease)	% (decrease)
Revenue	**$ 44.6**	$ 46.0	$ (1.4)	(3%)
Net income attributable to TMX Group shareholders	**$ 11.3**	$ 12.4	$ (1.1)	(9%)

The decrease in revenue in 2011 was due to a decrease in volumes at NGX in 2011 compared with 2010 and the negative impact of the depreciation of the U.S. dollar against the Canadian dollar. The lower volumes were largely as a result of lower natural gas prices and less price volatility in the market along with lower NGX crude oil volumes during 2011 compared with 2010. These decreases were partially offset by higher revenue from Shorcan Energy Brokers.

The decrease in net income reflected the lower overall revenue and an increase in compensation and benefits costs, including higher organizational transition costs and higher costs associated with long-term employee performance incentive plans that are tied to share price appreciation. These reductions in net income were partially offset by the impact of a lower effective tax rate in 2011 compared with 2010.

(in millions of dollars)

	December 31, 2011	December 31, 2010	$ (decrease)
Total Assets	**$ 958.0**	$ 1,041.8	$ (83.8)
Total Liabilities	**$ 831.4**	$ 926.5	$ (95.1)

Total Assets decreased due to a decrease in energy contracts receivable of $109.2 million due to lower gas prices compared with the end of December 2010 and lower volumes delivered. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were also $109.2 million lower at the end of December 2011. The decrease was partially offset by an increase of $17.1 million in the fair value of open energy contracts receivable compared with the end of December 2010. As the clearing counterparty to every trade, NGX also carries offsetting liabilities related to the fair value of open energy contracts which were also $17.1 million higher at December 31, 2011 compared December 31, 2010.

Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

December 31, 2011	December 31, 2010	$ increase
$ 490.4	$ 331.5	$ 158.9

- The increase was largely due to cash generated from operating activities of $303.5 million, net of $33.8 million of cash outlays related to LSEG and Maple related costs, partially offset by dividend payments of $119.3 million, additions to intangible assets of $17.8 million and capital expenditures of $8.8 million.

Total Assets

(in millions of dollars)

December 31, 2011	December 31, 2010	$ increase
$ 3,394.8	$ 2,965.8	$ 429.0

- Total assets increased due to an increase in MX daily settlements and cash deposits of $357.7 million, an increase in cash and marketable securities of $158.9 million and a $17.1 million increase in current assets related to the fair value of open energy contracts at December 31, 2011 compared with December 31, 2010.
- The overall increase was partially offset by a decrease in energy contracts receivable of $109.2 million related to the clearing operations of NGX.

Credit Facilities and Guarantee

Term Loan

(in millions of dollars)

December 31, 2011	December 31, 2010	$ increase
$ 429.8	$ 429.8	$ –

- 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). 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. On December 16, 2011, we extended and amended this facility. The revised credit facility remains at $430.0 million and will expire on June 29, 2012.
- This credit facility contains 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 IFRS;
  - 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, 2011, all covenants were met.

Other Credit Facilities and Guarantee

To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian Schedule I 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, 2011.

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

In 2011, CDCC had 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, 2011.

In 2011, CDCC arranged additional credit facilities. A $300.0 million daylight liquidity facility and a $50.0 million call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

In January 2012, CDCC increased its revolving standby credit facility from $50.0 million to $100.0 million, signed an additional daylight facility for $400.0 million with a Canadian Schedule 1 bank and closed the above mentioned $50.0 million call loan facility. These facilities were put in place in relation to the launch of CDCC's repo clearing business, scheduled for 2012.

CDCC is currently in negotiation with a syndicate of banks to establish additional credit facilities as part of its initiative to clear fixed income repos, expected to be launched in Q1/12.

Total Equity Attributable to Shareholders of TMX Group

(in millions of dollars)

		December 31, 2011		December 31, 2010		$ increase
	$	**1,196.5**	$	1,070.6	$	125.9

- We earned $237.5 million of net income attributable to TMX Group shareholders during 2011 and paid $119.3 million in dividends. In addition, we received $7.2 million in proceeds from share options exercised.
- At December 31, 2011, there were 74,640,033 common shares issued and outstanding. In 2011, 269,563 common shares were issued on the exercise of share options. At December 31, 2011, 3,792,383 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At December 31, 2011, there were 1,826,729 options outstanding.
- At February 6, 2012, there were 74,640,033 common shares issued and outstanding and 1,826,729 options outstanding under the share option plan.

Cash Flows from Operating Activities

(in millions of dollars)

		2011		2010		Increase in cash
Cash Flows from Operating Activities	**$**	**303.5**	$	277.6	$	25.9

Cash Flows from Operating Activities were $303.5 million in 2011, which were net of $33.8 million of cash outlays related to LSEG and Maple related costs, compared with $277.6 million of cash flows from operating activities in 2010. The increase of $25.9 million was due to:

(in millions of dollars)

		2011		2010		Increase/ (decrease) in cash
Income before income taxes	**$**	**336.6**	$	337.6	$	(1.0)
Depreciation and amortization	**$**	**28.1**	$	29.4	$	(1.3)
Realized (loss) on interest rate swaps	**$**	**(0.8)**	$	(5.2)	$	4.4
Realized gain on marketable securities	**$**	**0.6**	$	0.7	$	(0.1)
Decrease/(increase) in trade and other receivables and prepaid expenses	**$**	**12.4**	$	(10.9)	$	23.3
LSEG and Maple related costs	**$**	**37.2**		–	$	37.2
LSEG and Maple related cash outlays	**$**	**(33.8)**		–	$	(33.8)
Net increase in trade and other payables, long-term accrued and other non-current liabilities	**$**	**21.8**	$	17.4	$	4.4
(Decrease)/increase in deferred revenue	**$**	**(0.9)**	$	3.7	$	(4.6)
Income taxes paid	**$**	**(106.8)**	$	(95.7)	$	(11.1)
Increase/(decrease) in provisions, including commodity tax adjustment (2011)	**$**	**7.0**	$	(1.3)	$	8.3
Net increase in other items	**$**	**2.1**	$	1.9	$	0.2
Cash Flows from Operating Activities	**$**	**303.5**	$	277.6	$	25.9

Cash Flows from (used in) Financing Activities

(in millions of dollars)	2011	2010	Increase in cash
Cash Flows from (used in) Financing Activities	**$ (113.9)**	$ (114.1)	$ 0.2

Cash Flows (used in) Financing Activities were $0.2 million lower in 2011 compared with 2010 due to:

(in millions of dollars)	2011	2010	Increase/ (decrease) in cash
Dividends paid on common shares	**$ (119.3)**	$ (114.3)	$ (5.0)
Proceeds from exercised options	**$ 7.2**	$ 1.2	$ 6.0
Net (decrease) in other items	**$ (1.8)**	$ (1.0)	$ (0.8)
Cash Flows from (used in) Financing Activities	**($113.9)**	$ (114.1)	$ 0.2

Cash Flows from (used in) Investing Activities

(in millions of dollars)	2011	2010	Increase in cash
Cash Flows from (used in) Investing Activities	**$ (172.5)**	$ (181.8)	$ 9.3

Cash Flows (used in) Investing Activities were $9.3 million lower in 2011 compared with 2010 due to:

(in millions of dollars)	2011	2010	Increase/ (decrease) in cash
Capital expenditures primarily related to technology investments and leasehold improvements	**$ (8.8)**	$ (12.8)	$ 4.0
Additions to intangible assets including TSX Quantum Feeds (2011), TMX Select internal development costs (2011), on book non-displayed order types (2011), development costs related to repo clearing (2011 and 2010), Gateway Feeds (2010), and SOLA internal development costs (2010)	**$ (17.8)**	$ (9.7)	$ (8.1)
Acquisitions, net of cash acquired	**$ (11.2)**	–	$ (11.2)
Proceeds on disposal of EDX investment	**$ 6.2**	–	$ 6.2
Net (purchases) of marketable securities	**$ (140.9)**	$ (159.3)	$ 18.4
Cash Flows from (used in) Investing Activities	**$ (172.5)**	$ (181.8)	$ 9.3

Summary of Cash Position and Other Matters[7]

We had $490.4 million of cash and cash equivalents and marketable securities at December 31, 2011. During 2011, with revenues of $673.5 million, we incurred operating expenses of $301.5 million. Cash flows from operations were $303.5 million, net of $33.8 million of cash outlays related to LSEG and Maple related costs, and we paid $119.3 million in dividends in 2011. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business.

We had $429.8 million of debt outstanding under the Term Loan. On December 16, 2011, we extended and amended our $430.0 million credit facility that was due to expire on December 28, 2011. The revised credit facility remains at $430.0 million and will expire on June 29, 2012.

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 would be used for general corporate purposes, including repaying outstanding indebtedness from time to time, and funding future acquisitions or investments.

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

7 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.

Under the terms of the support agreement with Maple, we are restricted from declaring or making any distribution or dividend payment other than the regular quarterly dividend of $0.40 per common share.

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. cannot, 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 AMF that must be met. If MX fails to meet any of these tests for a period of more than three months, MX cannot, 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 ASC to maintain adequate financial resources to operate its trading system and support its trade execution functions.

As at December 31, 2011, we met all of the above requirements.

Defined Benefit Pension Plans[8]

Based on the most recent actuarial valuations for funding purposes, we estimate a funding deficit of approximately $8.0 million as at December 31, 2011, on a solvency basis, of which $3.9 million was funded in 2011.

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 us and our subsidiaries as follows:
  - 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.

  During 2011, 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.

  During 2011, we have complied with these externally imposed capital requirements.
  - In respect of NGX, to:
    - maintain adequate financial resources, as required by the ASC; and
    - 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 Schedule I Canadian chartered bank.

  During 2011, 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; and
    - by the OSC which requires Shorcan to maintain a minimum level of excess working capital.

  During 2011, we have complied with these externally imposed capital requirements.
  - In respect of TMX Select, IIROC requires TMX Select to maintain an adequate level of risk adjusted capital.

  During 2011, 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 more than 1.5:1;

8 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.

  - 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.

During 2011, we have complied with these externally imposed capital requirements.

- In respect of CDCC, to maintain certain cash amounts, as follows:
  - \$5.0 million as part of the Clearing Member default recovery process plus an additional \$5.0 million in the event that the initial \$5.0 million is fully utilized during a default; and
  - sufficient cash, cash equivalents and marketable securities to cover 12 months of operating expenses, excluding amortization and depreciation;

During 2011, we have complied with these externally imposed capital requirements.

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

During 2011, 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.
- Returning capital 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, as well as Bankers' Acceptances and Treasury Bills. The primary risks related to these marketable securities are variation in interest rates, liquidity risk and credit risk. For a description of these risks, please refer to **Liquidity Risk – Marketable Securities**, **Credit Risk – Marketable Securities** and **Interest Rate Risk – Marketable Securities**.

We have designated our marketable securities as fair value through profit and loss. Fair values have been determined by reference to quoted market prices or are based on market information. Unrealized gains of \$0.7 million have been reflected in net income in 2011, compared with unrealized losses of \$0.7 million in 2010.

Trade Receivables

Our financial instruments include accounts receivable, which represents amounts that our customers owe us. The carrying 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. Fair value is determined based on market information. There is no impact on the consolidated statements of income. The primary risks associated with these financial instruments are credit risk, liquidity risk and market risk. For a description of these risks, please refer to **Credit Risk – CDCC**, **Liquidity 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 (TRS)

We have entered into a series of TRSs which synthetically replicate the economics of purchasing our shares as a partial fair value hedge to the share appreciation rights of the non-performance element of RSUs. We have also entered into a series of TRSs as a full fair value hedge against the share price appreciation associated with the DSUs. 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 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 **Equity Price Risk – RSUs, DSUs, Total Return Swaps (TRS)**. 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 year compared to the price of the TRS. The fair value of the TRSs and the obligation to unit holders are reflected on the consolidated balance sheet. The contracts are settled in cash upon maturity.

Unrealized losses and realized gains of $6.2 million and $10.2 million respectively have been reflected in net income in the consolidated financial statements for the year ended December 31, 2011 (2010 – unrealized gains and realized losses of $5.0 million and $2.0 million respectively).

NGX – Energy Contracts

As part of its clearing operations, NGX becomes the central counterparty to each transaction 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 as an equivalent amount is recognized in both the assets and liabilities.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward cash settled trading contracts is recognized in the consolidated assets and liabilities as fair value of open energy contracts. Fair value is determined based on observable market information. There is no impact on the consolidated statement of income as an equivalent amount is recognized in both the assets and liabilities.

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

Financial Risk Management

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 the clearing operations of NGX and CDCC, cash and cash equivalents, marketable securities, total return swaps, accounts receivable and the brokerage operations of Shorcan, and Shorcan Energy Brokers.

Credit Risk – NGX

We are exposed to credit risk in the event that contracting parties of NGX fail to settle on the contracted settlement date.

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 Schedule I 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, 2011, NGX held cash collateral deposits of $835.4 million and letters of credit of $2,047.7 million, compared with cash collateral deposits of $835.7 million and letters of credit of $1,941.4 million at December 31, 2010. These amounts are not included in our consolidated balance sheets.

See ***Other Credit Facilities and Guarantee*** for a description of NGX's credit facilities.

Credit Risk – CDCC

We are exposed to credit risk in the event that clearing members fail to settle on the contracted settlement date.

CDCC is exposed to the risk of default of its clearing members. CDCC is the central counterparty 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 credit 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 seized and would then 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 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 cash margin deposits and cash clearing fund deposits are held at a Schedule I Canadian chartered bank. CDCC's non-cash margin deposits and non-cash clearing fund deposits are pledged to CDCC under irrevocable agreements and are held by approved depositories. This collateral may be seized by CDCC in the event of default by a Clearing Member. As a result of these calculations of Clearing Member exposure at December 31, 2011, non-cash margin deposits of $3,959.8 million and non-cash clearing fund deposits of $279.7 million had been pledged to CDCC, held primarily in government and equity securities. These amounts are not included in our consolidated balance sheet.

CDCC experienced a member default in October 2011. All positions were transferred or liquidated without a loss to the clearinghouse. All excess margin was returned to the appointed trustee at the end of the default management process.

See ***Other Credit Facilities and Guarantee*** for a description of CDCC's credit facilities.

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 money market securities or fixed income securities. Fixed income securities must compose less than 70% of the overall portfolio. The majority of the portfolio is held within a 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. TMX Group does not have any investments in non-bank asset-backed commercial paper.

Credit Risk – Total Return Swaps (TRS)

We have entered into a series of TRSs which synthetically replicate the economics of 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, respectively. The contracts are settled in cash upon maturity. The obligation to unit holders is reflected on the balance sheet. To manage credit risk, we entered into these TRS with a Schedule I Canadian chartered bank.

Credit Risk – Shorcan and Shorcan Energy Brokers

We are exposed to credit risk in the event that customers of Shorcan and Shorcan Energy Brokers fail to settle on the contracted settlement date.

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

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. We invoice our customers on a regular basis and maintain 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, clearing and 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.

Equity Price Risk – RSUs, DSUs, TRS

We are exposed to market risk when we grant DSUs and RSUs to our directors and employees, respectively, as our obligation under these arrangements are partly based on our share price. We utilize total return swaps to partially hedge this exposure. 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 the price of the TRSs. 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, 2011, a 25% increase in the share price of the Company would result in a net $1.2 million decrease in income before income taxes. A 25% decrease in the share price of the Company would result in a net $1.3 million increase in income before income taxes.

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, 2011, we held $403.2 million in these funds, compared with $261.6 million at December 31, 2010, of which 51% and 57% were held in fixed rate money market investments at December 31, 2011 and December 31, 2010. The approximate impact of a 1% rise in interest rates is a decrease of $4.1 million on income before income taxes and the approximate impact of a 1% fall in interest rates is an increase of $4.1 million on income before income taxes.

Interest Rate Risk – Term Loan

We are exposed to interest rate risk on our Term Loan. The approximate impact on income before income taxes of a 1% rise and a 1% fall in interest rates with respect to this facility is a decrease of $4.3 million and an increase of $4.3 million respectively.

Foreign Currency Risk

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

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

We are exposed to other market price risk from the activities of Shorcan, Shorcan Energy Brokers, 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.

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

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.

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 fall due. We manage liquidity risk through the management of our cash and cash equivalents and marketable securities, all of which are held in short term instruments, and our revolving and non-revolving credit facilities. The contractual maturities of our financial liabilities are as follows:

($ millions)	At December 31, 2011		
	Less than 1 year	**Between 1 and 5 years**	**Greater than 5 years**
Fair value of open energy contracts	**$ 159.0**	**$ –**	**$ –**
Total return swaps	**1.0**	**0.7**	**–**
Trade and other payables	**65.1**	**–**	**–**
Obligation under finance leases	**0.8**	**0.3**	**–**
Energy contracts payable	**645.7**	**–**	**–**
Daily settlements and cash deposits	**550.8**	**–**	**–**
Term loan payable	**430.0**	**–**	**–**
Non-current data license and other payables	**–**	**2.5**	**2.5**

	At December 31, 2010		
	Less than 1 year	**Between 1 and 5 years**	**Greater than 5 years**
Fair value of open energy contracts	$ 141.9	$ –	$ –
Interest rate swaps	0.7	–	–
Trade and other payables	51.4	–	–
Obligation under finance leases	0.7	1.1	–
Energy contracts payable	754.9	–	–
Daily settlements and cash deposits	193.1	–	–
Term loan payable	430.0	–	–
Non-current data license and other payables	–	3.1	2.9

Daily settlements and cash deposits

The margin deposits and clearing fund margins are held in liquid instruments. Cash margin deposits and cash clearing fund deposits from clearing members, which are recognized on the consolidated balance sheet, are held by CDCC with a major Canadian bank. Non-cash margin deposits and non-cash clearing fund deposits pledged to CDCC under irrevocable agreements are in government securities, letters of credit (up to March 1, 2011) and other securities and are held with approved depositories. Clearing members may also pledge letters of credit (up to March 1, 2011) and escrow receipts directly with CDCC.

Fair value of open energy contracts and Energy contracts payable

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 Schedule I Canadian chartered bank.

Credit facilities

In response to the liquidity risk that CDCC is exposed to through its clearing operations, it has arranged various facilities (see ***Other Credit Facilities and Guarantee***). The Daylight liquidity facilities are in place to provide liquidity in exchange for securities that have been received by CDCC. The Daylight liquidity facilities must be cleared to zero at the end of each day.

The revolving standby credit facility is in place to provide end of day liquidity in the event that CDCC is unable to clear the Daylight liquidity facilities to zero. This event would only occur in the event of a clearing member default. The revolving standby facility will provide liquidity in exchange for collateral in the form of clearing member deposits.

Similarly, in response to the liquidity risk that NGX is exposed to through it clearing and settlement operations, it maintains an unsecured clearing backstop fund of US$100.0 and an EFT daylight facility.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments.

Marketable securities

Our investment policy will only allow excess cash to be invested within money market securities or fixed income securities. Fixed income securities must compose less than 70% of the overall portfolio. The majority of the portfolio is held within a money market fund and a specific short-term bond and mortgage fund. The money market fund limits its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund limits 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). Fund units can be redeemed on any day that Canadian banks are open for business. Funds will be received the day following the redemption.

Contractual Obligations

(in thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	5+ years
Financial Lease Obligation	1,160	830	330		
Operating Leases	69,885	15,429	19,752	17,642	17,063
Debt and Other Obligations	432,035	430,000	116	–	1,919
	503,080	446,259	20,198	17,642	18,982

Selected Annual Information

(in thousands of dollars, except per share amounts)	IFRS 2011	IFRS 2010	Pre-conversion Canadian GAAP 2009
Revenue	$ 673.5	$ 625.6	$ 560.1
Net income attributable to TMX Group shareholders	$ 237.5	$ 237.7	$ 104.7
Total assets (as at December 31)	$ 3,394.8	$ 2,965.8	$ 3,524.5
*Non-current liabilities**** (as at December 31)*	$ 273.8	$ 270.0	$ 708.3
Earnings per share:			
Basic	$ 3. 18	$ 3.20	$ 1.41
Diluted	$ 3. 17	$ 3.19	$ 1.41
*Adjusted earnings per share**:*			
Basic	$ 3.58	$ 3.22	$ 2.59
Diluted	$ 3.57	$ 3.21	$ 2.59
Cash dividends declared per common share	$ 1.60	$ 1.54	$ 1.52

Adjusted Earnings per Share Reconciliation for 2011, 2010 and 2009**

	IFRS 2011 Basic	IFRS 2011 Diluted	IFRS 2010 Basic	IFRS 2010 Diluted	Pre-conversion Canadian GAAP 2009 Basic	Pre-conversion Canadian GAAP 2009 Diluted
Earnings per share	$ 3.18	$ 3.17	$ 3.20	$ 3.19	$ 1.41	$ 1.41
Adjustment related to LSEG and Maple related costs, net of income tax	$ 0.37	$ 0.37	–	–	–	–
Adjustment related to commodity tax adjustment, net of income tax	$ 0.03	$ 0.03	–	–	–	–
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 a write-down of our 19.9% interest in EDX to its estimated fair value, net of income tax	–	–	$ 0.02	$ 0.02	–	–
Adjusted earnings per share	$ 3.58	$ 3.57	$ 3.22	$ 3.21	$ 2.59	$ 2.59

**** Excludes deferred revenue.

** The terms adjusted earnings per share and adjusted diluted earnings per share do not have standardized meanings prescribed by Canadian GAAP (which for 2011 and 2010 means IFRS and for 2009 means pre-conversion Canadian GAAP) and are therefore unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share and adjusted diluted earnings per share to indicate operating performance exclusive of LSEG and Maple-related costs incurred in 2011, a commodity tax adjustment in 2011, 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 our investment in BOX and an income tax charge related to lower Ontario corporate income tax rates, which reduced the value of future tax assets and liabilities in 2009. Management uses these measures to assess our financial performance exclusive of these costs and to enable comparability across periods.

Revenue, Net Income and Earnings per Share

2011

- (See ***Year Ended December 31, 2011 Compared with Year Ended December 31, 2010***)

2010

- It is not possible to compare total revenue for 2010 (IFRS basis) with revenue for 2009 (pre-conversion Canadian GAAP basis) as issuer services revenue was recognized on a different basis. On an IFRS basis, issuer services revenue was $39.8 million higher in 2010 compared with 2009. However, excluding issuer services revenue, revenue was lower in 2010 compared with 2009, reflecting lower revenue from cash markets equity trading, U.S. derivatives markets trading and technology services, partially offset by increased cash markets fixed income trading, Canadian derivatives markets trading and clearing, information services and energy markets trading and clearing revenue. In 2009, technology services revenue included a one-time license fee of $13.5 million from the London Stock Exchange Group plc.
- It is also not possible to compare net income attributable to TMX Group shareholders and earnings per share for 2010 (IFRS basis) with net income and earnings per share for 2009 (pre-conversion Canadian GAAP basis) as a number of items are accounted for differently, the most significant being issuer services revenue described above and an impairment charge related to BOX in 2009.

Total Assets

2011

- (See ***Year Ended December 31, 2011 Compared with Year Ended December 31, 2010***)

2010

- It is not possible to compare total assets for 2010 (IFRS basis) with total assets for 2009 (pre-conversion Canadian GAAP basis) as the accounting treatment is different for a number of balance sheet items, the most significant being Future Income Tax Assets and Goodwill.

Non-current Liabilities

2011

- Long-term liabilities increased slightly in 2011 over 2010 due to increases in accrued employee benefits payable and other non-current liabilities, partially offset by a decrease in deferred income tax 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.

Quarterly Information

(in thousands of dollars except per share amounts)

	IFRS							
	Dec. 31/11	**Sept. 30/11**	**June 30/11**	**Mar. 31/11**	**Dec. 31/10**	**Sept. 30/10**	**June 30/10**	**Mar. 31/10**
Revenue	$ 161.7	$ 167.8	$ 169.3	$ 174.7	$ 174.1	$ 146.0	$ 156.1	$ 149.4
Net income attributable to TMX Group shareholders	52.7	67.0	54.7	63.1	67.0	55.2	58.4	57.1
Earnings per share:								
Basic	0.70	0.90	0.73	0.85	0.90	0.74	0.79	0.77
Diluted	0.70	0.90	0.73	0.84	0.90	0.74	0.79	0.77

2011

IFRS

- Revenue in Q1/11 increased over revenue in Q4/10 due to higher derivatives trading and clearing revenue and cash equity trading revenue largely offset by lower issuer services, energy trading as well as technology services and other revenue. Net income attributable to TMX Group shareholders for Q1/11 decreased over Q4/10 primarily due to costs associated with the proposed merger with LSEG and an increase in general and administration expenses related to a commodity tax adjustment.

- Revenue in Q2/11 decreased compared with revenue in Q1/11 due to lower cash markets and energy trading revenue partially offset by higher technology services and other revenue and increased revenue from issuer services and information services. Net income attributable to TMX Group shareholders for Q2/11 decreased over Q1/11 primarily due to the decreased revenue and LSEG and Maple related costs partially offset by lower general and administration costs related to a commodity tax adjustment and lower compensation and benefits costs. Finance income was somewhat higher in Q2/11 compared with Q1/11.
- Revenue in Q3/11 decreased compared with revenue in Q2/11 due to lower issuer services revenue partially offset by higher revenue from derivatives markets trading and clearing, information services and net foreign exchange gains on U.S. dollar accounts receivables. Net income attributable to TMX Group shareholders for Q3/11 increased over Q2/11 primarily due to decreased LSEG and Maple related costs as well as lower general and administration costs, partially offset by higher compensation and benefits costs.
- Revenue in Q4/11 decreased compared with revenue in Q3/11 primarily due to lower cash markets trading revenue and reduced derivatives markets trading and clearing revenue, somewhat offset by increased issuer services and information services revenue as well as higher energy trading and clearing revenue. In addition, other revenue included net foreign exchange gains on U.S. dollar receivables in Q3/11 and net foreign exchange losses in Q4/11. Net income attributable to TMX Group shareholders for Q4/11 decreased from Q3/11 primarily due to the lower revenue, increased Maple related costs, higher compensation and benefits costs, increased information and trading systems costs as well as higher general and administration expenses.

2010

IFRS

- It is not possible to compare revenue for Q1/10 (IFRS basis) with revenue for Q4/09 (pre-conversion Canadian GAAP basis) as issuer services revenue was recognized on a different basis. However, excluding issuer services revenue, in Q1/10 revenue decreased compared with Q4/09 due to the higher technology services revenue in Q4/09 from the one-time license fee of $13.5 million from the London Stock Exchange (LSE), lower cash markets equity trading and energy trading revenue. This was somewhat offset by increased revenue from cash markets fixed income trading and information services. Also excluding the impact of recognizing issuer services revenue on a different basis, net income attributable to TMX Group shareholders for Q1/10 increased over the net loss reported in Q4/09 largely as a result of the noncash 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 issuer services, information services, energy trading and Canadian derivatives trading, somewhat offset by lower revenue from cash equities trading and U.S. derivatives trading. Net income attributable to TMX Group shareholders for Q2/10 increased over net income attributable to TMX Group shareholders in Q1/10 largely due to higher revenue partially offset by higher expenses as we continued to invest in technology initiatives, corporate development and marketing.
- Revenue in Q3/10 decreased over revenue in Q2/10 primarily due to lower revenue from issuer services. The decrease was also as a result of lower cash markets trading revenue and technology services revenue, partially offset by higher energy trading revenue. Net income attributable to TMX Group shareholders for Q3/10 decreased over Q2/10 due to lower revenue. The impact was partially offset by lower information and trading systems costs as well as reduced general and administration expenses.
- Revenue in Q4/10 increased over revenue in Q3/10 primarily due to significantly higher issuer services and cash markets trading revenue as well as higher derivatives trading and clearing revenue, partially offset by lower technology services revenue. Net income attributable to TMX Group shareholders was higher in Q4/10 compared with Q3/10. The increase in revenue was partially offset by higher compensation and benefits costs, information and trading systems costs and general and administration costs and lower finance income (formerly 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.

Review of Fourth Quarter Results

Compared with Q4/10

- Revenue in Q4/11 decreased over revenue from Q4/10 for the following reasons:
  - Issuer services revenue was lower due to a decrease in the number and value of new listings on Toronto Stock Exchange and TSX Venture Exchange and a decrease in the value of additional financings on Toronto Stock Exchange and TSX Venture Exchange.
  - There was a decrease in cash markets equities trading revenue due a decrease in the volume of securities traded on TSX Venture Exchange and Toronto Stock Exchange. The decrease was also as a result of changes to our equity trading fee schedule in 2011.
  - There was also a decrease in Shorcan cash markets fixed income trading revenue reflecting lower volumes.
  - Energy trading revenue was lower due to a decrease in NGX crude oil volumes due to increased competition from voice brokers.

- There were several factors which partially offset the decreases in revenue in Q4/11 compared with Q4/10:
  - Derivatives markets revenue from MX and BOX increased primarily due to higher volumes of contracts traded.
  - Information services revenue increased due to revenue from TMX Atrium, acquired on July 29, 2011, and higher revenue from co-location services, TMXnet and PC-Bond.
- Operating expenses in Q4/11 were higher than in Q4/10 primarily due to higher costs associated with short-term employee performance incentive plans, an overall increase in salary and benefits costs and the inclusion of expenses related to TMX Atrium, acquired on July 29, 2011, offset by higher capitalization of costs associated with technology initiatives and lower organizational transition costs and bad debt expenses.
- Net income decreased in Q4/11 compared with Q4/10 primarily due to the lower revenue, increased operating expenses and Maple related costs, partially offset by reduced income tax expense.
- Cash flows from operating activities in Q4/11 of $71.1 million decreased by $4.9 million compared with $76.0 million in Q4/10 largely due to a decrease in net income. Cash flows used in financing activities in Q4/11 of $30.0 million increased by $0.8 million compared with $29.2 million in Q4/10. Cash flows used in investing activities in Q4/11 of $39.6 million increased by $9.7 million compared with $29.9 million of cash flows from investing activities in Q4/10, due to increased additions to intangible assets and additional capital expenditures.

Compared with Q3/11

- Revenue in Q4/11 decreased compared with revenue in Q3/11 primarily due to lower cash markets equity trading revenue and reduced derivatives markets trading and clearing revenue, somewhat offset by increased issuer services and information services revenue as well as higher energy trading and clearing revenue. In addition, other revenue included net foreign exchange gains and net foreign exchange losses in Q4/11. Net income attributable to TMX Group shareholders for Q4/11 decreased from Q3/11 primarily due to the lower revenue, increased Maple related costs, higher compensation and benefits costs, increased information and trading systems costs as well as higher general and administration expenses.
- Cash flows from operating activities in Q4/11 of $71.1 million increased by $18.0 million compared with $53.1 million in Q3/11 largely due to an increase in trade payables, partially offset by lower net income in Q4/11 compared with Q3/11. Cash flows used in financing activities in Q4/11 of $30.0 million increased by $0.2 million compared with $29.8 million in Q3/11 primarily due to increased fees on the Term Loan. Cash flows used in investing activities in Q4/11 of $39.6 million increased by $0.2 million compared with $39.4 million in Q3/11, primarily due to higher capital expenditures and additions to intangible assets, partially offset by the costs of an acquisition in Q3/11.

Accounting and Control Matters

Critical Accounting Estimates

Goodwill and Other Intangible Assets[9]

Goodwill is recognized at cost on acquisition less any subsequent impairment in value. We measure goodwill arising on a business combination as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Other intangible assets are recognized at cost less accumulated amortization, where applicable, and any impairment in value. Cost includes any expenditure that is directly attributable to the acquisition of the asset. The cost of internally developed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Assets are considered to have indefinite lives where management believes that there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

We test for impairment as follows:

The carrying amounts of our goodwill and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually even if there is no indication of impairment, and the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating

9 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.

unit, or CGU). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses are recognized in the income statement.

MX

Goodwill and indefinite life intangible assets

Included with the MX CGU is $898.0 million of goodwill and indefinite life intangible assets recognized as part of the acquisition of MX in 2008.

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. In 2011, MX set records for contracts traded and open interest. 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 and indefinite life intangible assets are not impaired. These assumptions include:

- a cash flow projection period of eight years, which is consistent with the original acquisition economics, and reflects the stage of its product life cycle with significant long-term growth potential remaining beyond a five-year forecast
- a terminal value for MX determined using an estimated long-term growth rate of 4.5%, which is based on our estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry
- a recoverable amount applying a pre-tax discount rate to MX of 11.9%, which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

Based on current assumptions, the fair value of MX goodwill and indefinite life intangible assets remains above carrying value.

No impairment was identified as a result of the tests discussed above for 2011 or 2010.

NTP

Definite life intangible assets

Included within the NGX CGU is $28.7 million definite life intangible assets relating to the crude oil customer list recognized as part of the acquisition of NTP in 2009. We converted NTP to NGX's fully backstopped clearing model in 2009, but a number of customers have not maintained their level of activity in these crude oil products. There has also been limited traction following the launch of crude oil products in March 2011 under the NGX/ICE alliance, and increased competition from voice brokers, including Shorcan Energy Brokers. This asset was tested as part of the 2011 impairment review process using a value-in-use calculation, using certain key assumptions, and was found not to be impaired.

The calculation is sensitive to changes in the key assumptions used and the impact of such changes is as follows:

($ millions)	**Impact on value-in-use**		
	10% reduction in cash flows	**1% reduction in long-term growth rate**	**1% increase in pre-tax discount rate**
NTP customer list	(3.3)	(0.7)	(1.6)

Changes in Accounting Policies – International Financial Reporting Standards (IFRS)

Detailed explanations and additional reconciliations for each quarter of 2010 are available in our Q1/11 MD&A. The following is a supplementary reconciliation of the impact of the conversion to IFRS on our Consolidated Income Statement for 2010.

Reconciliation of Consolidated Income Statement for the year ended December 31, 2010

	Pre-conversion Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Revenue:				
Issuer services	$ 163.0	$ 50.1	$ –	$ 213.1
Trading, clearing and related	242.2	–	–	242.2
Information services	154.4	–	–	154.4
Technology services and other	15.9	–	–	15.9
Total revenue	575.5	50.1	–	625.6
Expenses:				
Compensation and benefits	133.5	–	–	133.5
Information and trading systems	47.8	2.9	–	50.7
General and administration	73.0	–	–	73.0
Depreciation and amortization	32.3	(2.9)	–	29.4
Total operating expenses	286.6	–	–	286.6
Income from operations	**288.9**	**50.1**	**–**	**339.0**
Share of net income of equity accounted investee	1.3	–	–	1.3
Impairment of investment	(1.7)	–	–	(1.7)
Finance income (costs):				
Finance income	5.2	–	–	5.2
Finance costs	(6.2)	0.2	–	(6.0)
Net mark to market on interest rate swaps	(0.2)	–	–	(0.2)
Income before income taxes	**287.3**	**50.3**	**–**	**337.6**
Income tax expense	90.7	9.4	–	100.1
Non-controlling interests	0.1	–	(0.1)	–
Net income	**$ 196.5**	**$ 40.9**	**$ 0.1**	**$ 237.5**
Net income attributable to:				
Equity holders of the Company	**$ 196.5**	**$ 41.2**	**$ –**	**$ 237.7**
Non-controlling interests	–	(0.3)	0.1	(0.2)
	$ 196.5	$ 40.9	$ 0.1	$ 237.5
Earnings per share:				
Basic	$ 2.64			$ 3.20
Diluted	$ 2.64			$ 3.19

Future Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing our financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2013, unless otherwise noted:

- IFRS 9, Financial instruments (January 1, 2015
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- IAS 27, Separate financial statements
- IAS 28, Investments in associates and joint ventures
- IAS 1, Presentation of financial statements: Presentation of items of other comprehensive income – Amendments requiring the grouping of items within other comprehensive income (effective for annual periods beginning on or after July 1, 2012)
- IFRS 7, Financial instruments – disclosure – Amendments regarding transfers of financial assets (effective for annual periods beginning on or after July 1, 2011)
- IAS 12, Income taxes – Amendments regarding deferred income tax – Recovery of underlying assets (effective for annual periods beginning on or after January 1, 2012)
- IAS 19, Employee benefits – Amendments regarding the recognition of gains and losses, the presentation of changes in assets and liabilities, and enhanced disclosure requirements

We are reviewing these new standards and amendments to determine the potential impact, if any, on our financial statements.

In June 2010, the IASB issued an Exposure Draft on Revenue from Contracts from Customers (ED) and requested comments by October 22, 2010. The IASB issued a revised ED in November 2011 based on feedback received and requested comments by March 13, 2012.

The ED proposes an effective date for the standard of no earlier than annual reporting periods beginning on or after 1 January 2015; 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 changes to the current revenue standard, IAS 18 Revenue.

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 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, 2011. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2011.

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, 2011 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, 2011.

Changes in Internal Control over Financial Reporting

Notwithstanding our conversion to IFRS, there were no changes to internal control over financial reporting during the quarter beginning October 1, 2011 and ended on December 31, 2011 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
- Execution/Strategic
- Product/Service Relevance
- Technology
- Human Resources
- Interface/Dependency
- Currency
- Credit
- Litigation/Legal/Regulatory Proceedings
- 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, including the design and implementation of compensation policies and practices.

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. 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, Other 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. In Canada, there is currently one exchange competing for junior listings and an exchange that will list both senior and junior securities is expected to launch in 2012. Our listing operations compete with institutions and various market participants that offer alternative forms of financing that are not necessarily traded in public markets including private venture capital and various forms of debt financing.

Domestic competition in our cash equities trading business has intensified with the establishment of ATSs in Canada. Technological advances have lowered barriers to entry and have created a multiple marketplace for trading Toronto Stock Exchange and TSX Venture Exchange listed securities. There are 13 Canadian equity marketplaces which trade or intend to trade Toronto Stock Exchange and TSX Venture Exchange listed securities, including dark and visible trading venues. There are also sophisticated mechanisms to internalize order flow within a PO, liquidity aggregators and smart order routers that also facilitate trading on other venues. New market entrants have fragmented domestic equities market share and we continue to face significant competitive pressure.

Alpha ATS, an alternative trading system formed by a group of Canada's banks and investment dealers, has become a significant competitor in our cash equities trading business. Alpha ATS currently trades Toronto Stock Exchange and TSX Venture Exchange listed issuer securities. In December 2011, the OSC approved the recognition of Alpha LP and Alpha Exchange as an exchange giving them the ability to also list issuers effective in 2012. As of the date of this MD&A, they not received the same recognition from the BCSC or the ASC.

These new entrants may, among other things, respond more quickly to competitive pressures, 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 trading venues attract significant order flow, or other market structure 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, and with the entry of a new domestic exchange may place additional competitive pressure on our listing fees. 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 Electronic Crossing Networks (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 addition, OTC regulatory reform that is underway in Canada could encourage the formation of another clearing house in Canada. 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 and Shorcan Energy Brokers business face primary competition in Canada and the United States from other exchanges, electronic trading and clearing platforms and from the OTC or bilateral markets (supported by other voice brokers) and competing exchanges listing and clearing energy products. Other exchanges and electronic trading platforms are now starting to list physical products designed to compete more directly with the NGX contracts. Shorcan Energy Brokers also faces competition primarily from other brokerage firms. If NGX or Shorcan Energy Brokers is unable to compete with these platforms and markets including voice brokers, they may not be able to maintain or expand their businesses, which could materially affect their business and operating results.

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.

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, the United States, Europe 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 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, our clearing customers are now facing higher credit costs associated with complying with margining regimes which could result in lower volumes.

Global market and economic conditions have been difficult and volatile in recent years and continue to exhibit volatility. While volatile markets can generate increased transactions volume, prolonged recessionary conditions can adversely affect trading volumes and the demand for market data and can lead to slower collections of accounts receivable as well as increased counterparty risk.

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 and monetary policies in Canada, the United States, Europe, and in the world in general (especially growth levels, political stability and debt crisis);
- 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. Provincial securities regulators in Canada 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 currently 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. CDCC is expected to be designated by the Bank of Canada (BOC) as being of systemic importance under the *Payment Clearing and Settlement Act* (Canada). Following such designation, the BOC will have broad powers relating to the regulation and oversight of CDCC.

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 powers to prohibit us from engaging in certain 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 and CDCC, 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 the interests of some of our members or our own commercial interests. Although we have implemented stringent governance measures to avoid such conflicts, any failure to diligently and fairly regulate members 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. There could also be regulatory changes that impact our customers and that could materially adversely affect our business and results of operations.

TMX Group could be subject to increased regulatory scrutiny in the future. 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.

A number of regulatory initiatives and changes have been identified or proposed or are being implemented by regulators in Canada and the United States. In some cases we cannot be certain whether or in what form, regulatory changes will take place, and cannot predict with certainty their impact on our businesses and operations. Changes in and additions to the rules affecting our markets and clearing houses could require us to change the manner in which we and our members conduct business or govern ourselves.

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 are in the process of releasing a series of proposal papers 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. The Canadian provincial securities regulators continue to review developments in the structure of the equities market, and in June 2009, they indicated they would be undertaking a review of market data fees.

Unexpected and new regulatory requirements could make it more costly to comply with relevant regulations and for affected markets to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect our business, financial condition and results of operations.

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 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. [In addition, we may have difficulty obtaining financing for new business opportunities, due to financial restrictions that currently or may in the future be placed on TMX Group under borrowing facilities.] 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 which, while they could provide opportunities for us, may also impose restrictions on us and/or 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 continue to expand our operations internationally, including by opening offices and by acquiring distribution, technology and other systems in foreign jurisdictions, obtaining regulatory authorizations or exemptions to allow remote access to our markets by approved participants outside Canada. 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 businesses. 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. International expansion may expose TMX Group to geographic regions that may be subject to greater political, economic and social uncertainties than countries with developed economies.

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.

Product/Service Relevance Risk

Our Exchanges Depend on the Development, Marketing 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 or we may not effectively promote and sell our 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.

Technology Risk

We Depend Heavily on Information Technology, Which Could Fail or Be Subject to Disruptions, including Cyber Attack

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, we provide the technical operations services related to BOX's trading and surveillance platforms.

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, failure or disruption due to cyber attack on the critical information technology of Toronto Stock Exchange, TSX Venture Exchange, TMX Select, 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 or disruption, 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, delays or other interruptions.

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 to reduce overall average response time to optimize execution speeds of 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 of resources in the future. While system changes may introduce risk, we have and follow, standard deployment processes for managing and testing these changes.

If the TSX Quantum trading enterprise, the SOLA derivatives trading enterprise, the SOLA Clearing platform or NGX's clearing system 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 we provide 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

Our networks and those of our third party service providers, our POs and approved participants and our customers may be vulnerable to cyber risks, including unauthorized access, computer viruses and other security issues. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations which could damage the integrity of our markets and data provision, 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 2011, approximately 51% of our trading and related revenue on Toronto Stock Exchange and approximately 60% of our trading and related revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange based on volumes traded. 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.

Approximately 67% of MX's trading revenue in 2011 was accounted for by the top ten participants based on volume of contracts traded.

Approximately 91% of BOX's trading revenue in 2011 was accounted for by the top ten participants based on volumes traded.

Approximately 45% of NGX's trading and clearing revenue in 2011 was accounted for by the top ten customers.

We Depend on Third Party Suppliers and Service Providers

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 businesses including trading, routing, providing market data and other products and services. These third parties may not be able to provide their services without interruption, or in an efficient, cost-effective manner. In addition, we may not be able to renew our agreements with these third parties on favourable terms or at all. These third parties also may not be able to adequately expand their services to meet our needs. If a third party suffers an interruption in or stops providing services and we cannot make suitable alternative arrangements, or if we fail to renew certain of our agreements on favourable terms or at all, our business, financial condition or operating results could be materially adversely affected.

Currency Risk

We Are Subject to Fluctuations in Exchange Rates

We are exposed to foreign currency risk on cash and cash equivalents, trade receivables and trade payables, principally denominated in U.S. dollars. We are also exposed to foreign currency risk on revenue and expenses where we invoice or procure in U.S. dollars. At December 31, 2011, cash and cash equivalents and trade receivables net of current liabilities, excluding BOX, include U.S. $18.5 million (compared with U.S. $20.8 million at December 31, 2010) and GBP £0.4 million (compared with GBP £nil at December 31, 2010), which are exposed to changes in the U.S.-Canadian dollar and GBP-Canadian dollar exchange rates. In addition, net assets related to BOX and TMX Atrium are denominated in U.S. dollars and Euros, respectively, and the effect of exchange rate movements on TMX Group'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 Canadian dollar compared to the U.S dollar, GBP, and Euro on these transactions as at December 31, 2011 is a $1.9 million decrease or increase in income before income taxes, respectively. The approximate impact of a 10% rise and a 10% decline in the Canadian dollar compared to the U.S dollar, GBP, and Euro on these transactions as at December 31, 2011 is a $7.6 million decrease or increase in other comprehensive income respectively.

We do not currently 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$100.0 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million. In addition, NGX has covenanted under the agreement to maintain a minimum of $9.0 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$100.0 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 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 seized and would then 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. From a legal perspective, the maximum loss that we could face is limited to CDCC's net worth.

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, certain 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 CDCC's 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/Legal/Regulatory Proceedings Risk

We Are Subject to Risks of Litigation and Regulatory Proceedings

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, theft, sabotage and vandalism. Given our position in the Canadian capital markets, we may be more likely than other companies to be a target of such activities.

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, BOX and NGX. 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, affect our ability to compete effectively and may limit our ability to maintain or increase information services revenue. 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.

Caution Regarding Forward-Looking Information

This MD&A of 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 or regulatory proceedings; dependence on adequate numbers of customers; failure to develop, market 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 on third party suppliers and service providers; dependence of trading operations on a small number of clients; risks associated with our clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group shares; inability to protect our intellectual property; 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; business development and marketing and sales activity; 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 and client acceptance of new products; successful introduction of various technology assets and capabilities; 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 MD&A under the heading ***Risks and Uncertainties***.

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 International Financial Reporting Standards 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 8, 2012

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 the TMX Group Inc., which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 the 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 consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 balance sheets of TMX Group Inc. as at December 31, 2011, December 31, 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 7, 2012

Consolidated Balance Sheets

(In millions of Canadian dollars)	*Note*	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Assets				
Current assets:				
Cash and cash equivalents	*8*	**$ 87.2**	$ 69.9	$ 88.9
Marketable securities	*8*	**403.2**	261.6	103.2
Trade and other receivables	*9*	**79.0**	89.7	79.4
Energy contracts receivable	*25*	**645.7**	754.9	714.5
Fair value of open energy contracts	*25*	**159.0**	141.9	202.8
Daily settlements and cash deposits	*25*	**550.8**	193.1	565.4
Prepaid expenses		**6.9**	6.7	6.0
Current income tax assets		**3.8**	4.3	12.3
		1,935.6	1,522.1	1,772.5
Non-current assets:				
Premises and equipment	*10*	**29.5**	28.4	24.4
Investment in equity accounted investees	*11*	**16.3**	14.2	12.8
Goodwill	*12*	**432.8**	421.3	422.5
Other intangible assets	*12*	**919.0**	920.1	932.0
Deferred income tax assets	*24*	**52.6**	43.4	41.7
Other non-current assets	*13*	**9.0**	16.3	21.2
Total Assets		**$ 3,394.8**	$ 2,965.8	$ 3,227.1
Liabilities and Equity				
Current liabilities:				
Trade and other payables	*16*	**$ 81.7**	$ 58.6	$ 43.9
Energy contracts payable	*25*	**645.7**	754.9	714.5
Fair value of open energy contracts	*25*	**159.0**	141.9	202.8
Daily settlements and cash deposits	*25*	**550.8**	193.1	565.4
Deferred revenue	*18*	**19.4**	18.7	15.1
Provisions	*17*	**7.5**	0.4	1.2
Current income tax liabilities		**4.4**	7.3	10.9
Fair value of interest rate swaps	*25*	**–**	0.7	2.1
Term loan	*15*	**429.8**	429.8	–
		1,898.3	1,605.4	1,555.9
Non-current liabilities:				
Accrued employee benefits payable	*14*	**14.0**	12.1	10.9
Deferred income tax liabilities	*24*	**230.0**	233.5	232.9
Other non-current liabilities	*20*	**30.5**	25.4	23.7
Fair value of interest rate swaps	*25*	**–**	–	3.6
Term loan	*15*	**–**	–	429.0
Total Liabilities		**2,172.8**	1,876.4	2,256.0
Equity:				
Share capital	*21*	**968.3**	959.4	957.9
Retained earnings (Deficit)		**216.8**	102.4	(16.5)
Contributed surplus – share option plan	*22*	**14.0**	12.0	9.6
Accumulated other comprehensive loss		**(2.6)**	(3.2)	–
Total Equity attributable to Shareholders of the Company		**1,196.5**	1,070.6	951.0
Non-controlling interests		**25.5**	18.8	20.1
Total Equity		**1,222.0**	1,089.4	971.1
Commitments and contingent liabilities	*19,30*			
Total Liabilities and Equity		**$ 3,394.8**	$ 2,965.8	$ 3,227.1

See accompanying notes which form an integral part of these consolidated financial statements.

Approved on behalf of the Board on February 7, 2012:

Wayne Fox
Chair

J. Spencer Lanthier
Director

Consolidated Income Statements

Years ended December 31, 2011 and 2010 *(In millions of Canadian dollars, except per share amounts)*	*Note*		**2011**		**2010**
Revenue:					
Issuer services		**$**	**230.5**	$	213.1
Trading, clearing and related			**262.6**		242.2
Information services			**165.1**		154.4
Technology services and other			**15.3**		15.9
Total revenue			**673.5**		625.6
Expenses:					
Compensation and benefits			**147.9**		133.5
Information and trading systems			**49.8**		50.7
General and administration	*7*		**75.7**		73.0
Depreciation and amortization			**28.1**		29.4
Total operating expenses			**301.5**		286.6
Income from operations			**372.0**		339.0
Share of net income of equity accounted investees			**1.1**		1.3
Gain on disposal/(impairment) of available for sale investment			**0.2**		(1.7)
LSEG and Maple related costs	*6*		**(37.2)**		–
Finance income (costs):					
Finance income			**10.1**		5.2
Finance costs			**(9.5)**		(6.0)
Net mark to market on interest rate swaps			**(0.1)**		(0.2)
Net finance income (costs)	*4*		**0.5**		(1.0)
Income before income taxes			**336.6**		337.6
Income tax expense	*24*		**93.0**		100.1
Net income		**$**	**243.6**	$	237.5
Net income attributable to:					
Equity holders of the Company		**$**	**237.5**	$	237.7
Non-controlling interests			**6.1**		(0.2)
		$	**243.6**	$	237.5
Earnings per share (attributable to equity holders of the Company):	*5*				
Basic		**$**	**3.18**	$	3.20
Diluted		**$**	**3.17**	$	3.19

See accompanying notes which form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31, 2011 and 2010 *(In millions of Canadian dollars)*	*Note*		**2011**		**2010**
Net income		**$**	**243.6**	$	237.5
Other comprehensive (loss) income:					
Unrealized gain (loss) on translating financial statements of foreign operations (net of tax of $nil in 2011 and $nil in 2010)			**1.2**		(4.3)
Actuarial losses on defined benefit pension and other post employment benefit plans (net of tax benefit of $1.3 in 2011 and $1.5 in 2010)	*14*		**(3.8)**		(4.5)
Total comprehensive income		**$**	**241.0**	$	228.7
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		**$**	**234.3**	$	230.0
Non-controlling interests			**6.7**		(1.3)
		$	**241.0**	$	228.7

See accompanying notes which form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

Years ended December 31, 2011 and 2010 *(In millions of Canadian dollars)*

		Attributable to equity holders of the Company						
	Note	**Share capital**	**Contributed surplus – share option plan**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total attributable to equity holders**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2010		$ 957.9	$ 9.6	$ –	$ (16.5)	$ 951.0	$ 20.1	$ 971.1
Net income		–	–	–	237.7	237.7	(0.2)	237.5
Other comprehensive income:								
Foreign currency translation differences, net of taxes		–	–	(3.2)	–	(3.2)	(1.1)	(4.3)
Actuarial losses on defined benefit pension and other post employment benefit plans, net of taxes	*14*	–	–	–	(4.5)	(4.5)	–	(4.5)
Total comprehensive (loss) income		–	–	(3.2)	233.2	230.0	(1.3)	228.7
Dividends to equity holders	*23*	–	–	–	(114.3)	(114.3)	–	(114.3)
Proceeds from exercised share options		1.2	–	–	–	1.2	–	1.2
Cost of exercised share options		0.3	(0.3)	–	–	–	–	–
Cost of share option plan	*22*	–	2.7	–	–	2.7	–	2.7
Balance at December 31, 2010		**959.4**	**12.0**	**(3.2)**	**102.4**	**1,070.6**	**18.8**	**1,089.4**
Net income		**–**	**–**	**–**	**237.5**	**237.5**	**6.1**	**243.6**
Other comprehensive income:								
Foreign currency translation differences, net of taxes		**–**	**–**	**0.6**	**–**	**0.6**	**0.6**	**1.2**
Actuarial losses on defined benefit pension and other post employment benefit plans, net of taxes	*14*	**–**	**–**	**–**	**(3.8)**	**(3.8)**	**–**	**(3.8)**
Total comprehensive income		**–**	**–**	**0.6**	**233.7**	**234.3**	**6.7**	**241.0**
Dividends to equity holders	*23*	**–**	**–**	**–**	**(119.3)**	**(119.3)**	**–**	**(119.3)**
Proceeds from exercised share options		**7.2**	**–**	**–**	**–**	**7.2**	**–**	**7.2**
Cost of exercised share options		**1.7**	**(1.7)**	**–**	**–**	**–**	**–**	**–**
Cost of share option plan	*22*	**–**	**3.7**	**–**	**–**	**3.7**	**–**	**3.7**
Balance at December 31, 2011		**$ 968.3**	**$ 14.0**	**$ (2.6)**	**$ 216.8**	**$ 1,196.5**	**$ 25.5**	**$ 1,222.0**

See accompanying notes which form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010 *(In millions of Canadian dollars)*	*Note*	**2011**	**2010**
Cash flows from (used in) operating activities:			
Income before income taxes		**$ 336.6**	$ 337.6
Adjustments to determine net cash flows:			
Depreciation and amortization		**28.1**	29.4
Net finance (income) costs	*4*	**(0.5)**	1.0
Share of net income of equity accounted investees		**(1.1)**	(1.3)
(Gain on disposal) impairment of available for sale investment		**(0.2)**	1.7
Cost of share option plan	*22*	**3.7**	2.7
Unrealized foreign exchange loss		**0.2**	0.1
LSEG and Maple related costs	*6*	**37.2**	–
LSEG and Maple related cash outlays		**(33.8)**	–
Trade and other receivables, and prepaid expenses		**12.4**	(10.9)
Other non-current assets		**(0.1)**	(2.1)
Trade and other payables		**16.7**	15.4
Provisions		**7.0**	(1.3)
Deferred revenue		**(0.9)**	3.7
Long-term accrued and other non-current liabilities		**5.1**	2.0
Realized gain on marketable securities		**0.6**	0.7
Realized loss on interest rate swaps		**(0.8)**	(5.2)
Interest paid		**(8.7)**	(5.6)
Interest received		**8.8**	5.4
Income taxes paid		**(106.8)**	(95.7)
		303.5	277.6
Cash flows from (used in) financing activities:			
Reduction in obligations under finance leases		**(0.9)**	(1.0)
Proceeds from exercised options		**7.2**	1.2
Financing fees on term loan	*15*	**(0.9)**	–
Dividends on common shares	*23*	**(119.3)**	(114.3)
		(113.9)	(114.1)
Cash flows from (used in) investing activities:			
Additions to premises and equipment	*10*	**(8.8)**	(12.8)
Additions to intangible assets	*12*	**(17.8)**	(9.7)
Acquisitions, net of cash acquired		**(11.2)**	–
Proceeds on disposal of available-for-sale investment		**6.2**	–
Marketable securities		**(140.9)**	(159.3)
		(172.5)	(181.8)
Increase (decrease) in cash and cash equivalents		**17.1**	(18.3)
Cash and cash equivalents, beginning of year		**69.9**	88.9
Unrealized foreign exchange gain (loss) on cash and cash equivalents held in foreign currencies		**0.2**	(0.7)
Cash and cash equivalents, end of year		**$ 87.2**	$ 69.9

See accompanying notes which form an integral part of these consolidated financial statements.

General information

TMX Group Inc. is a company domiciled in Canada and incorporated under the *Business Corporations Act* (Ontario). The registered office is located at The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

TMX Group Inc. directly or indirectly controls TSX Inc. ("TSX"), which operates the Toronto Stock Exchange, a national stock exchange serving the senior equity market, TSX Venture Exchange Inc. ("TSX Venture Exchange"), a national stock exchange serving the public venture equity market, Montréal Exchange Inc. ("MX"), Canada's national derivatives exchange, Canadian Derivatives Clearing Corporation ("CDCC"), the issuer and clearing house for options and futures contracts traded at MX and certain over-the-counter ("OTC") products, 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 and Shorcan Brokers Limited ("Shorcan"), an inter-dealer broker.

These consolidated financial statements as at and for the year ended December 31, 2011 (the "financial statements"), comprise the accounts of TMX Group Inc. and its wholly-owned subsidiaries, including TSX, MX, NGX and Shorcan, and their wholly-owned or controlled subsidiaries, collectively referred to as "TMX Group" or the "Company".

1. Basis of preparation

(a) Statement of compliance:

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as issued by the International Accounting Standards Board ("IASB").

These are TMX Group's first financial statements prepared in accordance with IFRS and as such, IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied.

Reconciliations and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in note 32.

The financial statements were approved by the Company's Board of Directors on February 7, 2012.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following items which are measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit or loss;
- Available-for-sale financial assets;
- Liabilities arising from share-based payment plans.

(c) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that management considers to be relevant. Actual results could differ from these estimates and assumptions.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgements and estimates have been made in the following areas in the preparation of the financial statements:

- Goodwill and other intangible assets – impairment tests are completed using the higher of fair value less costs to sell, where available, and value-in-use calculations, determined using management's best estimates of future cash flows, long-term growth rates and appropriate discount rates. Purchased intangibles are valued on acquisition using appropriate methodologies and amortized over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives, where there is no foreseeable limit over which these intangibles would generate net cash flows. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets will be derived (note 12);
- The accounting for pensions and other post retirement and post employment benefits – the valuations of the defined benefit assets and liabilities are based on actuarial assumptions made by management with advice from TMX Group's external actuary (note 14);

- Premises and equipment and intangible assets – useful lives over which assets are depreciated or amortized are based on management's judgement of future use and performance (notes 10 and 12);
- Leases – the classification of leases between operating and finance leases is partly based on management's judgement regarding the substance of the agreement, supported by other indicators within the lease (note 19);
- Provisions and contingencies – management judgement is required to assess whether provisions and/or contingencies should be recognized or disclosed, and at what value. Management bases its decisions on past experience and other factors it considers to be relevant on a case by case basis (notes 17 and 30);
- Income taxes – the accounting for income taxes requires estimates and judgements to be made. Where differences arise between estimated income tax provisions and final income tax liabilities, an adjustment is made when the difference is identified (note 24);
- Trade and other receivables – judgement is required when providing for doubtful accounts. Management bases its estimates on historical experience and other relevant factors (note 9);
- Share-based payments – The liabilities associated with TMX Group's share-based payment plans are measured at fair value using a recognized option pricing model based on management's assumptions. Management's assumptions are based on historical share price movements, dividend policy and past experience (note 22).

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and in preparing the opening IFRS consolidated balance sheet as at January 1, 2010, for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by TMX Group entities.

(a) Basis of consolidation:

Subsidiaries are entities controlled by TMX Group, and they are consolidated from the date on which control is transferred to TMX Group until the date that control ceases. Balances and transactions between TMX Group's subsidiaries have been eliminated on consolidation.

Equity accounted investees are entities in which TMX Group has determined it 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.

(b) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the service or supply is provided, when it is probable that the economic benefits will flow to TMX Group, and when the revenue and the costs incurred in respect of the transaction can be reliably measured.

Issuer services

Issuer services revenue includes revenue from initial and additional listing fees, annual sustaining fees and other issuer services. Initial and additional listing fees are recognized when the listing has taken place. 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. Sustaining fees for new issuers are billed when the issuers' securities are officially listed and the amount is recorded as deferred revenue and amortized over the remainder of the year on a straight-line basis. Other issuer services revenue is recognized as the services are provided.

Trading, clearing and related

Trading and related revenues for cash markets, primarily through TSX, TSX Venture Exchange and Shorcan, are recognized in the month in which the trades are executed or when the related services are provided.

Trading and related revenues for derivatives markets, through MX and Boston Options Exchange Group, LLC ("BOX"), a subsidiary of MX, are recognized in the month in which the trades are executed or when the related services are provided.

Revenue related to derivatives clearing through CDCC is recognized on the settlement date of the related transaction.

Energy trading, clearing, settlement and related revenues relating to NGX are recognized over the period the services are provided. Unrealized gains and losses on open energy contracts are not recognized in the financial statements.

Information services

Real time market data revenue is recognized based on usage as reported by customers and vendors, less a provision for sales adjustments from the same customers. TMX Group conducts periodic audits of the information provided and records adjustments to revenues, if any, at the time that collectability of the revenue is reasonably assured. Fixed income indices revenue is recognized over the period the service is provided. 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 when the services are provided.

Technology services and other

Technology services and other revenue is recorded and recognized as revenue over the period the service is provided.

(c) Foreign currency:

Items included in the financial statements of each of TMX Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Canadian dollars, which is TMX Group's functional and presentation currency.

The assets and liabilities of TMX Group's foreign operations for which the Canadian dollar is not the functional currency 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 income within equity.

Revenues earned, expenses incurred and capital assets purchased in foreign currencies are translated into the functional currency at the prevailing exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the period end rate or at the transaction rate when settled. Resulting unrealized and realized foreign exchange gains and losses are recognized within technology services and other revenue in the consolidated income statement for the period.

(d) Premises and equipment:

Items of premises and equipment are recognized at cost less accumulated depreciation and any impairment losses.

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 their useful lives.

Assets are depreciated from the date of acquisition. Depreciation is recognized in the consolidated income statement on a straight-line basis over the estimated useful life of the asset, or a major component thereof. The residual values and useful lives of the assets are reviewed annually, and revised as necessary.

Depreciation 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 finance 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

(e) Goodwill and other intangible assets:

Goodwill

Goodwill is recognized at cost on acquisition less any subsequent impairment in value.

TMX Group measures goodwill arising on a business combination as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

TMX Group elects on a transaction by transaction basis whether to measure non-controlling interests at fair value or at their proportionate share of the recognized amount of the identifiable net assets acquired, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities as consideration, that TMX Group incurs in connection with a business combination are expensed as incurred.

Other intangible assets

Other intangible assets are recognized at cost less accumulated amortization, where applicable, and any impairment in value. Cost includes any expenditure that is directly attributable to the acquisition of the asset. The cost of internally developed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Costs incurred in research activities, undertaken with the prospect of gaining new technical knowledge, are recognized in the consolidated income statement as incurred. Costs incurred in development activities are capitalized when all of the following criteria are met:

- It is technically feasible to complete the work such that the asset will be available for use or sale,
- TMX Group intends to complete the asset for use or sale,
- TMX Group will be able to use the asset once completed,
- The asset will be useful and is expected to generate future economic benefits for TMX Group,
- TMX Group has adequate resources available to complete the development of and to use the asset, and
- TMX Group is able to reliably measure the costs attributable to the asset during development.

Definite life intangible assets are amortized from the date of acquisition or, for internally developed intangible assets, from the time the asset is available for use. Amortization is recognized in the consolidated income statement either on a declining balance or on a straight-line basis over the estimated useful life of the asset. Residual values and the useful lives of the assets are reviewed at each year end, and revised as necessary.

Assets are considered to have indefinite lives where management believes that there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

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

Asset	Basis	Rate
Indefinite life intangibles – not amortized		
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 – amortized		
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

(f) Impairment:

The carrying amounts of TMX Group's non-financial assets, other than deferred income tax assets and employee future benefit assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually even if there is no indication of impairment, and the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses are recognized in the consolidated income statement.

An impairment loss in respect of goodwill can not be reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and any lease incentives received are recognized in the consolidated income statement on a straight-line basis over the term of the lease.

TMX Group has entered into leases for equipment where substantially all of the risks and rewards of ownership have transferred to TMX Group, and these are classified as finance leases. The leased assets are capitalized on inception of the lease at the lower of their fair value and the present value of the minimum lease payments, and then amortized over their useful lives. Payments made under finance leases are apportioned between the finance expense and a reduction in the outstanding liability, to achieve a constant periodic rate of interest on the remaining liability.

(h) Employee benefits:

Defined contribution and defined benefit pension plans

The Company has registered pension plans with both a defined benefit tier and a defined contribution tier covering substantially all employees, as well as retirement compensation arrangements ("RCA") for senior management. The costs of these programs are being funded currently, except for MX, where a portion is guaranteed by a letter of guarantee.

TMX Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, and that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rates used are based on Canadian AA corporate bond yields. The calculation is performed annually by an actuary based on management's best estimates using the projected benefit method pro-rated on service. When the calculation results in a benefit to TMX Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is considered available to TMX Group if it is realizable during the life of the plan, or on settlement of the plan liabilities, and consideration is given to any minimum funding requirements that apply to the plan when calculating the present value of these economic benefits. The service cost, which represents the benefits accruing to the employees, along with the interest cost and the expected return on plan assets, is recognized in the consolidated income statement.

When the benefits of a plan are amended, the portion of the increased benefit relating to past service by employees is recognized in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the consolidated income statement.

TMX Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income.

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

Non-pension post retirement and post employment benefit plans

TMX Group also provides other post retirement and post employment benefits, such as supplementary medical and dental coverage and a long-term disability plan, which are funded on a cash basis by TMX Group, and contributions from plan members in some circumstances. TMX Group's net obligation in respect of these plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value. The discount rates used are based on Canadian AA corporate bond yields. The calculation is performed annually by an actuary based on management's best estimates and it is performed using the projected benefit method pro-rated on service. For post retirement plans, any actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. For the long-term disability plan, actuarial gains and losses are recognized within compensation and benefits expense in the consolidated income statement.

Termination benefits

Termination benefits are recognized as an expense when TMX Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before retirement.

Short-term employee benefits

Short-term employee benefit obligations, such as wages, salaries and annual vacation entitlements, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for TMX Group's annual short-term incentive plan if a present legal or constructive obligation to pay this amount exists as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payments

TMX Group has both equity-settled and cash-settled share-based compensation plans.

TMX Group accounts for all share-based plans to eligible employees that call for settlement by the issuance of equity instruments 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. The amount recognized as an expense is adjusted to reflect the actual number of options expected to vest.

Compensation cost attributable to employee awards that call for settlement in cash is measured at fair value at each reporting date, using a recognized option pricing model. Changes in fair value between the grant date and the measurement date are recognized in the consolidated income statement over the vesting period, with a corresponding increase in either current or non-current liabilities, depending on the period in which the award is expected to be paid.

(i) Income tax:

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the period using income tax rates enacted or substantively enacted at the reporting date in the countries where TMX Group has a permanent establishment and generates taxable income, and any adjustments to income tax payable in respect of previous years.

Deferred income tax is recognized in respect of certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the income tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable income will be available against which it can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain income tax positions are recognized in the financial statements using management's best estimate of the amount expected to be paid.

Current income tax assets and liabilities are offset in the financial statements if there is a legally enforceable right to offset them and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities but TMX Group intends to settle them on a net basis or where the income tax assets and liabilities will be realized simultaneously.

(j) Provisions:

A provision is recognized if, as a result of a past event, TMX Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. For onerous leases, TMX Group provides for the lower of the cost of meeting surplus property lease commitments, net of any sub-lease income, and the costs or penalties it would incur on breaking its lease commitments.

(k) Earnings per share:

Basic earnings per share is computed by dividing net income attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings per share is determined by dividing the net income attributable to the equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all potential dilutive common shares arising from share options granted to employees.

Adjusted basic and diluted earnings per share are presented where considered helpful to enable a comparison of the underlying performance of TMX Group with prior periods.

(l) Segment reporting:

An operating segment is a component of TMX Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of TMX Group's other components. In addition, there are certain corporate costs and/or balances that are not allocated across the group and these are included within the Cash segment. All operating segments' operating results are reviewed regularly by the Executive Management Committee ("Executive Committee") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(m) Financial instruments:

Non-derivative financial assets

Financial assets are recognized on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument.

Financial assets are generally derecognized when the contractual rights to the cash flows from the assets expire, or when TMX Group transfers the rights to receive the contractual cash flows on the financial assets to another party without retaining substantially all the risks and rewards of ownership of the financial assets.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet only when TMX Group has a current legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

TMX Group classifies its non-derivative financial assets in the following categories, depending on the purpose for which they were acquired:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are assets classified as held for trading or assets designated as fair value through profit or loss by management and TMX Group manages the asset, and makes purchase and sale decisions, based on its fair value in accordance with TMX Group's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, with changes recognized in the consolidated income statement. Transaction costs thereon are expensed as incurred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any incremental directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Short-term receivables with no stated interest rate are measured at the original transaction amounts where the effect of discounting is immaterial.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the previous categories. These assets are measured at fair value, both initially and subsequently, with changes in fair value, except for impairment losses and certain foreign exchange gains and losses, recognized in other comprehensive income until the asset is sold. Impairment losses are recognized in the consolidated income statement as incurred, as are foreign exchange gains and losses arising on monetary items. Foreign exchange gains and losses arising on non-monetary items, such as an investment in an equity instrument, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in accumulated other comprehensive income is reclassified to the consolidated income statement.

Non-derivative financial liabilities

TMX Group initially recognizes its financial liabilities on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument. TMX Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original transaction amounts where the effect of discounting is immaterial.

Derivative financial instruments

TMX Group holds certain derivative financial instruments which, while providing a partial economic hedge, are not designated as hedges for accounting purposes. As such, these derivatives are recognized at fair value, both initially and subsequently, with changes in the fair value recognized in the consolidated income statement.

(n) Cash and cash equivalents:

Cash and cash equivalents consist of cash and liquid investments having an original maturity of three months or less.

Cash and cash equivalents also include 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 trade and other payables.

(o) Marketable securities:

Marketable securities consist of pooled fund investments in Canadian money market funds and short-term bond and mortgage funds. They are carried at their estimated fair values, with changes in fair value being recorded within finance income in the consolidated income statement in the period in which they occur. Estimated fair values are determined based on quoted market values, and there is no contracted maturity date for the investments.

(p) Trade and other receivables:

Trade receivables generally have terms of 30 days. The recoverability of the trade receivables is assessed at each reporting date and an allowance for doubtful accounts is deducted from the asset's carrying value if the asset is not considered fully recoverable. Any change in the allowance is recognized within general and administration costs in the consolidated income statement.

(q) Finance income and finance costs:

Finance income comprises interest income on funds invested, and changes in the fair value of marketable securities.

Finance costs comprise interest expense on borrowings and finance leases.

(r) Future accounting changes:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing the financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2013, unless otherwise noted:

- *IFRS 9, Financial instruments* (effective for annual periods beginning on or after January 1, 2015)
- *IFRS 10, Consolidated financial statements*
- *IFRS 11, Joint arrangements*
- *IFRS 12, Disclosure of interests in other entities*
- *IFRS 13, Fair value measurement*
- *IAS 27, Separate financial statements*
- *IAS 28, Investments in associates and joint ventures*
- *IAS 1, Presentation of financial statements: Presentation of items of other comprehensive income* – Amendments requiring the grouping of items within other comprehensive income (effective for annual periods beginning on or after July 1, 2012)
- *IFRS 7, Financial instruments – disclosure* – Amendments regarding transfers of financial assets (effective for annual periods beginning on or after July 1, 2011)
- *IAS 12, Income taxes* – Amendments regarding deferred income tax – Recovery of underlying assets (effective for annual periods beginning on or after January 1, 2012)
- *IAS 19, Employee benefits* – Amendments regarding the recognition of gains and losses, the presentation of changes in assets and liabilities, and enhanced disclosure requirements

TMX Group is reviewing these new standards and amendments to determine the potential impact on TMX Group's financial statements once they are adopted.

3. Segmented information

TMX Group 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, TMX Group owns and operates Canada's two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange, Shorcan, a fixed income inter-dealer broker, The Equicom Group Inc. ("Equicom"), an investor relations and corporate communications services provider, and Finexeo S.A. ("Finexeo"), which operates TMX Atrium. This segment also includes certain corporate costs and/or balances not allocated across the group, such as the LSEG and Maple related costs. 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, including CDCC and BOX. The Energy segment provides a marketplace for the trading and clearing of natural gas, electricity and crude oil contracts through NGX, and includes the brokering of crude oil contracts through Shorcan Energy Brokers Inc. ("Shorcan Energy Brokers"), a wholly-owned subsidiary of Shorcan.

TMX Group's Executive Committee reviews internal management reports on a regular basis and performance is measured based on revenue, income from operations and net income attributable to equity holders of the Company.

The accounting policies of the reportable segments are consistent with the accounting policies described in note 2.

Year ended December 31*	Cash	Derivatives	Energy	Total
2011				
Revenue:				
Issuer services	**$ 230.5**	**$ –**	**$ –**	**$ 230.5**
Trading, clearing and related	**105.5**	**112.7**	**44.4**	**262.6**
Information services	**148.6**	**16.2**	**0.3**	**165.1**
Technology services and other	**11.5**	**3.9**	**(0.1)**	**15.3**
Total revenue	**496.1**	**132.8**	**44.6**	**673.5**
Depreciation and amortization	**13.1**	**11.9**	**3.1**	**28.1**
Other operating expenses	**178.8**	**68.4**	**26.2**	**273.4**
Income from operations	**304.2**	**52.5**	**15.3**	**372.0**
LSEG and Maple related costs (note 6)	**37.2**	**–**	**–**	**37.2**
Other income/costs, including income tax expense and net income attributable to non-controlling interests	**78.5**	**14.8**	**4.0**	**97.3**
Net income attributable to equity holders of the Company	**$ 188.5**	**$ 37.7**	**$ 11.3**	**$ 237.5**
Additions to premises and equipment and intangible assets	**$ 14.9**	**$ 10.1**	**$ 1.6**	**$ 26.6**
2010				
Revenue:				
Issuer services	$ 213.1	$ –	$ –	$ 213.1
Trading, clearing and related	113.1	83.7	45.4	242.2
Information services	138.5	15.3	0.6	154.4
Technology services and other	10.6	5.3	–	15.9
Total revenue	475.3	104.3	46.0	625.6
Depreciation and amortization	12.8	13.7	2.9	29.4
Other operating expenses	171.5	60.1	25.6	257.2
Income from operations	291.0	30.5	17.5	339.0
LSEG and Maple related costs (note 6)	–	–	–	–
Other income/costs, including income tax expense and net income attributable to non-controlling interests	92.0	4.2	5.1	101.3
Net income attributable to equity holders of the Company	$ 199.0	$ 26.3	$ 12.4	$ 237.7
Additions to premises and equipment and intangible assets	$ 12.7	$ 7.7	$ 2.1	$ 22.5

* Includes results from dates of acquisitions in the year.

As at December 31	Cash	Derivatives	Energy	Total
2011				
Investments in equity accounted investees	**$ 16.3**	**$ –**	**$ –**	**$ 16.3**
Total assets	**582.8**	**1,854.0**	**958.0**	**3,394.8**
Total liabilities	**557.0**	**784.4**	**831.4**	**2,172.8**
2010				
Investments in equity accounted investees	$ 14.2	$ –	$ –	$ 14.2
Total assets	484.9	1,439.1	1,041.8	2,965.8
Total liabilities	534.9	415.0	926.5	1,876.4

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

TMX Group's geographical information is as follows:

For the year ended December 31,	2011
Revenue	
Canada	$ 490.8
US	143.3
Other	39.4
	$ 673.5

Revenue is allocated based on the country to which customer invoices are addressed.

As at December 31,	2011
Non-current assets*	
Canada	$ 1,345.4
US	51.7
Other	0.5
	$ 1,397.6

* Non-current assets above are primarily comprised of premises and equipment, investments in equity accounted investees, goodwill and other intangible assets.

* 2010 comparative geographical information is not available.

4. Finance income and finance costs

For the years ended December 31,	2011	2010
Finance income		
Interest income on funds invested	**$ 8.8**	$ 5.2
Fair value gains (losses) on marketable securities:		
– realized	**0.6**	0.7
– unrealized	**0.7**	(0.7)
	10.1	5.2
Finance costs		
Interest expense on borrowings, including amortization of financing fees	**(9.4)**	(5.9)
Interest expense on finance leases	**(0.1)**	(0.1)
	(9.5)	(6.0)
Net mark to market on interest rate swaps	**(0.1)**	(0.2)
Net finance income (costs)	**$ 0.5**	$ (1.0)

5. Earnings per share

For the years ended December 31,	2011	2010
Net income attributable to the equity holders of the Company	**$ 237.5**	$ 237.7
Weighted average number of common shares outstanding – basic	**74,575,962**	74,331,877
Effect of dilutive share options	**256,965**	79,123
Weighted average number of common shares outstanding – diluted	**74,832,927**	74,411,000
Basic earnings per share	**$ 3.18**	$ 3.20
Diluted earnings per share	**$ 3.17**	$ 3.19

Adjusted earnings per share

For the years ended December 31,		2011		2010
Net income attributable to the equity holders of the Company	**$**	**237.5**	$	237.7
Adjustments:				
– LSEG and Maple related costs (note 6)		**37.2**		–
– Income tax effect on LSEG and Maple related costs		**(9.4)**		–
– Commodity tax adjustment (note 7)		**2.9**		–
– Income tax effect on commodity tax adjustment		**(0.8)**		–
– Impairment of available for sale investment		**–**		1.7
– Income tax effect on impairment of available for sale investment		**–**		(0.1)
Adjusted net income attributable to the equity holders of the Company	**$**	**267.4**	$	239.3
Adjusted basic earnings per share	**$**	**3.58**	$	3.22
Adjusted diluted earnings per share	**$**	**3.57**	$	3.21

Adjusted earnings per share exclude LSEG and Maple related costs, a commodity tax adjustment relating to prior years and an impairment charge related to an available for sale investment, along with their income tax effect. This measure is presented to enable a comparison of the underlying business with prior periods.

6. London Stock Exchange Group plc (“LSEG”) and Maple Group Acquisition Corporation (“Maple”) related costs

On February 9, 2011, TMX Group announced an agreement to combine its operations with LSEG in an all-share merger. On June 29, 2011, TMX Group agreed with LSEG to terminate their merger agreement.

On October 30, 2011, TMX Group announced that it had entered into a support agreement with Maple regarding Maple’s proposed acquisition of all of the outstanding shares of TMX Group pursuant to an integrated two-step transaction valued at approximately $3.8 billion.

The Maple offer was originally open for acceptance until August 8, 2011, but has since been extended to February 29, 2012. Maple or TMX Group may terminate the support agreement if the Maple offer has not been completed by February 29, 2012, provided that this outside date may be extended to April 30, 2012, in order to obtain the required regulatory approvals. The transaction remains subject to a number of conditions and regulatory approvals.

During 2011, TMX Group incurred costs of $37.2 in relation to these proposed transactions, which are reflected in the consolidated income statement (2010 – $nil). The costs for the year ended December 31, 2011, include a $10.0 expense fee that TMX Group paid LSEG following the termination of the LSEG merger agreement.

A further $29.0 is payable to LSEG if Maple’s proposed acquisition is consummated as contemplated in the support agreement. This $29.0 fee has not been accrued for in the financial statements.

TMX Group is liable for the payment of success fees of approximately $19.0 which are contingent upon the successful completion of the Maple transaction. These fees have not been accrued for in the financial statements.

7. Commodity tax adjustment

TMX Group has submitted ruling requests to the Canada Revenue Agency (“CRA”) and Revenu Québec (“RQ”) relating to the application of Harmonized Sales Tax and Goods and Services Tax (collectively, “HST”) and Québec Sales Tax (“QST”), imposed under section 165 of the *Excise Tax Act* and section 16 of the *Act respecting the Québec sales tax* respectively, on its trade execution fees on equities and derivatives. Effective February 2011, TMX Group stopped charging HST/QST on its trade execution fees for both Toronto Stock Exchange and TSX Venture Exchange. Effective August 2011, TMX Group stopped charging HST/QST on its trade execution fees for the Montréal Exchange. On July 11, 2011, TMX Select Inc. (“TMX Select”) was successfully launched to the marketplace. TMX Select has also submitted a ruling request to the CRA and to RQ and as such does not charge HST/QST on any of its trade execution fees. TMX Group is confident that the ruling requests will be approved, and as such, has not provided for HST/QST not charged to customers in 2011.

If the ruling requests are approved, TMX Group may be required to repay to the taxation authorities the input tax credits for HST (“ITC”) claimed prior to February 2011 on the affected businesses. TMX Group firmly believes that the liability related to these ITCs should be $nil; however, a repayment of up to four years of ITCs previously claimed may be required. As a result, TMX Group has estimated the range of possible outcomes to be between $nil and $6.0. A provision of $2.9 was recorded in the year ended December 31, 2011, and the cost is included within general and administration expenses in the consolidated income statement.

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

TMX Group has not yet amended its 2011 ITC claims to reflect the changes in tax treatment, and as such a provision of $4.5 was recorded in the year ended December 31, 2011, for 2011 ITCs over-claimed.

Future estimates may be different and a change in the provision may be required.

8. Cash and cash equivalents and marketable securities

Cash and cash equivalents and marketable securities are comprised of:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash	**$ 46.3**	$ 24.3	$ 49.9
Bankers' acceptances	**1.8**	1.8	1.8
Overnight money market	**36.6**	42.0	34.3
Treasury bills	**0.5**	0.7	2.0
Restricted cash	**2.0**	1.1	0.9
Cash and cash equivalents	**$ 87.2**	$ 69.9	$ 88.9
Money market funds	**$ 206.8**	$ 148.4	$ 30.6
Bonds and bond funds	**196.4**	113.2	72.6
Marketable securities	**$ 403.2**	$ 261.6	$ 103.2

Restricted cash represents the surplus of the regulatory division operated by MX. An equivalent and off-setting amount is included in trade and other payables.

TMX Group's exposure to interest rate risk and a sensitivity analysis for marketable securities is discussed in note 26.

9. Trade and other receivables

Trade and other receivables are comprised of:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables, gross	**$ 79.9**	$ 90.7	$ 84.5
Less: Allowance for doubtful accounts	**(7.4)**	(8.1)	(8.5)
Trade receivables, net	**72.5**	82.6	76.0
Other receivables	**6.5**	7.1	3.4
Trade and other receivables	**$ 79.0**	$ 89.7	$ 79.4

Trade and other receivables are regularly reviewed for objective evidence of impairment.

Trade receivables that are more than three months past due are considered to be impaired, and an allowance, which varies depending on the age of the receivable, is recorded within general and administration costs. Other specific trade receivables are also provided against as considered necessary.

The aging of the trade receivables was as follows:

	As at December 31, 2011		As at December 31, 2010		January 1, 2010	
	Gross	Allowance	Gross	Allowance	Gross	Allowance
Not due	**$ 56.0**	**$ 0.2**	$ 58.1	$ 0.1	$ 43.0	$ 0.3
Past due 0-90 days	**15.4**	**1.4**	21.6	0.6	28.7	1.2
More than 90 days	**8.5**	**5.8**	11.0	7.4	12.8	7.0
Trade receivables	**$ 79.9**	**$ 7.4**	$ 90.7	$ 8.1	$ 84.5	$ 8.5

The movement in TMX Group's allowance for doubtful accounts is as follows:

	2011	2010
Balance as at January 1	**$ 8.1**	$ 8.5
Allowance recognized in the year, net of allowance released as not required	**1.5**	2.5
Receivables written off as uncollectible	**(2.2)**	(2.9)
Balance as at December 31	**$ 7.4**	$ 8.1

No allowance for impairment is considered necessary for other receivables.

10. Premises and equipment

Premises and equipment are comprised of:

	Computers and electronic trading equipment		Computers and electronic trading equipment under finance leases		Furniture, fixtures and other equipment		Leasehold improvements		Total
Cost:									
Balance at January 1, 2010	$	58.5	$	2.4	$	16.4	$	48.6	$	125.9
Additions		7.7		1.2		0.3		5.3		14.5
Disposals		(1.8)		(0.8)		–		(0.3)		(2.9)
Effect of movements in exchange rates		(0.7)		–		–		–		(0.7)
Balance at December 31, 2010		63.7		2.8		16.7		53.6		136.8
Additions		5.5		0.1		0.7		2.5		8.8
Acquired through business combinations		0.1		–		0.6		–		0.7
Effect of movements in exchange rates		0.3		–		(0.1)		–		0.2
Balance at December 31, 2011	**$**	**69.6**	**$**	**2.9**	**$**	**17.9**	**$**	**56.1**	**$**	**146.5**
Accumulated depreciation:										
Balance at January 1, 2010	$	47.5	$	0.6	$	15.3	$	38.1	$	101.5
Charge for the year		5.9		0.9		0.4		2.9		10.1
Disposals		(1.8)		(0.5)		–		(0.3)		(2.6)
Effect of movements in exchange rates		(0.6)		–		–		–		(0.6)
Balance at December 31, 2010		51.0		1.0		15.7		40.7		108.4
Charge for the year		4.6		0.7		0.6		2.6		8.5
Effect of movements in exchange rates		0.2		–		(0.1)		–		0.1
Balance at December 31, 2011	**$**	**55.8**	**$**	**1.7**	**$**	**16.2**	**$**	**43.3**	**$**	**117.0**
Net book values:										
At December 31, 2011	**$**	**13.8**	**$**	**1.2**	**$**	**1.7**	**$**	**12.8**	**$**	**29.5**
At December 31, 2010	$	12.7	$	1.8	$	1.0	$	12.9	$	28.4
At January 1, 2010	$	11.0	$	1.8	$	1.1	$	10.5	$	24.4

11. Investment in equity accounted investees

	December 31, 2011		December 31, 2010		January 1, 2010	
Investment in CanDeal.ca Inc	**$**	**15.4**	$	14.2	$	12.8
Other		**0.9**		–		–
Investments in equity accounted investees	**$**	**16.3**	$	14.2	$	12.8

As at December 31, 2011, TMX Group owns a 47% equity interest in CanDeal.ca Inc. (“CanDeal”) (2010 – 47%), an electronic trading system for the institutional debt market. The investment is accounted for using the equity method.

Summary financial information, not adjusted for the percentage ownership held by TMX Group, is as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
Assets	**$**	**17.9**	$	15.3	$	11.2
Liabilities		**1.9**		1.9		1.7
Revenue		**12.2**		10.9		9.1
Net income		**2.6**		3.9		1.2

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

CanDeal is subject to regulation by the Investment Industry Regulatory Organization of Canada ("IIROC"). Under the rules prescribed by IIROC, CanDeal is required to maintain prescribed/minimum levels of risk-adjusted capital, which could restrict its ability to transfer funds to the Company.

In 2011, TMX Group remitted to CanDeal $1.2 (2010 – $0.6) as part of a revenue sharing arrangement.

12. Goodwill and intangible assets

a) Goodwill:

A summary of the changes in goodwill is as follows:

		2011		2010
Balance as at January 1	**$**	**421.3**	$	422.5
Additions		**11.5**		–
Effect of movements in exchange rates		**–**		(1.2)
Balance as at December 31	**$**	**432.8**	$	421.3

b) Intangible assets – indefinite life:

There were no changes in TMX Group's indefinite life intangible assets during 2011 or 2010:

		2011		2010
Derivative products	**$**	**630.9**	$	630.9
Trade names		**28.2**		28.2
Regulatory designation		**2.0**		2.0
Crude oil products		**14.9**		14.9
Index licenses		**1.9**		1.9
Balance as at January 1 and December 31	**$**	**677.9**	$	677.9

These assets are considered to have indefinite lives as management believes that there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

c) Intangible assets – definite life:

A summary of TMX Group's definite life intangible assets is as follows:

	Capitalized software and software development	Customer bases	Data licenses	Total
Cost:				
Balance at January 1, 2010	$ 40.4	$ 267.7	$ 6.5	$ 314.6
Additions	9.7	–	–	9.7
Disposals	(0.7)	–	–	(0.7)
Effect of movements in exchange rates	(2.1)	(2.0)	–	(4.1)
Balance at December 31, 2010	47.3	265.7	6.5	319.5
Additions	17.8	–	–	17.8
Acquired through business combinations	0.1	–	–	0.1
Written off as fully amortized	–	(2.4)	–	(2.4)
Effect of movements in exchange rates	0.6	0.8	–	1.4
Balance at December 31, 2011	**$ 65.8**	**$ 264.1**	**$ 6.5**	**$ 336.4**
Accumulated amortization:				
Balance at January 1, 2010	$ 8.3	$ 50.2	$ 2.0	$ 60.5
Charge for the year	9.0	9.6	0.7	19.3
Disposals	(0.7)	–	–	(0.7)
Effect of movements in exchange rates	(0.8)	(1.0)	–	(1.8)
Balance at December 31, 2010	15.8	58.8	2.7	77.3
Charge for the year	10.5	8.4	0.7	19.6
Written-off as fully amortized	–	(2.4)	–	(2.4)
Effect of movements in exchange rates	0.4	0.4	–	0.8
Balance at December 31, 2011	**$ 26.7**	**$ 65.2**	**$ 3.4**	**$ 95.3**
Net book values:				
At December 31, 2011	**$ 39.1**	**$ 198.9**	**$ 3.1**	**$ 241.1**
At December 31, 2010	$ 31.5	$ 206.9	$ 3.8	$ 242.2
At January 1, 2010	$ 32.1	$ 217.5	$ 4.5	$ 254.1

d) Impairment testing:

Goodwill and indefinite life intangible assets:

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuous use and that are largely independent of the cash inflows of other assets or groups of assets. The carrying values of goodwill and indefinite life intangible assets allocated to each CGU are as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
CGU	**Goodwill**	**Indefinite life intangibles**	**Goodwill**	**Indefinite life intangibles**	**Goodwill**	**Indefinite life intangibles**
MX	**$ 236.9**	**$ 661.1**	$ 236.9	$ 661.1	$ 236.9	$ 661.1
Other	**195.9**	**16.8**	184.4	16.8	185.6	16.8
	$ 432.8	**$ 677.9**	$ 421.3	$ 677.9	$ 422.5	$ 677.9

The recoverable amounts of the above CGUs were determined based on value-in-use calculations, using management's discounted cash flow projections over periods of five to eight years, depending on the CGU, along with a terminal value. Specifically for MX, a cash flow projection period of eight years was used, which is consistent with the original acquisition economics, and reflects the stage of its product life cycle with significant long-term growth potential remaining beyond a five year forecast.

The terminal value is the value attributed to the CGUs operations beyond the projected time period. The terminal value for MX was determined using an estimated long-term growth rate of 4.5% (2010 – 4.5%), which is based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

In calculating the recoverable amount of these CGUs, a pre-tax discount rate is used. The pre-tax discount rate applied to MX was 11.9% (2010 – 11.9%), which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

No impairment was identified as a result of the tests discussed above for 2011 or 2010.

As at December 31, 2011, management believes that the goodwill and indefinite life intangibles allocated to the MX CGU are unlikely to be impaired under any reasonable changes in the key assumptions used.

Definite life intangible assets:

At the end of each reporting period, TMX Group assesses whether there is any indication that any of its definite life intangible assets may be impaired, and performs an impairment analysis where indicators are noted.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value-in-use. Where impairment tests were necessary on certain definite life intangibles, TMX Group determined the recoverable amounts based on value-in-use calculations, which used discounted cash flow projections for the assets over periods of 18 to 26 years, depending on the CGU.

The future cash flows were estimated using long-term growth rates of 3.5% to 5.0% (2010 – 3.5% to 3.8%) which are based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

Pre-tax discount rates of 15.5% to 24.4% (2010 – 18.3% to 18.8%) were used in calculating the recoverable amount of each asset, which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

No impairment was identified as a result of the tests discussed above for 2011 or 2010.

The definite life intangible assets include $28.7 relating to the crude oil customer list recognized as part of the acquisition of NTP in 2009. This asset was tested as part of the 2011 impairment review process using a value-in-use calculation, and was found not to be impaired. The calculation is sensitive to changes in the key assumptions used and the impact of such changes is shown below:

	Impact on value-in-use		
	10% reduction in cash flows	**1% reduction in long-term growth rate**	**1% increase in pre-tax discount rate**
NTP customer list	$ (3.3)	$ (0.7)	$ (1.6)

The tests referred to above for goodwill and intangible assets require TMX Group to make various assumptions regarding projected cash flows, including long-term growth rates, and pre-tax discount rates for the various CGUs and definite life intangible assets. These assumptions are subjective judgements based on TMX Group'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 growth rates or pre-tax discount rates are different to those used, the outcome of future impairment tests could result in a different outcome with a CGU's goodwill and/or intangible assets being impaired.

13. Other non-current assets

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Accrued employee benefit assets (note14)	**$ 7.6**	$ 9.5	$ 12.7
Available for sale investments	**1.4**	6.6	8.3
Other	**–**	0.2	0.2
Other non-current assets	**$ 9.0**	$ 16.3	$ 21.2

14. Employee future benefits

a) Defined contribution plans:

The total expense recognized in respect of TMX Group's defined contribution plans for the year ended December 31, 2011, was $4.3 (2010 – $4.1), which represents the employer contributions for the period.

b) Defined benefit plans:

TMX Group measures the present value of its defined benefit obligations and the fair value of plan assets for accounting purposes as at the balance sheet date of each fiscal year. The most recent actuarial valuation of the registered pension plans for funding purposes was as at December 31, 2009, and the next required valuation is as at December 31, 2012. For the RCA plan, the most recent actuarial valuation for funding purposes was as at December 31, 2010, and the next required valuation is as at December 31, 2011.

The accrued benefit assets and accrued benefit obligations related to TMX Group's defined benefit pension and non-pension post-retirement plans are included in TMX Group's consolidated balance sheet as follows:

	Pension and RCA plans		Other benefit plans	
As at December 31,	**2011**	2010	**2011**	2010
Other non-current assets	**$ 7.6**	$ 9.5	**$ –**	$ –
Accrued employee benefits payable	**(3.2)**	(1.9)	**(9.4)**	(9.0)
	$ 4.4	$ 7.6	**$ (9.4)**	$ (9.0)

Accrued employee benefits payable on the consolidated balance sheet also includes the obligation under the post employment benefit plan of $1.4 (2010 – $1.2).

	Pension and RCA plans		Other benefit plans	
As at December 31	**2011**	2010	**2011**	2010
Accrued benefit obligation:				
Balance, beginning of year	**$ 65.1**	$ 53.8	**$ 7.7**	$ 6.6
Current service cost	**2.2**	2.0	**0.4**	0.3
Interest cost	**3.8**	3.6	**0.4**	0.4
Benefits paid	**(2.7)**	(2.8)	**(0.3)**	(0.2)
Employee contributions	**0.2**	0.2	**–**	–
Actuarial losses (gains)	**3.6**	8.3	**0.4**	0.6
Reduction in obligation due to settlement	**(0.2)**	–	**–**	–
Balance, end of year	**$ 72.0**	$ 65.1	**$ 8.6**	$ 7.7
Plan assets:				
Fair value, beginning of year	**$ 72.7**	$ 64.9	**$ –**	$ –
Expected return on plan assets	**3.7**	3.5	**–**	–
Actuarial gains (losses)	**(1.1)**	2.7	**–**	–
Employer contributions	**3.9**	4.1	**0.3**	0.2
Employee contributions	**0.2**	0.2	**–**	–
Benefits paid	**(2.7)**	(2.7)	**(0.3)**	(0.2)
Reduction in assets due to settlement	**(0.3)**	–	**–**	–
Fair value, end of year	**$ 76.4**	$ 72.7	**$ –**	$ –
Funded status of wholly or partly funded obligations	**$ 6.0**	$ 9.1	**$ –**	$ –
Present value of unfunded obligations	**(1.6)**	(1.5)	**(8.6)**	(7.7)
Total funded status of obligations	**4.4**	7.6	**(8.6)**	(7.7)
Unrecognized past service benefits	**–**	–	**(0.8)**	(1.3)
Accrued benefit asset (liability)	**$ 4.4**	$ 7.6	**$ (9.4)**	$ (9.0)

Plan assets consist of:

	Percentage of plan assets		
Asset category	**December 31, 2011**	December 31, 2010	January 1, 2010
Equity securities	**47%**	51%	50%
Debt securities	**39%**	36%	35%
Other	**14%**	13%	15%
	100%	100%	100%

The plan assets include units held in a pooled fund investment which holds shares in TMX Group Inc. as at and for the years ended December 31, 2011 and 2010.

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

The elements of TMX Group's defined benefit plan costs recognized in the year are as follows. The full cost is recognized within compensation and benefits in the consolidated income statement.

	Pension and RCA plans		Other benefit plans	
For the years ended December 31	**2011**	**2010**	**2011**	**2010**
Current service cost	**$ 2.2**	$ 2.0	**$ 0.4**	$ 0.3
Interest cost	**3.8**	3.6	**0.4**	0.4
Expected return on plan assets	**(3.7)**	(3.5)	**–**	–
Amortization of past service costs	**–**	–	**(0.5)**	(0.4)
Settlement loss recognized	**0.1**	–	**–**	–
Net benefit plan expense	**$ 2.4**	$ 2.1	**$ 0.3**	$ 0.3

TMX Group recognizes experience adjustments and the effects of changes in actuarial assumptions immediately in other comprehensive income. The aggregate actuarial gains and losses and effects of asset limits recognized in other comprehensive income are as follows:

	Pension and RCA plans		Other benefit plans	
	2011	**2010**	**2011**	**2010**
At January 1	**$ (5.5)**	$ –	**$ (0.6)**	$ –
Net actuarial losses recognized in the year	**(4.7)**	(5.5)	**(0.4)**	(0.6)
At December 31	**$ (10.2)**	$ (5.5)	**$ (1.0)**	$ (0.6)

TMX Group has applied the IFRS 1 exemption with regards to disclosure of four years of historical data relating to its defined benefit plans; such information will be provided as it becomes available. Required historical information for the plans is as follows:

	Pension and RCA plans			Other benefit plans		
	2011	**2010**	**January 1, 2010**	**2011**	**2010**	**January 1, 2010**
Present value of defined benefit obligations	**$ (72.0)**	$ (65.1)	$ (53.8)	**$ (8.6)**	$ (7.7)	$ (6.6)
Fair value of plan assets	**76.4**	72.7	64.9	**–**	–	–
Surplus (deficit)	**$ 4.4**	$ 7.6	$ 11.1	**$ (8.6)**	$ (7.7)	$ (6.6)
Experience adjustments arising on plan assets	**$ (1.1)**	$ 2.7	n/a	**n/a**	n/a	n/a
Experience gain (loss) arising on plan obligations	**$ (0.7)**	$ (1.1)	n/a	**$ (0.4)**	$ (0.6)	n/a

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	**2011**	**2010**	**2011**	**2010**
Discount rate	**5.30%**	5.70%	**5.30%**	5.70%
Rate of compensation increase	**3.75%**	4.00%	**3.75%**	4.00%
Expected long-term rate of return on plan assets	**5.25%**	5.80%	**n/a**	n/a

To develop the expected long-term rate of return on assets assumption, TMX Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. Assumptions regarding mortality rates are based on published statistics and mortality tables. The mortality tables used in 2011 for the pension and RCA plans was UP1994 Uninsured Pensioners Mortality Table, with generational improvements for all other results (2010 – UP1994 Uninsured Pensioners Mortality Table) and for other benefit plans was UP1994 Fully Generational Table (2010 – UP1994 Fully Generational Table).

The assumed health care cost trend rate at December 31, 2011 was 7.1% (2010 – 7.2%), decreasing to 4.5% (2010 – 4.5%) over 18 years (19 years in 2010).

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2011:

	Increase	Decrease
Total of service and interest cost	$ –	$ –
Accrued benefit obligation	$ 0.6	$ (0.5)

MX has provided a letter of guarantee in the amount of $0.7 to the benefit of the trustee of the MX supplementary pension plan, using a part of the operating line of credit in place with its bank (note 15).

TMX Group expects to contribute approximately $2.0 to its registered pension plan in 2012. Amounts to be contributed to the RCA will be determined by management once the valuations have been prepared.

15. Credit facilities

TMX Group has the following credit facilities:

	Interest rate	Year of maturity		Authorized		Amount drawn at December 31, 2011
TMX Group Inc. non-revolving three year term facility	30 day B.A. + 85 bps	2012	$	430.0	$	430.0
MX operating line of credit	–	N/A		3.0		–
CDCC revolving standby credit facility	–	N/A		50.0		–
CDCC daylight liquidity facility	–	N/A		300.0		–
CDCC call loan facility	–	N/A		50.0		–
NGX letter of credit	–	N/A	US$	100.0		–
NGX overdraft facility	–	N/A		20.0		–
NGX EFT daylight facility	–	N/A		300.0		–
Total credit facilities					**$**	**430.0**

On December 16, 2011, TMX Group extended and amended its $430.0 credit facility. The facility will now expire on June 29, 2012. Until April 18, 2011, the credit facility attracted interest at Bankers' Acceptances ("BAs") plus 45 basis points. After that date, interest was charged at BAs plus 85 basis points. TMX Group prepaid $0.9 of financing fees during 2011, which are amortized over the life of the loan. The facility remains unsecured and continues to include certain covenants that TMX Group must maintain (note 27). TMX Group was in compliance with these covenants at December 31, 2011.

In 2011, CDCC arranged new credit facilities. A $300.0 daylight liquidity facility and a $50.0 call loan facility were signed during the year with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

In addition, in January 2012, CDCC increased its standby credit facility from $50.0 to $100.0, signed an additional daylight facility for $400.0 with a Canadian Schedule 1 bank and closed the $50.0 call loan facility. These facilities were put in place in relation to the launch of CDCC's repo clearing business, scheduled for 2012.

MX has an outstanding letter of guarantee for $0.7 issued against the MX operating line of credit. This letter of guarantee has been issued as a guarantee to the trustee under the MX supplementary pension plan in respect of accrued future employee benefits.

During 2011, TMX Group recognized interest expense on the facilities of $9.4 (2010 – $5.9) which included $0.9 (2010 – $0.7) of amortized financing fees.

16. Trade and other payables

Trade and other payables are comprised of:

		December 31, 2011		December 31, 2010		January 1, 2010
Trade payables	**$**	**10.9**	$	6.2	$	4.1
Sales taxes payable		**5.6**		4.7		2.7
Employee and director costs payable		**42.4**		30.8		25.0
Accrued expenses		**14.8**		12.2		8.1
Obligation under finance leases		**0.8**		0.7		0.7
Other payables		**7.2**		4.0		3.3
Trade and other payables	**$**	**81.7**	$	58.6	$	43.9

The fair value of trade and other payables is approximately equal to their carrying amount given their short term until settlement.

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

17. Provisions

A summary of TMX Group's provisions is as follows:

Depreciation	Onerous leases	Decommissioning liabilities	Commodity tax provision (note 7)	Other	Total
Balance at January 1, 2010	$ 0.9	$ 1.7	$ –	$ 0.7	$ 3.3
Provisions recognized during the period	0.5	0.5	–	–	1.0
Provisions used or reversed during the period	(0.9)	(0.2)	–	(0.7)	(1.8)
Balance at December 31, 2010	$ 0.5	$ 2.0	$ –	$ –	$ 2.5
Current	0.4	–	–	–	0.4
Non-current	0.1	2.0	–	–	2.1
Balance at December 31, 2010	$ 0.5	$ 2.0	$ –	$ –	$ 2.5
Provisions recognized during the period	0.1	0.1	7.4	–	7.6
Provisions used or reversed during the period	(0.4)	(0.1)	–	–	(0.5)
Balance at December 31, 2011	$ 0.2	$ 2.0	$ 7.4	$ –	$ 9.6
Current	0.1	–	7.4	–	7.5
Non-current	0.1	2.0	–	–	2.1
Balance at December 31, 2011	$ 0.2	$ 2.0	$ 7.4	$ –	$ 9.6

18. Deferred revenue

	December 31, 2011	December 31, 2010	January 1, 2010
Current deferred revenue			
Cash segment	**$ 13.8**	$ 13.3	$ 10.0
Energy segment	**5.6**	5.4	5.0
Derivatives segment	**–**	–	0.1
	19.4	18.7	15.1
Long-term deferred revenue			
Energy segment	**0.7**	1.0	0.9
	$ 20.1	$ 19.7	$ 16.0

Deferred revenue related to the cash segment includes initial and additional listing fees for TSX Venture Exchange, which are paid in advance of the services being provided and which are deferred until the point at which the listing occurs and the service is completed. The cash segment also includes deferred revenue arising from annual information service subscriptions paid throughout the year and deferred over a twelve month period.

Energy segment deferred revenue relates to NGX, which recognizes trading, clearing and related revenue over the trade, delivery and settlement months of each transaction.

Long-term deferred revenue is included within other non-current liabilities on the consolidated balance sheet.

19. Commitments and finance lease obligations

TMX Group 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 10 years, including certain asset retirement obligations with regards to these leases.

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

(c) The rental of computer hardware and software for remaining terms of one to two years under finance leases.

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

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Less than one year	**$ 15.4**	$ 17.6	$ 24.9
Between one and five years	**37.4**	38.6	47.5
More than five years	**17.1**	19.5	18.3
	$ 69.9	$ 75.7	$ 90.7

The figures above do not include the Company's obligations to restore certain leased premises to their original condition (note 17).

In addition, TMX Group is responsible for additional taxes, maintenance and other direct charges with respect to its leases. The additional amount will be approximately $9.4 for 2012.

TMX Group has entered into sub-lease agreements with third parties for the rental of office space, and rentals receivable from these sub-leases are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Less than one year	**$ 1.0**	$ 1.0	$ 1.0
Between one and five years	**3.8**	3.8	3.8
More than five years	**1.2**	2.1	3.1
	$ 6.0	$ 6.9	$ 7.9

Payments of $27.3 (2010 – $31.7) were charged to the consolidated income statement in 2011 in relation to operating leases, net of sub-lease income.

Finance lease liabilities that are payable in less than one year are included in trade and other payables and the remaining liabilities are included in other non-current liabilities. Finance lease liabilities are payable as follows:

	December 31, 2011			**December 31, 2010**			**January 1, 2010**		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	**$ 0.9**	**$ 0.1**	**$ 0.8**	$ 0.8	$ 0.1	$ 0.7	$ 0.9	$ 0.2	$ 0.7
Between one and five years	**0.3**	**–**	**0.3**	1.2	0.1	1.1	1.2	0.1	1.1
	$ 1.2	**$ 0.1**	**$ 1.1**	$ 2.0	$ 0.2	$ 1.8	$ 2.1	$ 0.3	$ 1.8

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

On November 29, 2011, TMX Group entered into a Takeover Bid Implementation Agreement with Razor Risk Technologies Limited ("Razor"), a company listed on the Australian Stock Exchange. Pursuant to this agreement, TMX Australia Pty Ltd, a wholly-owned subsidiary of TMX Group, made a takeover bid for all the issued shares of Razor on December 14, 2011, for consideration of approximately AUD $10.0 and the bid remained open as at December 31, 2011.

20. Other non-current liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term incentive plan and director compensation obligations (note 22)	**$ 22.4**	$ 15.2	$ 12.8
Obligation under finance leases (note 19)	**0.3**	1.1	1.1
Provisions (note 17)	**2.1**	2.1	2.1
Deferred revenue (note 18)	**0.7**	1.0	0.9
Data license payable	**2.5**	3.1	3.8
Other	**2.5**	2.9	3.0
Other non-current liabilities	**$ 30.5**	$ 25.4	$ 23.7

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

21. 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 during the period:

	Number of common shares issued and fully paid		Share capital	
	2011	**2010**	**2011**	**2010**
Balance, beginning of year	**74,370,470**	74,307,049	**$ 959.4**	$ 957.9
Options exercised	**269,563**	63,421	**8.9**	1.5
Balance, end of year	**74,640,033**	74,370,470	**$ 968.3**	$ 959.4

22. Share-based payments

At December 31, 2011, TMX Group had the following share-based payment arrangements:

a) Share option plan

b) Restricted share units

c) Deferred share units

d) Employee share purchase plan

a) Share option plan:

TMX Group established a share option plan in 2002, the year of its initial public offering. All employees of TMX Group 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 TMX Group'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 TMX Group. At December 31, 2011, 3,792,383 common shares of TMX Group remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 5% of the outstanding common shares of TMX Group.

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 2011: dividend yield of 3.9% (2010 – 4.1%); expected volatility of 31.4% (2010 – 31.0%); risk-free interest rate of 2.1% (2010 – 3.5%); expected forfeiture rates of between 11.0% and 14.0%, depending on the tranche (2010 – between 13.0% and 16.0%); expected life of 4 years (2010 – 7 years); and a share price of $41.74 (2010 – $29.52). The assumptions are based on TMX Group's historical share price movements and historical dividend policy and the expected life is based on past experience. The resulting fair value calculated for share options granted in 2011 was $7.86 (2010 – $6.74).

Options outstanding at December 31, 2011 will expire in 2012, 2013, 2014, 2015, 2016, 2017, and 2018.

Movements in the number of share options outstanding are as follows:

	2011		2010	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding, beginning of year	**1,678,731**	**$ 34.23**	1,382,569	$ 35.53
Granted	**476,394**	**41.74**	457,782	29.52
Forfeited	**(58,833)**	**39.74**	(98,199)	40.24
Exercised	**(269,563)**	**26.72**	(63,421)	19.32
Outstanding, end of year	**1,826,729**	**$ 37.12**	1,678,731	$ 34.23
Vested and exercisable, end of year	**889,591**	**$ 38.22**	720,715	$ 37.05

During the year ended December 31, 2011, the weighted average share price of options exercised at the date of exercise was $41.74 (year ended December 31, 2010 – $32.53).

The range of exercise prices and weighted average remaining contractual life of options outstanding are as follows:

	As at December 31, 2011		As at December 31, 2010	
Exercise price range	**Number of share options**	**Weighted average remaining contractual life**	**Number of share options**	**Weighted average remaining contractual life**
$10.53 – $19.99	**47,300**	**1**	82,300	2
$20.00 – $29.99	**429,191**	**5**	575,535	5
$30.00 – $39.99	**495,361**	**4**	609,101	5
$40.00 – $54.50	**854,877**	**5**	411,795	4
	1,826,729	**4**	1,678,731	5

In the year ended December 31, 2011, TMX Group recognized compensation costs of $3.7 in relation to its share option plan (year ended December 31, 2010 – $2.7).

b) Restricted share units ("RSUs"):

TMX Group offers a long-term incentive plan ("LTIP") for certain employees and 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 employed by TMX Group. 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.

TMX Group records its obligation for the RSUs, if any, over the service period in which the award is earned. The liability is measured at fair value on date of grant and at each subsequent reporting date, using a Black Scholes option pricing model with the following assumptions: dividend yield of 3.9% (2010 – 4.1%); expected volatility of 31.4% (2010 – 31.0%); risk-free interest rate of 2.1% (2010 – 3.5%), expected life of 1 to 2 years (2010 – 1 to 2 years), and a weighted average share price of $42.09 (2010 – $36.98). The assumptions are based on TMX Group's historical share price movements and historical dividend policy, and the expected life is based on past experience. The weighted average fair value was $42.09 (2010 – $36.98). An estimated forfeiture rate of 19.5% was used for 2011 (2010 – 21.5%).

As at December 31, 2011, the total accrual for TMX Group's RSUs is $15.8 (December 31, 2010 – $5.9) and this is included in trade and other payables and other non-current liabilities on the consolidated balance sheet. The maximum amount to be paid is not known until the awards have vested and will be based on total shareholder return from the date of grant to the time of payout. The accrual is based on expected dividend yield, continuation of the most recent quarterly dividend and the closing price of TMX Group's common shares at the end of the reporting period. TMX Group has purchased total return swaps ("TRSs") to economically hedge against the impact of its share price fluctuations on the non-performance based portion of the RSUs (note 25).

During 2011, TMX Group recognized compensation and benefits expense of $10.1 in relation to its RSUs (2010 – $4.5).

c) Deferred share units ("DSUs"):

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. In addition, members of the Board of Directors are granted DSUs annually and are also given the opportunity to convert some of their annual remuneration into DSUs. These DSUs vest immediately. The amount of the award payable is based on the number of units outstanding multiplied by the share price of the Company at the date of the payout. The DSUs will only be paid out when the Officer or Board member is no longer employed by the Company.

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

During 2011, TMX Group granted additional retention DSUs to certain executives. These DSUs have the same terms as those discussed above except that they vest on the third anniversary of grant date and will be forfeited on resignation, retirement or termination prior to the vesting date.

As at December 31, 2011, the total accrual for TMX Group's DSUs is $20.7 (December 31, 2010 – $15.8) and this is included in other non-current liabilities on the consolidated balance sheet. The maximum amount to be paid is not known until the awards have vested and will be based on total shareholder return from the date of grant to the time of payout. The accrual is based on expected dividend yield, continuation of the most recent quarterly dividend and the closing price of TMX Group's common shares at the end of the reporting period. TMX Group has purchased TRSs to economically hedge against the impact of its share price fluctuations on the DSUs (note 25).

During 2011, TMX Group recognized costs of $4.7 in relation to its DSUs (2010 – $3.5).

d) Employee share purchase plan:

TMX Group offers an employee share purchase plan for eligible employees of the Company. Under the employee share purchase plan, contributions by TMX Group 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. TMX Group 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. Shareholder approval is not required for this plan or any amendments to the plan.

TMX Group accounts for its contributions as compensation expense when the amounts are contributed to the plan. Compensation expense related to this plan was $1.4 for the year ended December 31, 2011 (2010 – $1.3).

23. Dividends

Dividends recognized and paid in the year are as follows:

	2011		2010	
	Cost per share	**Total paid**	**Cost per share**	**Total paid**
Dividend paid in March	**$ 0.40**	**$ 29.8**	$ 0.38	$ 28.0
Dividend paid in June (2010 – May)	**0.40**	**29.9**	0.38	28.3
Dividend paid in September (2010 – August)	**0.40**	**29.8**	0.38	28.2
Dividend paid in December (2010 – November)	**0.40**	**29.8**	0.40	29.8
		$ 119.3		$ 114.3

On February 7, 2012, the Company's Board of Directors declared a dividend of 40 cents per share. This dividend is expected to be paid on March 9, 2012, and is estimated to amount to $29.9.

24. Income taxes

a) Income tax expense recognized in the consolidated income statement:

	2011	2010
Current income tax expense:		
Income tax for the current period	**$ 104.1**	$ 100.8
Adjustments relating to prior years	**0.3**	(1.1)
	104.4	99.7
Deferred income tax expense:		
Origination and reversal of temporary differences	**(11.4)**	0.4
Total income tax expense	**$ 93.0**	$ 100.1

Income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 28.25% (2010 – 31.00%) to income before income taxes as a result of the following:

	2011	2010
Income before income taxes	**$ 336.6**	$ 337.6
Computed expected income tax expense	**95.1**	104.7
Rate differential due to various jurisdictions	**(0.1)**	(3.1)
Provincial tax holiday	**–**	(3.6)
Non-deductible expenses	**1.3**	1.8
Share of affiliate income	**(0.3)**	(0.4)
Current year losses for which no deferred income tax asset was recognized	**(4.8)**	0.8
Adjustments relating to prior years	**0.3**	(1.1)
Other	**1.5**	1.0
Income tax expense	**$ 93.0**	$ 100.1

The federal and Ontario statutory corporate income tax rates were reduced in 2011 compared to 2010 by 1.5% and 1.25% respectively.

b) Income tax recognized in other comprehensive income:

	2011			2010		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Related to actuarial losses on employee defined benefit plans	**$ (5.1)**	**$ 1.3**	**$ (3.8)**	$ (6.0)	$ 1.5	$ (4.5)
Total	**$ (5.1)**	**$ 1.3**	**$ (3.8)**	$ (6.0)	$ 1.5	$ (4.5)

c) Deferred income tax assets and liabilities:

Deferred income tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Premises and equipment	**$ 4.3**	$ 4.6	**$ –**	$ (0.1)	**$ 4.3**	$ 4.5
Cumulative eligible capital / intangible assets	**19.6**	21.1	**(228.1)**	(229.8)	**(208.5)**	(208.7)
Tax loss carry-forwards	**11.6**	6.8	**–**	–	**11.6**	6.8
Total return swaps	**0.4**	0.2	**–**	(1.3)	**0.4**	(1.1)
Employee future benefits	**3.3**	2.8	**(1.8)**	(2.3)	**1.5**	0.5
RSUs and DSUs	**9.3**	5.7	**–**	–	**9.3**	5.7
Other	**4.1**	2.2	**(0.1)**	–	**4.0**	2.2
Net deferred income tax assets (liabilities)	**$ 52.6**	$ 43.4	**$ (230.0)**	$ (233.5)	**$ (177.4)**	$ (190.1)

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

Movements in the deferred income tax balances in the year are as follows:

	Premises and equipment	Cumulative eligible capital/ intangible assets	Tax loss carry-forwards	Total return swaps	Employee future benefits	RSUs and DSUs	Other	Total
Balance at January 1, 2010	$ 3.2	$ (206.9)	$ 5.1	$ 1.8	$ (0.6)	$ 3.7	$ 2.5	$ (191.2)
Recognized in net income	1.3	(1.8)	1.7	(2.9)	(0.4)	2.0	(0.3)	(0.4)
Recognized in other comprehensive income	–	–	–	–	1.5	–	–	1.5
Balance at December 31, 2010	4.5	(208.7)	6.8	(1.1)	0.5	5.7	2.2	(190.1)
Recognized in net income	(0.2)	0.2	4.8	1.5	(0.3)	3.6	1.8	11.4
Recognized in other comprehensive income	–	–	–	–	1.3	–	–	1.3
Balance at December 31, 2011	**$ 4.3**	**$ (208.5)**	**$ 11.6**	**$ 0.4**	**$ 1.5**	**$ 9.3**	**$ 4.0**	**(177.4)**

As at December 31, 2011, $11.3 of the above deferred income tax assets related to tax losses incurred in the TMX Group legal entity. Recoverability of this asset is dependant on the availability of future taxable profits within that legal entity. The Company is confident that these losses will be recoverable.

Deferred income tax assets have not been recognized in respect of the following items:

	2011	2010
Tax losses	**$ 13.3**	$ 16.2
Other deductible temporary differences	**37.3**	36.5
	$ 50.6	$ 52.7

The income tax losses will expire between 2024 and 2031. The other deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets have not been recognized in respect of the items above because it is not probable that future taxable profit will be available against which TMX Group can utilize the tax benefits.

At December 31, 2011, deferred income tax liabilities for temporary differences of $0.5 (December 31, 2010 – $0.2) relating to investments in foreign subsidiaries and equity accounted investees were not recognized as TMX Group is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

At December 31, 2011, temporary differences relating to wholly-owned domestic subsidiaries have not been recognized as the carrying amount of the asset can be settled without tax consequences.

25. Financial instruments

(a) Financial instruments – carrying values and fair values:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value through profit or loss						
- Designated						
Marketable securities	**$ 403.2**	**$ 403.2**	$ 261.6	$ 261.6	$ 103.2	$ 103.2
	$ 403.2	**$ 403.2**	$ 261.6	$ 261.6	$ 103.2	$ 103.2
- Classified						
Fair value of open energy contracts	**$ 159.0**	**$ 159.0**	$ 141.9	$ 141.9	$ 202.8	$ 202.8
Total return swaps	**–**	**–**	4.5	4.5	–	–
	$ 159.0	**$ 159.0**	$ 146.4	$ 146.4	$ 202.8	$ 202.8
Available for sale financial assets						
Investments in privately-owned companies	**$ 1.4**	**$ 1.4**	$ 6.6	$ 6.6	$ 8.3	$ 8.3
	$ 1.4	**$ 1.4**	$ 6.6	$ 6.6	$ 8.3	$ 8.3
Loans and receivables						
Cash and cash equivalents	**$ 87.2**	**$ 87.2**	$ 69.9	$ 69.9	$ 88.9	$ 88.9
Trade and other receivables	**79.0**	**79.0**	85.2	85.2	79.4	79.4
Energy contracts receivable	**645.7**	**645.7**	754.9	754.9	714.5	714.5
Daily settlements and cash deposits	**550.8**	**550.8**	193.1	193.1	565.4	565.4
	$ 1,362.7	**$ 1,362.7**	$ 1,103.1	$ 1,103.1	$ 1,448.2	$ 1,448.2
Liabilities at fair value through profit or loss						
- Classified						
Fair value of open energy contracts	**$ (159.0)**	**$ (159.0)**	$ (141.9)	$ (141.9)	$ (202.8)	$ (202.8)
Total return swaps	**(1.7)**	**(1.7)**	–	–	(0.5)	(0.5)
Interest rate swaps	**–**	**–**	(0.7)	(0.7)	(5.7)	(5.7)
	$ (160.7)	**$ (160.7)**	$ (142.6)	$ (142.6)	$ (209.0)	$ (209.0)
Other financial liabilities						
Trade and other payables	**$ (65.1)**	**$ (65.1)**	$ (51.4)	$ (51.4)	$ (41.4)	$ (41.4)
Obligations under finance leases	**(1.1)**	**(1.1)**	(1.8)	(1.8)	(1.8)	(1.8)
Energy contracts payable	**(645.7)**	**(645.7)**	(754.9)	(754.9)	(714.5)	(714.5)
Daily settlements and cash deposits	**(550.8)**	**(550.8)**	(193.1)	(193.1)	(565.4)	(565.4)
Non-current data license and other payables	**(5.0)**	**(5.0)**	(6.0)	(6.0)	(6.8)	(6.8)
Term loan payable, net	**(429.8)**	**(429.8)**	(429.8)	(428.9)	(429.0)	(427.0)
	$ (1,697.5)	**$ (1,697.5)**	$ (1,437.0)	$ (1,436.1)	$ (1,758.9)	$ (1,756.9)

The carrying values for TMX Group's financial instruments approximate their fair values at each reporting date.

(b) Fair value measurement:

TMX Group uses a fair value hierarchy to categorize the inputs used in its valuation of assets and liabilities carried at fair value. The extent of TMX Group'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:

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

As at December 31, 2011

	Fair value measurements using:			
Asset/(Liability)	**Level 1**	**Level 2**	**Level 3**	**Assets/(liabilities) at fair value**
Marketable securities	**$ 403.2**	**$ –**	**$ –**	**$ 403.2**
Fair value of open energy contracts	**–**	**159.0**	**–**	**159.0**
Investments in a privately-owned companies	**–**	**–**	**1.4**	**1.4**
Total return swaps	**–**	**(1.7)**	**–**	**(1.7)**
Fair value of open energy contracts	**–**	**(159.0)**	**–**	**(159.0)**

As at December 31, 2010

	Fair value measurements using:			
Asset/(Liability)	**Level 1**	**Level 2**	**Level 3**	**Assets/(liabilities) at fair value**
Marketable securities	$ 261.6	$ –	$ –	$ 261.6
Fair value of open energy contracts	–	141.9	–	141.9
Investments In a privately-owned companies	–	–	6.6	6.6
Total return swaps	–	4.5	–	4.5
Interest rate swaps	–	(0.7)	–	(0.7)
Fair value of open energy contracts	–	(141.9)	–	(141.9)

There were no transfers during the years between any of the levels.

i) Marketable securities:

The investment portfolio includes pooled fund investments managed by an external investment fund manager as well as Bankers' Acceptances and Treasury Bills. There is no contracted maturity date for the pooled fund investments and the contracted term for the Bankers Acceptances and Treasury Bills is less than 3 months.

TMX Group has designated its marketable securities as fair value through profit and loss. Fair values have been determined by reference to quoted market prices or are based on observable market information. Unrealized gains of $0.7 have been reflected in net income for the year ended December 31, 2011 (2010 – unrealized losses of $0.7).

ii) NGX and CDCC clearing and settlement balances:

The NGX and CDCC clearing and settlement balances include the following:

a) NGX – Energy contracts receivable and energy contracts payable

These balances represent the amounts receivable and payable where physical delivery of energy trading contracts has occurred and/or settlement amounts have been determined but payments have not yet been made. There is no impact on the consolidated income statement as an equivalent amount is recognized in both the assets and the liabilities.

b) NGX – Fair value of open energy contracts

These balances represent the fair value at the balance sheet date of the undelivered physically settled energy trading contracts and the forward cash settled energy trading contracts. Fair value is determined based on observable market information. There is no impact on the consolidated income statement as an equivalent amount is recognized in both the assets and the liabilities.

c) CDCC – Daily settlements and cash deposits, consists of:

Daily settlements due from, and to, clearing members of CDCC ("Clearing Members")

These balances result from marking open futures positions to market and settling option transactions each day. These amounts are required to be collected from and paid to Clearing Members prior to the commencement of trading the next day. There is no impact on the consolidated income statement as an equivalent amount is recognized in both assets and liabilities.

Clearing members' cash margin deposits

These balances represent the cash deposits of Clearing Members held in the name of CDCC as margins against open positions. The cash held is recognized as an asset and an equivalent and offsetting liability is recognized as these amounts are ultimately owed to the Clearing Members. There is no impact on the consolidated income statement.

Clearing fund cash deposits

These balances represent the cash deposits of Clearing Members held in the name of CDCC as part of the clearing fund. The cash held is recognized as an asset and an equivalent and offsetting liability is recognized as these amounts are ultimately owed to the Clearing Members. There is no impact on the consolidated income statement.

Both NGX and CDCC also have access to other collateral that is not recognized on the consolidated balance sheet (note 26).

iii) Investments in privately-owned companies:

TMX Group holds investments in privately-owned companies, whose shares are not traded on an active market. As such, the fair values of these investments are calculated using unobservable assumptions and information, and are therefore categorized as Level 3 assets. A reconciliation of the movement in these investments is as follows:

		2011		2010
Fair value at January 1	**$**	**6.6**	$	8.3
Purchase of investment		**0.8**		–
Gains transferred to net income		**0.2**		–
Impairment loss recognized in net income		**–**		(1.7)
Sale of investment		**(6.2)**		–
Fair value at December 31	**$**	**1.4**	$	6.6

iv) Total return swaps:

TMX Group has entered into a series of TRSs which synthetically replicate the economics of TMX Group purchasing the Company's shares as a partial fair value hedge to the share appreciation rights of the non-performance element of RSUs. TMX Group has also entered into a series of TRSs as a full fair value hedge against the share price appreciation associated with the DSUs. TMX Group 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. 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 to the price of the TRS. The fair value of the TRSs and the obligation to unit holders are reflected on the consolidated balance sheet. The contracts are settled in cash upon maturity.

Unrealized losses and realized gains of $6.2 and $10.2 respectively have been reflected in net income in the consolidated financial statements for the year ended December 31, 2011 (2010 – unrealized gains and realized losses of $5.0 and $2.0 respectively).

v) Interest rate swaps:

TMX Group entered into a series of interest rate swap agreements in August 2008 to partially manage its exposure to interest rate fluctuations on the original non-revolving three year term facility (note 15). The swaps have all expired as at December 31, 2011.

TMX Group marked to market the fair value of the interest rate swaps, using a discounted cash flow analysis based on relevant yield curves and credit risk analysis. Unrealized gains of $0.7 and realized losses of $0.8 have been reflected within net income, as net mark to market on interest rate swaps, for the year ended December 31, 2011 (2010 – unrealized gains of $5.0 and realized losses of $5.2).

26. Financial risk management

TMX Group is exposed to a number of financial risks as a result of its operations, which are discussed below. It seeks to monitor and minimize adverse effects from these risks through its risk management policies and processes.

(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 TMX Group's cash and cash equivalents and investments in marketable securities, trade receivables, total return swaps and the clearing and/or brokerage operations of Shorcan, Shorcan Energy Brokers, NGX and CDCC.

(i) Cash and cash equivalents

Cash and cash equivalents are deposited with Schedule 1 chartered Canadian banks.

(ii) Investments in marketable securities

TMX Group 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 money market securities or fixed income securities. Fixed income securities must compose less than 70% of the overall portfolio. The majority of the portfolio is held within a 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. TMX Group does not have any investments in non-bank asset-backed commercial paper.

(iii) Trade receivables

TMX Group'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. TMX Group 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 trade receivables from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading, clearing and data privileges.

(iv) Total return swaps

The Company limits its exposure to credit risk on TRSs by contracting with a major Canadian chartered bank.

(v) Clearing and/or brokerage operations

TMX Group is exposed to credit risk in the event that customers, in the case of Shorcan and Shorcan Energy Brokers, 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 Brokers' 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 Brokers has the right to withdraw its 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 Schedule I 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) "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period;

(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) Outstanding energy contracts receivable.

As a result of these calculations of contracting party exposure at December 31, 2011, NGX had access to cash collateral deposits of $835.4 (December 31, 2010 – $835.7) and letters of credit of $2,047.7 (December 31, 2010 – $1,941.4). These amounts are not included in TMX Group's consolidated balance sheet.

CDCC is exposed to the risk of default of its Clearing Members. CDCC is the central counterparty 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 obligations 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 (until March 1, 2011), equities and liquid government securities. Should a Clearing Member fail to meet a margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be seized and would then 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. 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 cash margin deposits and cash clearing fund deposits are held at a Schedule I Canadian chartered bank. CDCC's non-cash margin deposits and non-cash clearing fund deposits are pledged to CDCC under irrevocable agreements and are held by approved depositories. This collateral may be seized by CDCC in the event of default by a Clearing Member. As a result of these calculations of Clearing Member exposure at December 31, 2011, non-cash margin deposits of $3,959.8 (December 31, 2010 – $2,911.2), and non-cash clearing fund deposits of $279.7 (December 31, 2010 – $264.1) had been pledged to CDCC, held primarily in government and equity securities. These amounts are not included in the Company's consolidated balance sheet.

(vi) Guarantees

NGX maintains an unsecured clearing backstop fund of US $100.0. The Company is the guarantor, on an unsecured basis, of this fund. The facility has not been drawn upon at December 31, 2011.

The Company is also the guarantor of a premises lease for MX, which expires in 2020.

(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 TMX Group's income or the value of its holdings of financial instruments.

(i) Foreign currency risk

TMX Group is exposed to foreign currency risk on cash and cash equivalents, trade receivables and trade payables, principally denominated in US dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in US dollars. At December 31, 2011, cash and cash equivalents and trade receivables net of current liabilities, excluding BOX, include US $18.5 (December 31, 2010 – US $20.8) and GBP £0.4 (December 31, 2010 – GBP £nil), which are exposed to changes in the US-Canadian dollar and GBP-Canadian dollar exchange rates. In addition, net assets related to BOX and Finexeo are denominated in US dollars and Euros, respectively, and the effect of exchange rate movements on TMX Group's share of these net assets is included in other comprehensive income.

(ii) Interest rate risk

TMX Group is exposed to interest rate risk on its marketable securities and the non-revolving term loan payable.

External investment fund managers have been engaged by TMX Group to manage the asset mix and the risks associated with its marketable securities. At December 31, 2011, TMX Group held $403.2 in these funds (December 31, 2010 – $261.6), of which 51% (December 31, 2010 – 57%) were held in fixed rate money market investments.

TMX Group has a non-revolving term loan payable of $430.0 (note 15). In 2008, TMX Group entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the loan. The last of these interest rate swaps expired during 2011.

(iii) Equity price risk

TMX Group is exposed to equity price risk arising from its RSUs and DSUs, as TMX Group's obligation under these arrangements are partly based on the price of the Company's shares. TMX Group has entered into TRSs as a partial fair value hedge to the share appreciation rights of these RSUs and DSUs.

(iv) Other market price risk

TMX Group is exposed to other market price risk from the activities of Shorcan, Shorcan Energy Brokers, 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 derivative products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan and Shorcan Energy Brokers' 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.

TMX Group 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.

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

(v) Market risk sensitivity summary

	Change in underlying factor	Impact on income before income taxes	Impact on other comprehensive income
Foreign currency			
USD, GBP, and EUR currency	+10%	$ 1.9	$ 7.6
USD, GBP, and EUR currency	-10%	(1.9)	(7.6)
Interest rates			
Marketable securities	+1%	$ (4.1)	n/a
Marketable securities	-1%	4.1	n/a
Term loan	+1%	(4.3)	n/a
Term loan	-1%	4.3	n/a
Equity price			
RSUs, DSUs and TRSs	+25%	$ (1.2)	n/a
RSUs, DSUs and TRSs	-25%	1.3	n/a

(c) Liquidity risk:

Liquidity risk is the risk that TMX Group will not be able to meet its financial obligations as they fall due. TMX Group manages liquidity risk through the management of its cash and cash equivalents and marketable securities, all of which are held in short term instruments, and its revolving and non-revolving credit facilities (note 15) and capital (note 27). The contractual maturities of TMX Group's financial liabilities are as follows:

	At December 31, 2011		
	Less than 1 year	**Between 1 and 5 years**	**Greater than 5 years**
Fair value of open energy contracts	**$ 159.0**	**$ –**	**$ –**
Total return swaps	**1.0**	**0.7**	**–**
Trade and other payables	**65.1**	**–**	**–**
Obligation under finance leases	**0.8**	**0.3**	**–**
Energy contracts payable	**645.7**	**–**	**–**
Daily settlements and cash deposits	**550.8**	**–**	**–**
Term loan payable	**430.0**	**–**	**–**
Non-current data license and other payables	**–**	**2.5**	**2.5**

	At December 31, 2010		
	Less than 1 year	**Between 1 and 5 years**	**Greater than 5 years**
Fair value of open energy contracts	$ 141.9	$ –	$ –
Interest rate swaps	0.7	–	–
Trade and other payables	51.4	–	–
Obligation under finance leases	0.7	1.1	–
Energy contracts payable	754.9	–	–
Daily settlements and cash deposits	193.1	–	–
Term loan payable	430.0	–	–
Non-current data license and other payables	–	3.1	2.9

(i) Daily settlements and cash deposits

The margin deposits and clearing fund margins are held in liquid instruments. Cash margin deposits and cash clearing fund deposits from Clearing Members, which are recognized on the consolidated balance sheet, are held by CDCC with a major Canadian bank. Non-cash margin deposits and non-cash clearing fund deposits pledged to CDCC under irrevocable agreements are in government securities, letters of credit (up to March 1, 2011) and other securities and are held with approved depositories. Clearing Members may also pledge letters of credit (up to March 1, 2011) and escrow receipts directly with CDCC.

(ii) Fair value of open energy contracts and Energy contracts payable

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 Schedule I Canadian chartered bank.

(iii) Credit facilities

In response to the liquidity risk that CDCC is exposed to through its clearing operations, it has arranged various facilities as disclosed in note 15. The Daylight liquidity facility is in place to provide liquidity in exchange for securities that have been received by CDCC. The Daylight liquidity facility must be cleared to zero at the end of each day.

Both the revolving standby credit facility and the call loan facility are in place to provide end of day liquidity in the event that CDCC is unable to clear the Daylight liquidity facility to zero. This event would only occur in the event of a Clearing Member default. The facility will provide liquidity in exchange for collateral in the form of Clearing Member deposits,

Similarly, in response to the liquidity risk that NGX is exposed to through it clearing and settlement operations, it maintains an unsecured clearing backstop fund of US$100.0 and an EFT daylight facility.

(iv) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments.

(v) Marketable securities

The investment policy of the Company will only allow excess cash to be invested within money market securities or fixed income securities. Fixed income securities must compose less than 70% of the overall portfolio. The majority of the portfolio is held within a money market fund and a specific short-term bond and mortgage fund. The money market fund limits its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund limits 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). Fund units can be redeemed on any day that Canadian banks are open for business. Funds will be received the day following the redemption.

27. Capital maintenance

TMX Group'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. Currently, we target to retain a minimum of $100.0 in cash, cash equivalents and marketable securities. This amount is subject to change.

(ii) Maintaining sufficient capital 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.

During 2011, TMX Group has complied with these externally imposed capital requirements;

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

During 2011, TMX Group 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 $9.0 as required by a major Canadian chartered bank.

During 2011, TMX Group 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;

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(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.

During 2011, TMX Group has complied with these externally imposed capital requirements;

(e) In respect of CDCC, was required to maintain certain cash amounts, as follows:

(i) $5.0 as part of the Clearing Member default recovery process plus an additional $5.0 in the event that the initial $5.0 is fully utilized during a default; and

(ii) sufficient cash, cash equivalents and marketable securities to cover 12 months of operating expenses, excluding amortization and depreciation;

TMX Group has complied with these externally imposed capital requirements put into place during 2011;

(f) In respect of Shorcan:

(i) by IIROC which requires Shorcan to maintain a minimum level of shareholders' equity of $0.5;

(ii by the OSC which requires Shorcan to maintain a minimum level of excess working capital;

During 2011, TMX Group has complied with these externally imposed capital requirements;

(g) In respect of TMX Select by IIROC which requires TMX Select to maintain adequate risk adjusted capital;

During 2011, TMX Group has complied with this externally imposed capital requirement;

(iii) Providing sufficient capital to meet the covenants imposed in connection with credit facilities (note 15) that require TMX Group 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.

During 2011, TMX Group has complied with these externally imposed capital requirements;

(iv) Retaining sufficient capital to invest and continue to grow our business; and

(v) 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 TMX Group's objectives, policies or processes for managing capital.

28. Related party relationships and transactions

Parent:

The ultimate controlling party of TMX Group is TMX Group Inc.

Key management personnel compensation:

Compensation for key management personnel, including the Company's Board of Directors, was as follows for the year:

		2011		2010
Salaries and other short-term employee benefits	**$**	**8.6**	$	8.8
Post-employment benefits		**1.1**		1.0
Share-based payments		**10.3**		6.4
Balance as at December 31	**$**	**20.0**	$	16.2

Other related party transactions:

Any transactions entered into between TMX Group and related parties are on terms and conditions that are at least as favourable to TMX Group as market terms and conditions, and are recorded at the agreed upon exchange amount.

During 2011, TMX Group provided $1.7 (2010 – $1.7) of technology services to The Canadian Depository for Securities Limited ("CDS") and acquired services of $0.1 (2010 – $0.1) from CDS, a company in which it holds an 18% interest.

29. Controlled entities

		Country of incorporation	December 31, 2011	December 31, 2010	January 1, 2010
			%	%	%
Controlled entities of TMX Group Inc.:	TSX Inc.	Canada	100	100	100
	Montréal Exchange Inc.	Canada	100	100	100
	Natural Gas Exchange Inc.	Canada	100	100	100
	Shorcan Brokers Limited	Canada	100	100	100
	The Equicom Group Inc.	Canada	100	100	100
	NetThruPut Inc. (*dormant*)	Canada	100	100	100
	Toronto Futures Exchange (*dormant*)	Canada	100	100	100
	CDEX Inc. (*dissolved*)	Canada	–	–	100
	TMX Select Inc.	Canada	100	100	–
	TMX Exchange Services Limited	U.K.	100	100	–
	Finexeo S.A.	Luxembourg	100	–	–
	TMX Group US Inc.	U.S.	100	–	–
	TMX Australia Pty Ltd.	Australia	100	–	–
	TMX Atrium Canada Inc.	Canada	100	–	–
Controlled entities of TSX Inc.:	TSX Venture Exchange Inc.	Canada	100	100	100
	TSX Group US Holdings, Inc. (*dormant*)	U.S.	100	100	100
Controlled entities of TSX Venture Exchange Inc.:	Canadian Unlisted Board Inc.	Canada	100	100	100
	Vancouver Curb Exchange Limited (*dormant*)	Canada	100	100	100
	Vancouver Stock Exchange Inc. (*dormant*)	Canada	100	100	100
	VCT Management Limited (*dormant*)	Canada	100	100	100
	West Canada Clearing Corporation (*dormant*)	Canada	100	100	100
	West Canada Depository Trust Company (*dormant*)	Canada	100	100	100
	Alberta Stock Exchange Inc. (*dormant*)	Canada	100	100	100
Controlled entities of Montréal Exchange Inc.:	Canadian Derivatives Clearing Corporation	Canada	100	100	100
	Canadian Resources Exchange Inc. (*dissolved*)	Canada	–	–	100
	Montréal Climate Exchange Inc.	Canada	51	51	51
	Boston Options Exchange Group, LLC	U.S.	53.8	53.8	53.8
	MX US 1. Inc.	U.S.	100	100	100
	MXUS 2. Inc.	U.S.	100	100	100
	3226506 Nova Scotia Company (*dissolved*)	Canada	–	–	100
	3226507 Nova Scotia Company (*dissolved*)	Canada	–	–	100
Controlled entity of Canadian Derivatives Clearing Corporation:	Canadian Derivatives Clearing Corporation (U.S.A.) Inc. (*dormant*)	U.S.	100	100	100
Controlled entities of Natural Gas Exchange Inc.:	Alberta Watt Exchange Limited	Canada	100	100	100
	NGX US Inc.	U.S.	100	100	100
Controlled entity of Shorcan Brokers Limited:	Shorcan Energy Brokers Inc.	Canada	100	100	100
Controlled entities of Finexeo S.A.:	Finexeo UK Limited	U.K.	100	–	–
	Finexeo US Inc.	U.S.	100	–	–
	Finexeo SARL	France	100	–	–
Controlled entities of TMX Group US Inc.:	TSX US Inc.	U.S.	100	–	–
	MX US Inc.	U.S	100	–	–

30. Contingent liabilities

From time to time in connection with its operations, TMX Group 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 TMX Group's or its subsidiaries' regulatory actions, decisions or jurisdiction.

TMX Group may make additional acquisition-related payments up to a maximum of EUR €2.0 in the next two years contingent on future operating results.

31. Subsequent events

In January 2012, CDCC increased its standby credit facility from $50.0 to $100.0, signed an additional daylight facility for $400.0 with a Canadian Schedule 1 bank and closed the $50.0 call loan facility. These facilities were put in place in relation to the launch of CDCC's repo clearing business, scheduled for 2012.

32. Transition to IFRS

As discussed in note 1, the financial statements have been prepared in accordance with IFRS. These are TMX Group's first annual financial statements that comply with IFRS, and as such IFRS 1 is applicable.

In accordance with IFRS 1, TMX Group has applied IFRS retrospectively as of January 1, 2010 (the "Transition Date") for comparative purposes. In preparing its opening consolidated balance sheet and comparatives in accordance with IFRS, TMX Group has adjusted amounts reported previously in its financial statements prepared in accordance with pre-conversion Canadian generally accepted accounting principles ("GAAP"). The impact of the transition on TMX Group's financial position and financial performance is discussed below. The impact of the transition on TMX Group's statement of cash flows was minimal.

(A) Initial elections upon adoption:

In accordance with IFRS 1, TMX Group has applied certain optional exemptions and mandatory exceptions from full retrospective application of IFRS. Set out below are the IFRS 1 optional exemptions that TMX Group has elected to apply on its conversion to IFRS and the mandatory exceptions that are applicable to TMX Group.

IFRS 1 optional exemptions:

1. Business combinations – 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. TMX Group has elected to not apply IFRS 3 to all business combinations that occurred prior to January 1, 2008. Accordingly, only business combinations that took place on or after January 1, 2008 – the acquisitions of MX, BOX, and NetThruPut Inc. ("NTP") – have been restated to reflect the requirements of IFRS 3 upon adoption of IFRS. As a result of applying this exemption, goodwill arising on these three acquisitions has been adjusted accordingly as at the Transition Date. In applying this exemption there are certain additional requirements in relation to acquisitions that are not restated under IFRS. An analysis of these requirements as they relate to TMX Group was conducted with no resulting implications and as such, goodwill relating to business combinations prior to January 1, 2008 has not been adjusted from its pre-conversion Canadian GAAP carrying value.

2. Employee benefits – 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. TMX Group has elected to apply this exemption, and recognize all unamortized actuarial gains and losses under pre-conversion Canadian GAAP to retained earnings on the Transition Date.

3. Cumulative translation differences – 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 difference 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. TMX Group has elected to apply this exemption, and reset all its cumulative translation differences to zero through retained earnings on the Transition Date.

4. Share-based payments – This exemption allows first-time adopters to limit its application of *IFRS 2, Share-based Payments* ("IFRS 2") to only certain historical transactions. IFRS 1 encourages, but does not require, first-time adopters to apply 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 date of transition to IFRS. TMX Group has 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 cash-settled share-based liabilities remaining unsettled as at the Transition Date.

5. Decommissioning liabilities included in the cost of premises and equipment – 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. TMX Group has elected to apply this exemption thereby applying the requirements of IFRIC 1 prospectively to decommissioning liabilities that existed as at the Transition Date. Accordingly, TMX Group recognized such liabilities as at the Transition Date in accordance with *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*, and adjusted the cost of the related assets accordingly.

6. Leases – 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 pre-conversion Canadian GAAP *EIC-150, Determining Whether an Arrangement Contains a Lease* ("EIC-150"). TMX Group has elected to apply both exemptions thus limiting its reassessment under IFRIC 4 to arrangements in place at the Transition Date that were not subject to the scope of EIC-150 under pre-conversion Canadian GAAP.

IFRS 1 mandatory exceptions:

IFRS 1 prohibits retrospective application of certain aspects of IFRS. The mandatory exceptions that are applicable to TMX Group on its conversion to IFRS are as follows:

1. Estimates – Hindsight cannot be used to create or revise estimates. The estimates previously made by TMX Group under pre-conversion Canadian GAAP have not been revised for application of IFRS except where necessary to reflect any difference in accounting policies.

2. Non-controlling interests – This exception requires entities to account for non-controlling interests following the requirements of IAS 27, Consolidated and Separate Financial Statements ("IAS 27"), prospectively from the date of transition to IFRS. However, if an entity elects to apply IFRS 3 retrospectively to past business combinations as of a designated date, it should also apply IAS 27 retrospectively from that same date. As TMX Group has elected to apply IFRS 3 as of January 1, 2008, IAS 27 has also been applied from the same date.

(B) Reconciliation of pre-conversion Canadian GAAP to IFRS:

In accordance with IFRS 1, the following tables and notes present reconciliations and explanations of how the transition to IFRS has affected TMX Group's comparative financial statements:

Reconciliation of Equity*

	Note	**January 1, 2010**	**December 31, 2010**
Equity under pre-conversion Canadian GAAP		$ 770.6	$ 853.1
Differences increasing (decreasing) reported equity:			
Business combinations	*a*	(163.0)	(163.0)
Employee benefits	*b*	(3.4)	(8.2)
Share-based compensation	*c*	0.4	0.5
Revenue	*d*	354.7	395.9
Impairment	*f*	(8.0)	(7.1)
Leases	*g*	–	0.1
Income taxes	*h*	(0.3)	(0.7)
Non-controlling interests	*a, f, j*	20.1	18.8
Equity under IFRS		**$ 971.1**	**$ 1,089.4**

* Figures in the table above are net of income tax where applicable.

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

Reconciliation of Comprehensive Income*

	Note	Year ended December 31, 2010
Comprehensive income under pre-conversion Canadian GAAP		$ 192.8
Differences increasing (decreasing) reported comprehensive income:		
Employee benefits	*b*	(4.8)
Share-based compensation	*c*	0.2
Revenue	*d*	41.2
Impairment	*f*	0.9
Leases	*g*	0.1
Income taxes	*h*	(0.4)
Non-controlling interests	*j*	(1.3)
Comprehensive income under IFRS		**$ 228.7**

* Figures in the table above are net of income tax where applicable.

Notes to the reconciliations:

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following describes the differences between TMX Group's pre-conversion Canadian GAAP accounting policies and those adopted on transition to IFRS which have impacted TMX Group's financial position and/or financial performance:

(a) Business combinations:

As stated previously, TMX Group has elected to apply IFRS 3 retrospectively to business combinations that occurred on or after January 1, 2008; specifically, the acquisitions of MX, BOX and NTP have been restated. The significant differences between the standards as applicable to these acquisitions are discussed below.

Measurement of purchase price:

Pre-conversion Canadian GAAP – Shares issued as consideration were measured at their estimated fair value on the date the parties to the business combination reached an agreement on the purchase price and the proposed transaction was announced.

IFRS – Shares issued as consideration are measured at their fair value on the acquisition date.

Acquisition costs:

Pre-conversion Canadian GAAP – Direct and incremental costs of business combinations were recognized as part of the purchase cost.

IFRS – Acquisition related costs are accounted for separately from the business combination and they are expensed as incurred.

Restructuring provisions:

Pre-conversion Canadian GAAP – If certain conditions were met, the costs of restructuring activities were included as part of the purchase price even if a present obligation did not exist as of the date of acquisition.

IFRS – 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:

Pre-conversion Canadian GAAP – Non-controlling interests were recorded at their share of the existing carrying values of the net assets acquired.

IFRS – 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 has opted for the latter method.

Increase in ownership of a subsidiary:

Pre-conversion Canadian GAAP – Increase in ownership interests of a subsidiary was accounted for using the purchase method.

IFRS – 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 income. 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:

Pre-conversion Canadian GAAP – Contingent liabilities assumed in a business combination were recognized when it was probable that a liability had been incurred on the date of acquisition and when the amount could be reasonably estimated.

IFRS – 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 on TMX Group – *On the Transition Date, the acquisitions of MX, BOX and NTP were restated under IFRS 3, and as a result of this, the acquisition accounting was amended. The goodwill associated with the MX acquisition decreased by $155.5, share capital decreased by $141.1, and retained earnings decreased by $14.4. Intangible assets related to the acquisition of BOX increased by $14.3, non-controlling interests increased by $16.0, and were reclassified to equity, and retained earnings decreased by $1.7. The goodwill related to the acquisition of NTP decreased by $5.3, share capital decreased by $3.6, and retained earnings decreased by $1.7. The income tax effect on the above transition adjustments was a reduction of $0.5 in goodwill with the offset to retained earnings.*

The above adjustments remained unchanged as at December 31, 2010.

(b) Employee benefits:

As stated previously, TMX Group has applied the IFRS 1 exemption and elected to recognize all cumulative unamortized actuarial gains and losses that existed at the Transition Date directly to retained earnings for all of its employee benefit plans. In taking this exemption, TMX Group is applying IAS 19 retrospectively from the Transition Date. The significant differences between IAS 19 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Actuarial gains and losses:

Pre-conversion Canadian GAAP – TMX Group amortized actuarial gains and losses arising from its employee benefit plans over the expected average remaining service period of active employees when the net accumulated actuarial gain or loss was 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.

IFRS – As permitted under IAS 19, TMX Group has elected to recognize all actuarial gains and losses on pension and other post retirement plans immediately in other comprehensive income without recycling to the consolidated income statement in subsequent periods.

Measurement date:

Pre-conversion Canadian GAAP – TMX Group measured its defined benefit obligations and plan assets for certain plans as at September 30.

IFRS – An entity is required to determine the present value of the defined benefit obligations and the fair value of plan assets as at the balance sheet date. As a result, on transition to IFRS, TMX Group changed the measurement date of its plans to December 31.

Recognition of past service costs:

Pre-conversion Canadian GAAP – Past service costs arising from plan amendments or initiation were amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

IFRS – 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 net income.

Limit on accrued benefit asset:

Pre-conversion Canadian GAAP – When a defined benefit plan gave rise to an accrued benefit asset, a valuation allowance was recognized for any excess of the accrued benefit asset over the expected future benefit, and the accrued benefit asset was presented net of any valuation allowance in the consolidated balance sheet. Any change in the valuation allowance was recognized in net income.

IFRS – IFRS also sets a limit on the accrued benefit asset that can be recognized in the consolidated balance sheet, although this is calculated differently than under pre-conversion Canadian GAAP. Any change in the recoverable amount will be recognized immediately in other comprehensive income.

Impact on TMX Group – *On the Transition Date, pension benefit assets (included within other non-current assets on the consolidated balance sheet) and accrued employee benefits payable were reduced by $8.1 and $3.5 respectively, with the offset of $4.6 to retained earnings. The income tax effect on the above transition adjustment was a decrease of $0.7 and a decrease of $1.9 in deferred income tax assets and deferred income tax liabilities respectively, with the offset to retained earnings.*

In the year ended December 31, 2010, comprehensive income was reduced by $4.8 in respect of changes relating to employee benefits. As at December 31, 2010, pension benefit assets and accrued employee benefits payable were reduced by $13.6 and $2.6 respectively, and deferred income tax assets and deferred income tax liabilities were reduced by $0.5 and $3.3 respectively.

(c) Share based compensation:

As stated previously, TMX Group has 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. The significant differences between IFRS 2 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Recognition of expense:

Pre-conversion Canadian GAAP – For share-based awards with graded vesting the total fair value of the award was recognized by TMX Group on a straight-line basis over the vesting period.

IFRS – 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:

Pre-conversion Canadian GAAP – Forfeitures of awards were recognized as they occurred.

IFRS – Compensation expense 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:

Pre-conversion Canadian GAAP – The liability for restricted share units and deferred share units was accrued based on the intrinsic value of the award with changes in the intrinsic values at each reporting period recognized in the consolidated income statement.

IFRS – TMX Group is 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 consolidated income statement.

Impact on TMX Group – *On the Transition Date, the share option plan component of equity was increased by $0.9 as a result of the changes in the accounting treatment of share options, and trade and other payables and other non-current liabilities decreased by $0.5 in respect of the cash-settled share based payments, the offset to which decreased retained earnings by $0.4. The income tax effect on the above transition adjustment was a decrease of $0.1 in deferred income tax assets with the offset to retained earnings.*

As at December 31, 2010, the above adjustments remained largely unchanged and the impact on comprehensive income for the year ended December 31, 2010 was minimal.

(d) Revenue:

Pre-conversion Canadian GAAP – Initial and additional listing fees were recorded as deferred revenue – initial and additional listing fees, and were recognized on a straight-line basis over an estimated service period of 10 years, in accordance with EIC-141, Revenue Recognition.

IFRS – Initial and additional listing fees are recognized in full in the period when the listings occur.

Impact 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 were reduced by $78.0 and $405.1 respectively, with the offset to retained earnings. The income tax effect on the above transition adjustment was a reduction of $128.4 in deferred income tax assets with the offset to retained earnings.*

For the year ended December 31, 2010, revenue was increased by $50.1 and income tax expense was increased by $8.9 as a result of this change in accounting policy. As at December 31, 2010, short-term deferred revenue – initial and additional listing fees and long-term deferred revenue – initial and additional listing fees were reduced by a further $10.9 and $39.2 respectively. Deferred income tax assets were reduced by a further $8.9.

(e) Cumulative translation differences:

As noted in the IFRS 1 optional exemptions section above, TMX Group has applied the one-time exemption to set the foreign currency cumulative translation adjustment ("CTA") to zero on January 1, 2010.

Impact on TMX Group – *The CTA balance of $3.2 as at the Transition Date was recognized as an adjustment to retained earnings on transition to IFRS. The application of the exemption had no impact on net equity.*

The above adjustment remained unchanged as at December 31, 2010.

(f) Impairment:

Pre-conversion Canadian GAAP – An impairment loss was recognized when a long lived asset's carrying amount exceeded its recoverable amount which was 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.

IFRS – 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 on TMX Group – *An impairment charge of $14.8 was recognized on the Transition Date in respect of the BOX trading participants' intangible asset, $6.8 of which related to the non-controlling interests share, with the remaining $8.0 relating to TMX Group's share and therefore charged to retained earnings on transition. Value-in-use was the recoverable amount of the asset, using a discount rate of 15%. The impairment primarily resulted from increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues during 2009. A goodwill impairment charge was recognized at the time under pre-conversion Canadian GAAP, and the trading participant intangible was also tested, but was found not to be impaired in accordance with pre-conversion Canadian GAAP.*

As at December 31, 2010, the above adjustments remained largely unchanged. The overall impact on comprehensive income was an increase of $0.9 for the year ended December 31, 2010.

(g) Leases:

As stated previously, TMX Group has elected to limit its assessment in accordance with IFRIC 4 to arrangements in place on the Transition Date that had not been previously assessed under EIC-150. The significant differences between IAS 17, *Leases* and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Classification:

Pre-conversion Canadian GAAP – The criteria used to determine whether a lease was to be classified as an operating lease or a finance lease (previously termed a capital lease under pre-conversion Canadian GAAP) included "bright-line" thresholds such as whether a lease term was greater than 75% of the economic life of the leased asset, or the present value of the minimum lease payments was above 90% of the fair value of the lease.

IFRS – 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:

Pre-conversion Canadian GAAP – The present value of minimum lease payments was calculated using the lower of (i) the interest rate implicit in the lease and (ii) the lessee's incremental borrowing rate.

IFRS – 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 on TMX Group – *A number of leases were reclassified on the Transition Date from finance leases to operating leases. As a result, obligations under finance leases, and the associated equipment assets, decreased by $7.1 on the consolidated balance sheet. The effect on retained earnings was negligible.*

As at December 31, 2010, the cumulative adjustment to obligations under finance leases and the associated equipment assets was a decrease of $5.3 and $5.2 respectively in respect of the above. The overall impact on net income for the year ended December 31, 2010, was minimal.

(h) Income taxes:

Intercompany transactions:

Pre-conversion Canadian GAAP – The recognition of deferred income taxes relating to temporary differences arising from intercompany transactions was prohibited.

IFRS – There is no such prohibition under IFRS.

Impact on TMX Group – *On the Transition Date, deferred income tax assets were reduced by $0.3, with the offset to retained earnings.*

In the year ended December 31, 2010, deferred income tax assets were reduced by a further $0.4, the offset to which decreased net income.

Income tax effect of the other adjustments between pre-conversion Canadian GAAP and IFRS:

Income tax adjustments related to the IFRS transition include the effect of recording, where applicable, the deferred income tax effect of the other differences between pre-conversion Canadian GAAP and IFRS discussed above. These income tax impacts have been included in the notes above.

(i) Financial instruments:

Pre-conversion Canadian GAAP – Available for sale investments in equity instruments that do not have quoted prices on an active market are carried at cost less any impairment losses.

IFRS – Available for sale investments in equity instruments that do not have quoted prices on an active market are measured at fair value at each reporting period provided the fair value can be reliably measured. Changes in fair value, except for impairment losses and certain foreign exchange gains or losses, are recognized in other comprehensive income until the assets are sold.

Impact on TMX Group – *This difference had no impact on TMX Group on the Transition Date or at December 31, 2010.*

Presentation

The following describes differences in presentation between TMX Group's IFRS financial statements and those prepared in accordance with pre-conversion Canadian GAAP:

(j) Non-controlling interests:

Pre-conversion Canadian GAAP – Non-controlling interests were presented between liabilities and shareholders' equity in the consolidated balance sheet and as a component of net income in the consolidated income statement.

IFRS – Non-controlling interests are classified as a component of equity, separate from the equity of the parent company, in the consolidated balance sheet and their portion of the results is presented as an allocation of net income.

(k) Restricted cash:

Pre-conversion Canadian GAAP – Cash and cash equivalents subject to restrictions were presented separately on the consolidated balance sheet.

IFRS – Cash and cash equivalents subject to restrictions are not required to be presented separately on the face of the consolidated balance sheet.

(l) Deferred income taxes:

Pre-conversion Canadian GAAP – Deferred income taxes (previously future income taxes) were split between short-term and long-term components based on either (i) the underlying asset or liability or (ii) the expected reversal of items not related to a particular asset or liability.

IFRS – All deferred income tax balances are classified as non-current.

(m) Current income taxes:

Pre-conversion Canadian GAAP – Current income taxes were offset if they related to the same legal entity and the same taxation authority.

IFRS – Current income taxes are only offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities but TMX Group intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

(n) Provisions:

Pre-conversion Canadian GAAP – TMX Group presented provisions as part of trade and other payables or other non-current liabilities on the consolidated balance sheet.

IFRS – Provisions will be presented separately where significant.

(o) Pension assets and liabilities:

Pre-conversion Canadian GAAP – Accrued benefit assets and liabilities relating to TMX Group's pension plans were offset for balance sheet presentation.

IFRS – An accrued benefit asset relating to one plan can only be offset against an accrued benefit liability of another plan if there is a legally enforceable right to offset and TMX Group intends to settle obligations on a net basis or simultaneously.

Reconciliation of Consolidated Balance Sheet as at January 1, 2010

	Pre-conversion Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Assets				
Current assets:				
Cash and cash equivalents	$ 88.0	$ –	$ 0.9	$ 88.9
Marketable securities	103.2	–	–	103.2
Restricted cash	0.9	–	(0.9)	–
Trade and other receivables	79.4	–	–	79.4
Energy contracts receivable	714.5	–	–	714.5
Fair value of open energy contracts	202.8	–	–	202.8
Daily settlements and cash deposits	565.4	–	–	565.4
Prepaid expenses	6.0	–	–	6.0
Current income tax assets	4.6	–	7.7	12.3
Deferred income tax assets	26.7	(24.0)	(2.7)	–
	1,791.5	**(24.0)**	**5.0**	**1,772.5**
Non-current assets:				
Premises and equipment	31.5	(7.1)	–	24.4
Investment in equity accounted investee	12.8	–	–	12.8
Goodwill	583.8	(161.3)	–	422.5
Other intangible assets	932.4	(0.4)	–	932.0
Deferred income tax assets	144.6	(105.6)	2.7	41.7
Other non-current assets	27.8	(8.2)	1.6	21.2
Total Assets	**$ 3,524.4**	**$ (306.6)**	**$ 9.3**	**$ 3,227.1**
Liabilities and Equity				
Current liabilities:				
Trade and other payables	$ 44.9	$ (0.1)	$ (0.9)	$ 43.9
Energy contracts payable	714.5	–	–	714.5
Fair value of open energy contracts	202.8	–	–	202.8
Daily settlements and cash deposits	565.4	–	–	565.4
Deferred revenue	15.1	–	–	15.1
Deferred revenue – initial & additional listing fees	78.0	(78.0)	–	–
Obligation under finance leases	3.4	(2.7)	(0.7)	–
Deferred income tax liabilities	0.1	–	(0.1)	–
Provisions	–	–	1.2	1.2
Current income tax liabilities	3.2	–	7.7	10.9
Fair value of interest rate swaps	2.1	–	–	2.1
	1,629.5	**(80.8)**	**7.2**	**1,555.9**
Non-current liabilities:				
Accrued employee benefits payable	12.8	(3.5)	1.6	10.9
Obligations under finance leases	5.5	(4.4)	(1.1)	–
Deferred income tax liabilities	234.7	(1.9)	0.1	232.9
Other non-current liabilities	21.9	(0.6)	2.4	23.7
Deferred revenue	0.9	–	(0.9)	–
Deferred revenue – initial & additional listing fees	405.1	(405.1)	–	–
Fair value of interest rate swaps	3.6	–	–	3.6
Term loan	429.0	–	–	429.0
Total Liabilities	**2,743.0**	**(496.3)**	**9.3**	**2,256.0**
Non-controlling Interests	10.8	9.3	(20.1)	–
Equity:				
Share capital	1,102.6	(144.7)	–	957.9
Deficit	(343.9)	327.4	–	(16.5)
Contributed surplus – share option plan	8.7	0.9	–	9.6
Accumulated other comprehensive income	3.2	(3.2)	–	–
Total Equity attributable to Shareholders of the Company	770.6	180.4	–	951.0
Non-controlling interests	–	–	20.1	20.1
Total Equity	**770.6**	**180.4**	**20.1**	**971.1**
Total Liabilities and Equity	**$ 3,524.4**	**$ (306.6)**	**$ 9.3**	**$ 3,227.1**

Years ended December 31, 2011 and 2010 (In millions of Canadian dollars, except per share amounts)

Reconciliation of Consolidated Income Statement for the year ended December 31, 2010

	Pre–conversion Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Revenue:				
Issuer services	$ 163.0	$ 50.1	$ –	$ 213.1
Trading, clearing and related	242.2	–	–	242.2
Information services	154.4	–	–	154.4
Technology services and other	15.9	–	–	15.9
Total revenue	575.5	50.1	–	625.6
Expenses:				
Compensation and benefits	133.5	–	–	133.5
Information and trading systems	47.8	2.9	–	50.7
General and administration	73.0	–	–	73.0
Depreciation and amortization	32.3	(2.9)	–	29.4
Total operating expenses	286.6	–	–	286.6
Income from operations	**288.9**	**50.1**	**–**	**339.0**
Share of net income of equity accounted investee	1.3	–	–	1.3
Impairment of available for sale investment	(1.7)	–	–	(1.7)
Finance income (costs):				
Finance income	5.2	–	–	5.2
Finance costs	(6.2)	0.2	–	(6.0)
Net mark to market on interest rate swaps	(0.2)	–	–	(0.2)
Income before income taxes	**287.3**	**50.3**	**–**	**337.6**
Income tax expense	90.7	9.4	–	100.1
Non-controlling interests	0.1	–	(0.1)	–
Net income	**$ 196.5**	**$ 40.9**	**$ 0.1**	**$ 237.5**
Net income attributable to:				
Equity holders of the Company	$ 196.5	$ 41.2	$ –	$ 237.7
Non-controlling interests	–	(0.3)	0.1	(0.2)
	$ 196.5	**$ 40.9**	**$ 0.1**	**$ 237.5**
Earnings per share:				
Basic	$ 2.64			$ 3.20
Diluted	$ 2.64			$ 3.19

Reconciliation of Consolidated Statement of Comprehensive Income for the year ended December 31, 2010

	Pre–conversion Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Net income	$ 196.5	$ 40.9	$ 0.1	$ 237.5
Other comprehensive (loss) income:				
Unrealized (loss) gain on translating financial statements of foreign operations (net of tax – $nil)	(3.7)	0.5	(1.1)	(4.3)
Actuarial gains (losses) on defined benefit pension and other post retirement benefit plans (net of tax – $1.5)	–	(4.5)	–	(4.5)
Total comprehensive income (loss)	**$ 192.8**	**$ 36.9**	**$ (1.0)**	**$ 228.7**
Total comprehensive income (loss) attributable to:				
Equity holders of the Company	$ 192.8	$ 37.2	$ –	$ 230.0
Non-controlling interests	–	(0.3)	(1.0)	(1.3)
	$ 192.8	**$ 36.9**	**$ (1.0)**	**$ 228.7**

Reconciliation of Consolidated Balance Sheet as at December 31, 2010

	Pre-conversion Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Assets				
Current assets:				
Cash and cash equivalents	$ 68.8	$ –	$ 1.1	$ 69.9
Marketable securities	261.6	–	–	261.6
Restricted cash	1.1	–	(1.1)	–
Trade and other receivables	89.7	–	–	89.7
Energy contracts receivable	754.9	–	–	754.9
Fair value of open energy contracts	141.9	–	–	141.9
Daily settlements and cash deposits	193.1	–	–	193.1
Prepaid expenses	6.7	–	–	6.7
Current income tax assets	3.1	–	1.2	4.3
Deferred income tax assets	29.6	(25.5)	(4.1)	–
	1,550.5	**(25.5)**	**(2.9)**	**1,522.1**
Non-current assets:				
Premises and equipment	33.6	(5.2)	–	28.4
Investment in equity accounted investee	14.2	–	–	14.2
Other intangible assets	920.5	(0.4)	–	920.1
Goodwill	582.6	(161.3)	–	421.3
Deferred income tax assets	152.5	(113.2)	4.1	43.4
Other non-current assets	28.0	(13.6)	1.9	16.3
Total Assets	**$ 3,281.9**	**$ (319.2)**	**$ 3.1**	**$ 2,965.8**
Liabilities and Equity				
Current liabilities:				
Trade and other payables	$ 59.1	$ (0.7)	$ 0.2	$ 58.6
Energy contracts payable	754.9	–	–	754.9
Fair value of open energy contracts	141.9	–	–	141.9
Daily settlements and cash deposits	193.1	–	–	193.1
Deferred revenue	18.7	–	–	18.7
Deferred revenue – initial & additional listing fees	88.9	(88.9)	–	–
Obligation under finance leases	3.3	(2.6)	(0.7)	–
Provisions	–	–	0.4	0.4
Current income tax liabilities	6.1	–	1.2	7.3
Fair value of interest rate swaps	0.7	–	–	0.7
Term loan	429.8	–	–	429.8
	1,696.5	**(92.2)**	**1.1**	**1,605.4**
Non-current liabilities:				
Accrued employee benefits payable	12.8	(2.6)	1.9	12.1
Obligations under finance leases	3.8	(2.7)	(1.1)	–
Deferred income tax liabilities	236.7	(3.2)	–	233.5
Other non-current liabilities	23.3	(0.1)	2.2	25.4
Deferred revenue	1.0	–	(1.0)	–
Deferred revenue – initial & additional listing fees	444.3	(444.3)	–	–
Total Liabilities	**2,418.4**	**(545.1)**	**3.1**	**1,876.4**
Non-controlling Interests	10.4	8.4	(18.8)	–
Equity:				
Share capital	1,104.1	(144.7)	–	959.4
(Deficit) Retained earnings	(261.7)	364.1	–	102.4
Contributed surplus – share option plan	11.2	0.8	–	12.0
Accumulated other comprehensive income (loss)	(0.5)	(2.7)	–	(3.2)
Total Equity attributable to Shareholders of the Company	853.1	217.5	–	1,070.6
Non-controlling interests	–	–	18.8	18.8
Total Equity	**853.1**	**217.5**	**18.8**	**1,089.4**
Total Liabilities and Equity	**$ 3,281.9**	**$ (319.2)**	**$ 3.1**	**$ 2,965.8**

Board of Directors

as of March 1, 2012

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Committees: Governance, Human Resources
Director since: 1997

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Corporate Director
Committees: Governance, Human Resources (Chair)
Director since: 2001

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Executive Chairman
Baytex Energy Corp.
Committees: Finance and Audit and Human Resources
Director since: 2006

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Corporate Director
Committees: Finance and Audit
Director since: 2008

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Corporate Director
Committees: Human Resources, Public Venture Market
Director since: 2001

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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

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Corporate Director
Committees: Finance and Audit (Chair), Governance
Director since: 2000

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Partner
Lavery, de Billy LLP
Committees: Finance and Audit, Public Venture Market
Director since: 1999

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Chairman and Chief Executive Officer
Mulvihill Capital Management Inc.
Committees: Governance (Chair)
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Corporate Director
Committees: Finance and Audit, Governance
Director since: 2005

GERRI B. SINCLAIR
Corporate Director
Committees: Human Resources, Public Venture Market
Director since: 2005

TMX Group Executive Committee

as of March 1, 2012

THOMAS A. KLOET
Chief Executive Officer
TMX Group

KEVAN COWAN
President, TSX Markets and Group Head of Equities

BRENDA HOFFMAN
Senior Vice President, Group Head of Information Technology
TMX Group

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President and Chief Executive Officer
NGX

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President and Chief Executive Officer
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TMX Group

MICHAEL PTASZNIK
Senior Vice President and Group Head Chief Financial Officer
TMX Group

ERIC SINCLAIR
President
TMX Datalinx

Shareholder Information

STOCK LISTING

Toronto Stock Exchange
Share Symbol "X"

AUDITOR

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Requests for information regarding share transfers should be directed to the Transfer Agent:

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P.O. Box 700, Station B
Montreal, Quebec H3B 3K3

Tel: (416) 682-3860 (Toronto Area)
1-800-387-0825 (North America)
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