



DELIVERING ON THE PROMISE

CONTENTS

YEAR IN REVIEW	2
TSX GROUP AT A GLANCE	4
CHAIR'S LETTER TO SHAREHOLDERS	6
CEO'S LETTER TO SHAREHOLDERS	9
STATEMENT OF CORPORATE GOVERNANCE PRACTICES	18
2004 MANAGEMENT'S DISCUSSION AND ANALYSIS	20
LISTED ISSUERS	35
MANAGEMENT STATEMENT AUDITORS' REPORT TO THE SHAREHOLDERS	36
CONSOLIDATED BALANCE SHEETS	37
CONSOLIDATED STATEMENTS OF INCOME	38
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	39
CONSOLIDATED STATEMENTS OF CASH FLOWS	40
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	41
FIVE-YEAR REVIEW	56
BOARD OF DIRECTORS AND SENIOR MANAGEMENT	58
PARTICIPATING ORGANIZATIONS AND MEMBERS	59
SHAREHOLDER INFORMATION	61

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements, which are not historical facts but are based on certain assumptions and reflect TSX 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. Please see Forward-Looking Statements, Risks and Uncertainties in the 2004 Management's Discussion and Analysis for a description of some of the risk factors that could cause actual events or results to differ materially from current expectations.

TSX GROUP ANNUAL REPORT 2004

The promise was challenging but clear – provide a high-quality, high-value, new-concept company to investors by drawing on more than 150 years of leadership in the Canadian capital markets while competing in strengthening global capital markets.

In 2004, TSX Group delivered on that promise.

Listing and trading, two of our core business functions, returned to very strong growth levels based on the broad and deep strength found in Canadian capital markets.

We expanded into new marketplaces through our purchase of NGX Canada Inc., operator of a leading energy exchange for the trading and clearing of natural gas and electricity contracts. NGX had a history of strong growth, and offers TSX Group and its shareholders a very promising future. We achieved this through a clear, effective strategy, designed and executed by capital market professionals working out of our five national offices.

And the markets reacted well. The quality and value of the company are being increasingly recognized by investors. They understand what drives our business and they share in our successes.

We face the future with a record of achievement of which we are proud.

YEAR IN REVIEW 2004 — A YEAR OF ACTION AT HOME AND ABROAD

JANUARY 20 – TSX hosts *Canada Day in Frankfurt* with International Trade Minister, The Hon. Jim Peterson, to showcase listed issuers

JANUARY 27 – TSX Group announces that it will purchase 100% of NGX Canada Inc., operator of the Calgary-based Natural Gas Exchange

FEBRUARY 2 – U.S. dollar trading expands for issuer shares identified with a .U extension

FEBRUARY 11 – TSX Datalinx reaches agreement with Thomson Financial to distribute CanDeal’s real-time bond market data to traders and investors around the world

MARCH 1 – TSX Group completes acquisition of NGX Canada Inc.

MARCH 4 – TSX Venture Exchange launches a six-city Venture Success campaign to raise awareness of the exchange and its listed companies

MARCH 29 – TSX Markets introduces TSX Market on Close trading designed to increase liquidity and lower levels of volatility at the close of trading by establishing a call market facility that sets the closing price for eligible securities

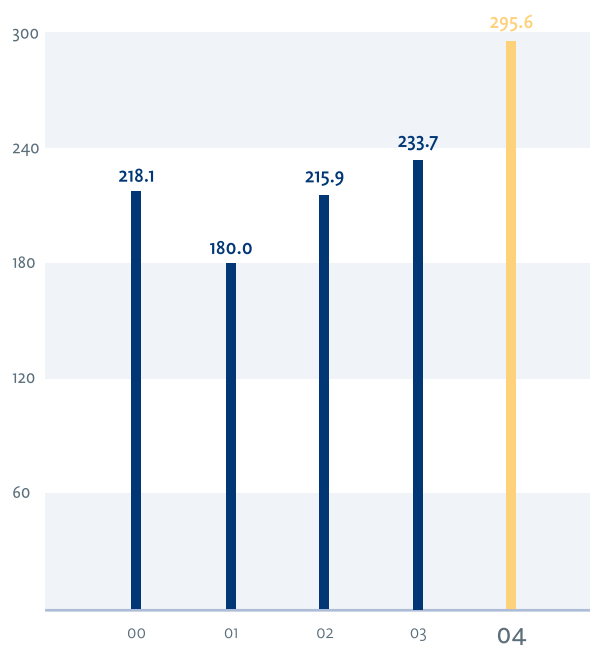
MAY 1 – TSX Technologies completes system hardware upgrades to handle an increase in the order-to-trade ratio that had significantly increased over the previous two years

JUNE 16 – TSX launches its first *On The Radar* session to showcase five real estate investment trusts to members of the investment community

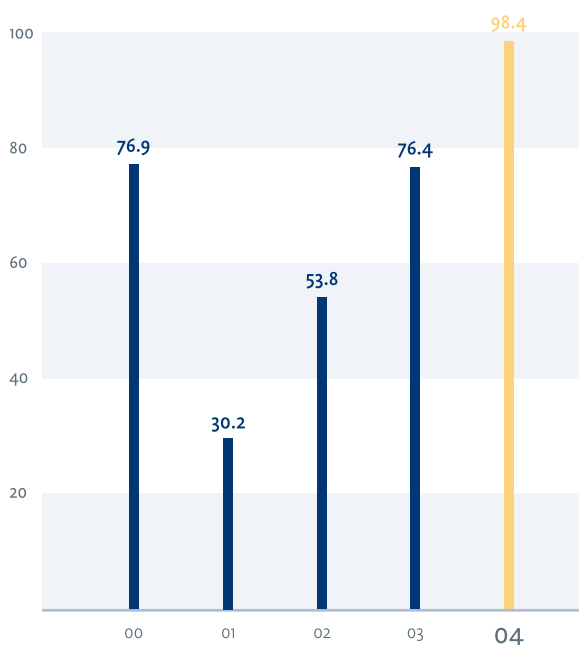
JUNE 17 – TSX and Market Regulation Services hold the first *Simplifying Timely Disclosure* workshop to help listed issuers understand and manage responsibilities to shareholders

JUNE 23 – TSX holds *Canada Day in New York City* with Pamela Wallin, Canada’s Consul General in New York, to showcase listed issuers

TOTAL REVENUE*
(\$ MILLIONS)



NET INCOME*
(\$ MILLIONS)



JULY 6 – TSX Datalinx reinforces its commitment to transparency by introducing the TSX Venture Exchange Delayed Market by Price feature

JULY 13 – TSX Group releases a national survey that shows 49 per cent of Canadians either directly or indirectly own shares, which equals the previous record set in 2000

AUGUST 13 – TSX debuts its first national television commercial, *Flags*

SEPTEMBER 21 – TSX Group holds *Canada Day in London*, with Mel Cappe, Canada’s High Commissioner to the United Kingdom and Northern Ireland, to showcase listed issuers

SEPTEMBER 28 – TSX Markets holds a news conference to discuss the implications of the Securities and Exchange Commission’s proposed Regulation National Market System on Canada’s capital markets

OCTOBER 7 – TSX Venture Exchange wraps up the seven-month Venture Success campaign in Ottawa

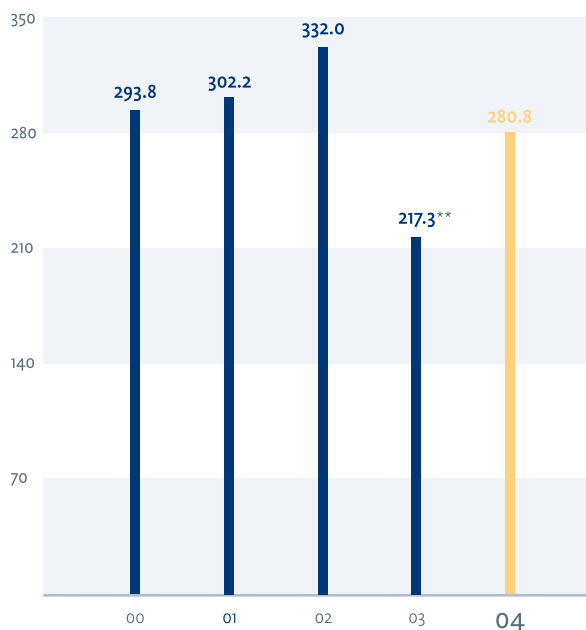
OCTOBER 31 – Barbara Stymiest leaves TSX Group

NOVEMBER 15 – TSX Group visits China to advance business opportunities, and Richard Nesbitt, then-President of TSX Markets, addresses the 15th Annual Convention of the Mexican Stock Exchange

DECEMBER 2 – TSX Group’s Board of Directors names Richard Nesbitt the new CEO

DECEMBER 3 – TSX Markets launches Multiple Give-Up, a feature that allows participating organizations to select a variety of clearing and settlement options for their investors

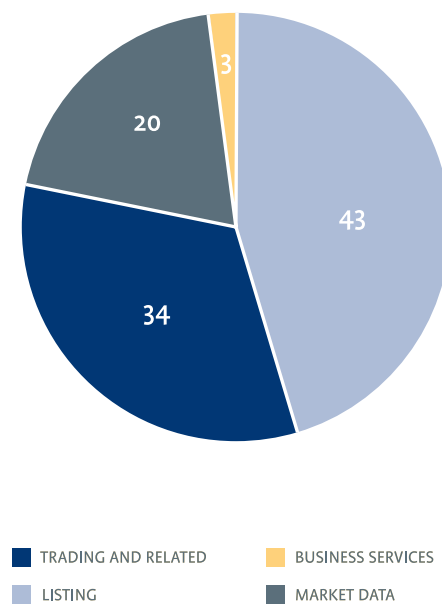
SHAREHOLDERS’ EQUITY*
(\$ MILLIONS)



* Prior to April 3, 2000, TSX Group was organized and operated on a not-for-profit basis.

**TSX Group paid \$192.0 million in dividends during 2003, including a special dividend of \$5.00 per common share.

2004 REVENUE BY SOURCE
(% PERCENTAGE)



TSX GROUP AT A GLANCE

TSX Group is a cornerstone of the Canadian financial system and is at the centre of Canada's equity capital market. TSX Group owns and operates Canada's two national stock exchanges – Toronto Stock Exchange serving the senior equity market, and TSX Venture Exchange serving the public venture equity market – as well as NGX, which trades and clears natural gas and electricity contracts. From its pre-eminent domestic base, TSX Group's reach continues to extend internationally, providing the global financial community with access to Canada's equity capital market.

TORONTO STOCK EXCHANGE

Toronto Stock Exchange is Canada's senior equities market, consisting of a broad cross-section of Canadian issuers. Listing on Toronto Stock Exchange provides these issuers with a range of benefits, including opportunities to access public equity capital efficiently, liquidity for existing investors and the prestige and market exposure associated with being listed on Canada's senior exchange.

Issuers list a number of different types of securities on Toronto Stock Exchange, including conventional securities such as common shares, preferred shares, rights and warrants, and innovative equity-related products such as exchange-traded funds and income trusts.

TSX VENTURE EXCHANGE

As Canada's public venture equity market, TSX Venture Exchange provides emerging growth companies and entrepreneurs with a range of benefits, including opportunities to access public and private venture financing, liquidity for investors and the prospect of graduating to Toronto Stock Exchange in as seamless a manner as possible. At the same time, TSX Venture Exchange offers investors an opportunity to invest in emerging companies at an early stage and through a supervised market. TSX Venture Exchange offers a capital-raising infrastructure for the small and medium-size businesses that are driving economic growth in Canada, building on its western presence while pursuing new growth opportunities in eastern Canada.

TSX MARKETS

TSX Markets facilitates trading on both Toronto Stock Exchange and TSX Venture Exchange. Brokerage firms, acting as principals or agents for retail and institutional investors, place orders to buy or sell listed securities using TSX Markets' fully electronic trading systems. TSX Markets develops and delivers innovative trading products and provides services supported by a strong team of professionals.

TSX DATALINX

TSX Datalinx sells real-time and historical market data, corporate information and index products to facilitate investment and trading decisions of market participants. Timely and comprehensive information about market activity and listed issuers assist brokerage firms and investors in the decision-making process and facilitate efficient markets.

TSX TECHNOLOGIES

TSX Technologies is the technology team that powers TSX Group. TSX Technologies provides managed services, application development, architectural services, and customized solutions for varying sized organizations across industry sectors. TSX Technologies' broad service offering and deep technical expertise provides their customers the opportunity to deal with a single accountable service provider.

NGX

NGX is a leading energy exchange based in Calgary. Established in 1994, NGX's unique market model provides a broad range of customers with one of the most highly liquid, secure and efficient environments available for trading and clearing natural gas and electricity contracts.

tsx group



LISTING



DATA



TECHNOLOGY



TRADING



CHAIR'S LETTER TO SHAREHOLDERS

I am again pleased to report to you on behalf of TSX Group's Board of Directors. Your Board continues to oversee the execution of TSX Group's strategies, with a view to creating sustainable shareholder value within a strong governance structure.

Last year, I shared with you the success of TSX Group's first year as a public company, its exemplary strength in corporate governance, and its growth strategy of enhancement, diversification and expansion.

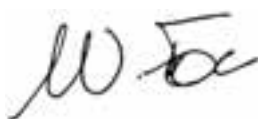
In 2004, TSX Group continued to build on these themes. We moved forward on our goal to build a strong, national organization, recognized for serving all types of issuers in all geographies. We confirmed our position as world-class exchange operators with strong revenue growth and disciplined expense management. And we did so while maintaining the same high levels of accountability and governance that we ask from the issuers that list on one of our exchanges.

This year, the Board was active in managing a change in leadership. On behalf of all shareholders, I would like to thank Barbara Stymiest for her immeasurable contribution to our company. Under her leadership, the strategic direction, potential and operating philosophy of TSX Group were transformed. Today TSX Group is a vibrant and respected company, well positioned for future success. Ms. Stymiest left TSX Group on October 31 after ensuring a smooth leadership transition, and we wish her all the best in her new career.

Your Board was delighted to identify and appoint Richard Nesbitt as TSX Group's new CEO. Richard, former President of TSX Markets, together with his team were integral to the identification and acquisition of NGX Canada Inc., an exchange that trades and clears natural gas and electricity contracts and that is already contributing to TSX Group's earnings and growth, and will provide further strategic opportunity for us in the U.S. market.

The Board and I would like to congratulate TSX Group's employees for an excellent year, and to express sincere thanks to retiring directors Brian Canfield and Barbara Stymiest for their contributions.

TSX Group is a company changed this year by acquisition, new leadership and an expanding sense of the strategic possibilities ahead of us. I look forward to reporting on our continued progress next year.



WAYNE FOX
Chair, Board of Directors





CEO'S LETTER TO SHAREHOLDERS

By any standard, 2004 was a strong year for TSX Group Inc. The strength is reflected in the numbers in listings, trading and data. But the numbers tell only a part of the story. Behind the numbers is an outstanding team of management and staff whose performance was the real key to understanding that story. These are the people who have built TSX Group Inc., in a little more than two years, into one of the most successful publicly listed exchange operators in global markets.

Our reach is national; we have offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal. We are a competitive factor in global capital markets. Toronto Stock Exchange and TSX Venture Exchange are the third largest exchange in North America by total market capitalization of their combined issuers. TSX Venture Exchange is one of the world's leading exchanges for emerging companies. Our newest exchange, Natural Gas Exchange, holds a leading position in trading of natural gas, electricity and related derivative contracts. In addition, we hold a substantial ownership position in CanDeal.ca Inc., an electronic system for institutional fixed income trading in Canada.

We're proud of what our people have achieved in every area of our operations. The quality of our management and staff will become even more critical in the time ahead. The market is changing because of technology, competition and innovation. New trading systems using sophisticated algorithms are breaking major trading blocks into smaller and smaller packages, routing them to the lowest-cost and most-liquid markets.

An exchange that cannot compete amid these new technologies and alternative trading systems risks falling behind, and very rapidly. If 2004 demonstrated anything, however, it is our capacity to compete in this new trading world and to grow our business according to a clearly defined strategy.

Our capacity to adapt to changing markets and technologies is clear. By mid-2004, for example, Canadian capital markets had the second lowest average cost per trade in the world for trades by institutional investors after only Japan, according to an Elkins/McSherry study published in *Institutional Investor* magazine.

The most recent survey, for the 12 months up to June 30, 2004, put the average cost per trade in Canada at 25.35 basis points, down nearly five basis points from 2003. By contrast, in the United States, the average cost per trade was 25.87 basis points for a NYSE-listed issue and 34.50 basis points for Nasdaq during the period from July 2003 to June 2004.

Of particular importance were the findings on market impact – the difference between the execution price and the volume-weighted average price of the stock during the execution of a trade. Market impact is a measure of the

underlying liquidity of a market. At an average 5.45 basis points during the survey period, the market impact of an institutional trade in Canada was the lowest among the 42 countries covered by the survey. For the sake of comparison, the market impact of an institutional trade for a NYSE-listed issue was 7.71 basis points, and 12.98 basis points for Nasdaq.

This is of importance, not just to our equity exchanges but to the competitiveness of the Canadian economy. By providing increasingly efficient marketplaces, we are helping to make Canadian capital markets more efficient. That serves to increase investment opportunities throughout the economy by making Canada an increasingly competitive and important source for raising capital, especially in global industries such as mining and energy where we have a strong position and solid prospects.

Our growing competitive strength as an exchange operator did not come about by accident. It represents the result of rebuilding our trading system so that it is again a leader in the world. It represents the quality people we have recruited in our technology and trading operations who have the sophisticated understanding needed to adapt to rapid changes in the market. It represents the ongoing effort to create new products that will attract growing trading volumes to TSX and TSX Venture Exchange. It represents the focused sales effort in listings, trading and market data, all backed by strong marketing of the TSX brand, of our strengths in Canada and in key global financial centres, and of Canada's strengths as an economy. Most of all it demonstrates our capacity for ongoing adaptation to the constantly shifting competitive forces at play in global markets.

The year-end numbers for the company speak to our collective success, especially in our three core areas of business – listings, trading and market data. Revenue in 2004 was \$295.6 million, an increase of 26 per cent compared to 2003, while our net income was \$98.4 million, a 29 per cent increase over the previous year.

Growth came from all areas of the business. On the listings side, Toronto Stock Exchange IPO financings were up 39 per cent to \$15.6 billion, total financings were up 32 per cent to \$38.4 billion, and the total market cap for



our listed issuers was up 20 per cent. As well, Toronto Stock Exchange had 204 new issuers in 2004. This was up 59 per cent from 2003 and included 58 graduates from TSX Venture Exchange, an increase of 23 per cent, and 115 Initial Public Offerings, up 72 per cent. TSX Venture Exchange had 142 new issuers during the same period, up 87 per cent, and the value of new equity financing was up 76 per cent to \$4.2 billion.

From a trading perspective, the value traded on Toronto Stock Exchange was up 29 per cent in 2004 compared to 2003, while the number of transactions was up 30 per cent – value traded and transactions being two key metrics impacting trading revenue. The numbers for TSX Venture Exchange showed an increase of 67 per cent in value traded and 38 per cent in the number of transactions.

TSX Datalinx, our market data operation, also exhibited growth, with an increase in professional and equivalent real-time data subscriptions. This reflects increased retail

activity and revenue from CNX Marketlink, our innovative joint initiative with CNW Group Ltd.

These numbers also reflect the strong overall performance of the market in 2004 which, as measured by the S&P®/TSX Composite* Index, outperformed the comparable U.S. index, the S&P 500®, for the fourth year out of the last six. Over that six-year period, from December 31, 1998 to December 31, 2004, the S&P/TSX Composite Index outperformed the S&P 500 by 49 per cent – without taking account of exchange rate fluctuations.

The acquisition of NGX Canada Inc. was particularly important, not just in contributing to our growth and demonstrating our capacity to execute on our strategy but also as a base from which to increase our presence in the U.S. market. We are positioned to build as well in the institutional fixed income market through our 45 per cent equity interest in CanDeal.ca Inc.

*S&P®, as part of the composite mark of S&P/TSX which is used in the name the S&P/TSX Composite Index, the S&P/TSX 60 Index and other S&P/TSX indices, and S&P 500®, refers to registered trade-marks of The McGraw-Hill Companies, Inc. and is used under licence by TSX Inc.



Now, on the basis of what we have achieved, it is time to move to the next level of our growth and development, as a public company and as a cornerstone of Canadian capital markets. I am proud to have been asked to assume the leadership of the company at a time of such great opportunity.

RICHARD NESBITT
Chief Executive Officer
TSX Group Inc.

FROM LEFT TO RIGHT:

Sharon Pel, Senior Vice President,
Legal and Business Affairs, TSX Group

Michael Ptasznik, Senior Vice President
and Chief Financial Officer, TSX Group

Rik Parkhill, President, TSX Markets

Peter Krenkel, President, NGX

Eric Sinclair, Senior Vice President, TSX Datalinx

Linda Hohol, President, TSX Venture Exchange

Kevan Cowan, Senior Vice President,
TSX Venture Exchange

Robert Fabes, Senior Vice President,
Toronto Stock Exchange

Brenda Hoffman, Vice President, Development
Information and Trading Technology,
TSX Technologies

John Cieslak, Executive Vice President,
Information and Trading Technology
and Chief Information Officer, TSX Group

Harry McLean, Vice President, Operations,
TSX Technologies

ENHANCE THE CORE



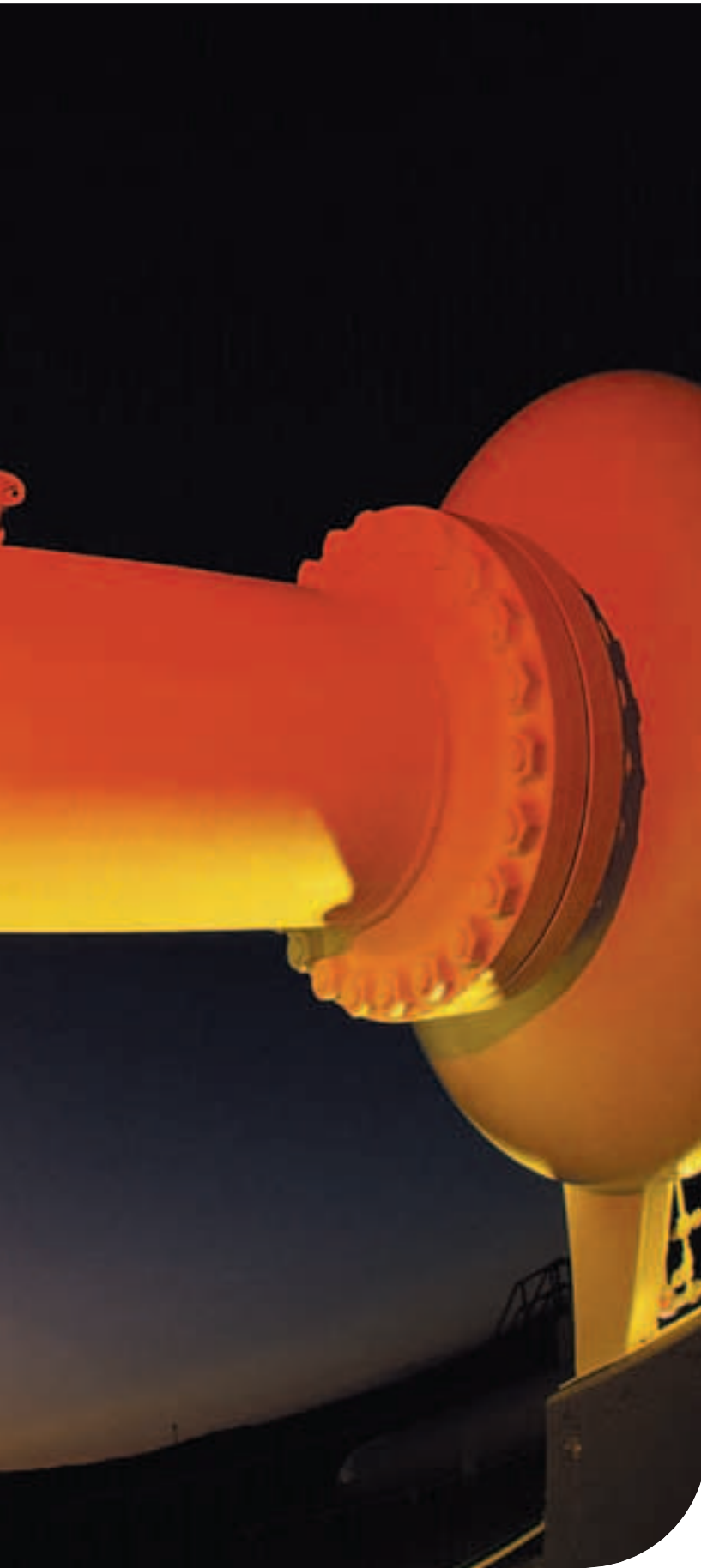


Making connections between buyers and sellers is the core of our business, and key to our growth strategy. In 2004 we helped 58 companies graduate from TSX Venture Exchange to Toronto Stock Exchange, opening these issuers to a larger pool of investors. We also provided new trading products such as TSX Market on Close, and provided additional content to market data customers. The year's results in all three of those areas highlight the value and extent of these connections.

2

EXTEND OUR PRE-EMINENT DOMESTIC POSITION





While enhancing our core, we are also exploiting growth opportunities in non-equity marketplaces. Energy trading is one such field, which we entered through our acquisition of NGX Canada Inc., operator of a Calgary-based energy exchange. Electronic fixed income is another field which we are tapping into through our substantial ownership position in CanDeal.ca Inc., a fully electronic marketplace that traded \$88 billion in debt securities during 2004. Taken together, NGX and CanDeal.ca Inc. are pipelines to our future growth in the North American markets.

3

EXPAND GEOGRAPHICALLY





The past year saw TSX Group build stronger connections with investors in established and emerging markets. We introduced U.S. dollar trading for 30 issuers on Toronto Stock Exchange, and put increased focus on our U.S. sales efforts to draw more order flow from investors in the world's largest pool of capital. We are selling market data to foreign investors interested in the opportunities found in our markets. We are increasing awareness of our exchanges in China, especially in the resource sectors, given our position as the global leader in mining finance. Bridging markets, we also highlighted the strengths of Canada's capital markets to audiences in some of the world's largest financial centres.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Recognizing the leadership role that TSX Group has played in shaping corporate governance practices in Canada, Board of Directors and management of TSX Group continue to be committed to remaining at the forefront of good governance and to ensuring the highest standard of corporate governance. TSX Group's corporate governance policies are designed to support the Board in discharging its responsibilities and to enhance shareholder value. Since becoming a publicly-traded company, we have implemented important initiatives to enhance our corporate governance practices and we regularly review these practices.

TSX Group's corporate governance system complies with Toronto Stock Exchange's Corporate Governance Guidelines (*TSX Guidelines*) and Multilateral Instrument 52-110—Audit Committees (*MI 52-110*). In addition, we continue to review our corporate governance practices with reference to the corporate governance guidelines recommended by the Canadian Coalition for Good Governance, and in anticipation of National Policy 580-201—Effective Corporate Governance (*NP 58-201*) and National Instrument 58-101—Disclosure of Corporate Governance Practices (*NI 58-101*) coming into force.

The Board is responsible for TSX Group's governance and stewardship and overseeing its corporate strategy, affairs and management. The Board discharges this responsibility, either directly or, where appropriate, through committees, and by selecting and holding management accountable for TSX 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 evaluates the Chief Executive Officer 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, and assesses financial performance. In addition, the Board approves the adequacy and form of compensation paid to Directors. In early 2004, the Board adopted a Board Charter (available on the TSX Group website) that describes its responsibilities.

At each regularly scheduled Board meeting, Directors and senior management examine, review and discuss a broad range of issues relevant to TSX Group's strategy, business interests and growth initiatives. In addition, management provides the Board with timely and periodic reports on operational and financial performance. During fiscal 2004, the Board held eleven regular and two special meetings. Attendance by Directors at these meetings was more than 90%, either in person, by teleconference or by video conference. The Board plans to hold eleven meetings in 2005. At every meeting, the Board meets without

management to ensure it is able to discharge its responsibilities independently of management. The Finance and Audit Committee can retain an outside advisor or expert in its discretion. The Governance Committee can retain an outside advisor or expert with the approval of the Chair, and an individual Director or other committee of the Board can retain an outside advisor or expert with the approval of the Governance Committee.

The Board has a non-executive Chair and knowledgeable and experienced Directors, a majority of whom are "unrelated" within the meaning of the TSX Guidelines. In addition, TSX Group complies with its recognition order issued by the Ontario Securities Commission (*Recognition Order*) which currently requires at least 50% of Directors to be "independent," which is defined in the Recognition Order as being independent of management and not associated with a Participating Organization of Toronto Stock Exchange or a Member or Participating Organization of TSX Venture Exchange.

The Board also derives strength from the background, qualities, skills and experience of its Directors. The Governance Committee recommends candidates to the Board who are suitable for nomination to the Board on an annual basis. Nominees are selected for qualities such as integrity, business judgment, financial acumen, independence, business, professional or board expertise and capital markets experience. The Board also takes into consideration representation from geographic regions relevant to TSX Group's strategic priorities.

TSX Group provides new Directors with a Directors' Manual, which serves as a corporate reference, as well as with orientation materials describing its business, strategy, objectives and initiatives. Directors are invited to spend time at our offices and also have timely and periodic one-on-one meetings with the CEO and key members of the senior management team. 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.

TSX Group also provides the Board with a variety of other materials on an *ad hoc* basis, to keep them informed about internal developments as well as developments in, or which affect, its industry. All of these materials and other corporate materials are also accessible by Directors on a permanent, secure intranet.

In each of the past five years, the Board has evaluated its performance and effectiveness through a Board Assessment Survey and has addressed any issues that were raised in these evaluations. In 2004, the Board implemented peer review of the Directors, including the Chair of the Board, to assess individual Director performance. The Chair of the Board conducts formal one-on-one interviews with each Director, based on the results of the survey and the peer review.

The Board's Code of Business Conduct and Ethics for Directors (Board Code), which was updated in late January 2005, sets standards for ethical behaviour of the Board. 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.

TSX Group and the Board are committed to open and proactive 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. We promptly make available presentations from investor conferences on our website. We also make material disclosure documents available on our website.

The Board has four standing committees with specific areas of responsibility to effectively govern TSX Group: Finance and Audit Committee, Human Resources Committee, Governance Committee and Public Venture Market Committee. In late 2004, the Board also struck a special committee to search for a new Chief Executive Officer following the announced resignation of the then-Chief Executive Officer. All of the members of the Finance and Audit Committee and a majority of the members on each other committee are unrelated and independent. All of the committees also consist solely of non-management Directors. The Board believes that the composition of its committees ensures that they operate independently from

management to protect all shareholders' interests. The Board also believes that the members of the Finance and Audit Committee are highly financially literate, given their education and experience. Each standing Board committee has a formal written Charter, approved by the Board. These are reviewed at least annually and are available on our website.

TSX Group recognizes that risk management is integral to its business performance, and it follows a comprehensive integrated risk management program to identify, assess and prioritize principal business risks, and consider the likelihood and potential impact of each risk. TSX Group then develops strategies to manage each identified risk. In addition, we have a business continuity plan to protect personnel and resources and to enable it to continue critical business functions if a disaster occurs. We also have an internal audit function, which reports to the Finance and Audit Committee, and which independently assesses the adequacy and effectiveness of internal controls and recommends corrective action.

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.tsx.com. The Circular also contains our corporate governance practices compared with the TSX Guidelines, information about Directors, and the composition, responsibilities and activities of the Board's committees. All information about corporate governance practices in the Annual Report and in the Management Information Circular was adopted and approved by the Board.

CONTENTS

OVERVIEW OF THE BUSINESS	21
CORE BUSINESS OF TSX GROUP	21
REVIEW OF OPERATIONS – 2004	25
LIQUIDITY AND CAPITAL RESOURCES	27
INITIAL ADOPTION OF ACCOUNTING POLICIES	28
SELECTED ANNUAL INFORMATION	29
QUARTERLY INFORMATION	29
STRATEGY AND OUTLOOK	30
NON-GAAP FINANCIAL MEASURES	32
FORWARD-LOOKING STATEMENTS, RISKS AND UNCERTAINTIES	32

2004 MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE BUSINESS

TSX Group Inc. ("TSX Group"), including its consolidated subsidiaries, owns and operates Canada's two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange, providing venues for capital formation and liquidity. The total market capitalization of the 3,630 issuers listed on TSX Group's equity exchanges at December 31, 2004 was almost \$1.6 trillion, making the combined equity exchanges operated by TSX Group the third largest in North America and the eighth largest in the world. The total value of securities traded in 2004 on TSX Group's equity exchanges was over \$844 billion. TSX Group's success is dependent upon balancing the needs of issuers, intermediaries and investors to provide efficient, quality marketplaces.

On March 1, 2004, TSX Group expanded into energy products through its acquisition of NGX Canada Inc., which operates a North American exchange for the trading and clearing of natural gas and electricity contracts. From that date to December 31, 2004, 6.4 million terajoules in natural gas and electricity contracts were traded on Natural Gas Exchange ("NGX").

TSX Group's vision is to demonstrate Canadian leadership in global markets, providing the global financial community with access to Canada's equity capital and energy markets.

CORE BUSINESS OF TSX GROUP

In 2004, TSX Group earned net income of \$98.4 million on revenue of \$295.6 million. TSX Group derives its revenue from three principal sources – listings, trading, and market data.

LISTINGS – TORONTO STOCK EXCHANGE AND TSX VENTURE EXCHANGE

TSX Group conducts its listings operations through Toronto Stock Exchange, its senior market and TSX Venture Exchange, its junior market. In addition, TSX Venture Exchange has a board for issuers that have fallen below its ongoing listing standards, referred to as NEX¹.

At December 31, 2004, 1,421 issuers were listed on Toronto Stock Exchange with an aggregate market cap of \$1.5 trillion and 2,209 issuers were listed on TSX Venture Exchange with an aggregate market cap of \$24.2 billion. In 2004 and 2003, fees paid by listed issuers on the two

exchanges represented \$127.1 million, or 43%, and \$98.2 million, or 42%, respectively, of TSX Group's revenue.

In general, issuers initially list on Toronto Stock Exchange either in connection with their initial public offerings ("IPOs"), or by graduating from TSX Venture Exchange. During 2004, 58 issuers graduated, representing 28% of the new listed issuers on Toronto Stock Exchange during this period. Junior companies generally list on TSX Venture Exchange either in connection with their IPOs or through alternative methods such as TSX Venture Exchange's Capital Pool Company™ (CPC™) program or reverse takeovers.

Issuers list a number of different types of securities including conventional securities such as common shares, preferred shares, rights and warrants, and an expanding variety of alternative types of securities such as exchangeable shares, convertible debt instruments, limited partnership units, exchange-traded fund units and income trust units.

Issuers that meet initial and ongoing listing requirements of Toronto Stock Exchange or TSX Venture Exchange receive a range of benefits, including opportunities to efficiently access public capital, liquidity for existing investors, mentorship programs and the prestige and market exposure associated with being listed on one of Canada's national stock exchanges.

TSX Group generates revenues through its listing activities by charging issuers the following types of listing fees:

Initial Listing Fees

Through 2003, issuers listing their securities on Toronto Stock Exchange for the first time paid initial listing fees, based on the number of securities listed or reserved, subject to minimum and maximum fees. In 2004, the fee structure was modified so that Toronto Stock Exchange issuers pay initial fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees.

In 2003 and 2004, issuers listing their securities on TSX Venture Exchange for the first time paid initial listing fees based on the number of securities issued or reserved. For 2005, the fee structure has been modified so that TSX Venture Exchange issuers pay initial fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Revenue will vary depending on the level of initial listing activity on Toronto Stock Exchange and TSX Venture Exchange. In 2004 and 2003, initial listing fees were approximately \$24.7 million and \$11.4 million, respectively on the two exchanges combined.

¹Unless otherwise noted, market statistics and financial information includes information for NEX.

Sustaining Fees

Issuers listed on one of TSX Group's 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 fees provide a relatively stable, recurring revenue stream. In 2004 and 2003, sustaining fees were approximately \$43.3 million and \$37.1 million, respectively.

Additional Listing Fees

Issuers listed on one of TSX Group's equity exchanges pay fees in connection with capital market transactions, such as the raising of new capital through the sale of additional securities. Through 2003, issuers listed on Toronto Stock Exchange paid additional listing fees based on the number of additional securities listed or reserved, subject to minimum and maximum fees. In 2004, the fee structure was modified so that Toronto Stock Exchange issuers pay additional fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Issuers listing or reserving additional securities on TSX Venture Exchange also pay additional listing fees based on the value of the securities to be listed or reserved. The level of revenue will generally vary with the level of annual financing activity undertaken by TSX Group's listed issuers. In 2004 and 2003, additional listing fees totaled approximately \$59.1 million and \$49.7 million, respectively on the two exchanges.

TRADING – TSX MARKETS AND NGX

TSX Markets

TSX Group's trading operations for both Toronto Stock Exchange and TSX Venture Exchange are conducted by TSX Markets. Participating Organizations and Member Firms (collectively "POs"), acting as principals or agents for retail and institutional investors, place orders to buy or sell listed securities using TSX Markets' fully electronic trading systems. In both 2004 and 2003, trading and related fees paid by POs represented \$88.8 million, or 30% and \$71.9 million, or 31%, respectively of TSX Group's revenue.

Trading occurs through continuous electronic auction markets or through crosses in which POs internally match orders and report them through the exchanges. All trades are subsequently settled through The Canadian Depository for Securities Limited ("CDS"), in which TSX Group has an approximate 18% interest, with the balance being held by the major Canadian chartered banks and by the Investment Dealers Association of Canada ("IDA").

For trades of securities listed on Toronto Stock Exchange, POs pay fees to TSX Markets based on the value of each trade up to a fixed cap per trade. Fees are charged to

the PO which enters an order that is matched against an existing order. TSX Markets offers discounts to POs that achieve certain minimum total monthly trading value on Toronto Stock Exchange to further encourage trading on that exchange. Beginning in 2004, in addition to offering discounts based on monthly trading value, TSX Markets offers alternative discounts to POs based on achieving a minimum number of trades for a month.

For trades of securities listed on TSX Venture Exchange, POs pay a percentage fee based on a combination of the value and volume of each trade, subject to minimum and maximum fee levels.

In 1997, Toronto Stock Exchange was the first major exchange in North America (and one of the first globally) to move from a traditional floor-based stock exchange to a fully automated exchange where trading takes place entirely through electronic systems, thereby increasing the speed of execution, accessibility to the exchange and the number of transactions that can be processed. In May 2001, TSX Markets' original electronic trading systems were replaced with a more reliable, flexible and scalable system. The system hardware was upgraded in 2004 and was benchmarked over a standard trading window to handle approximately 2.5 times the historical market peak activity using a representative mix of orders and trades. TSX Markets have recently experienced an increase in orders, and have continued to respond with systems upgrades.

TSX Group has a business continuity plan designed to provide the means for TSX Group to continue to operate in the event of a disruption to its main facility. As part of this plan, TSX Group operates two data centres in separate locations, allowing for back-up recovery in the event that one of the centres experiences a failure. During 2004, TSX Markets offered 99.998% trading system availability.

On December 1, 2001 regulatory changes were introduced to permit the creation of alternative trading systems ("ATSs") as competing marketplaces. Part of TSX Markets' strategy is to provide a competitive response to ATS marketplaces and other exchanges as well as to continually implement new trading features and methodologies to meet diverse customer requirements for trade execution. In 2004, TSX Markets launched the Market on Close (MOC) facility, designed to increase liquidity and lower levels of volatility at the close of the trading session. TSX Markets' product offering also includes Specialty Price Crosses (designed to decrease costs associated with advanced trading techniques), voluntary attribution (allows traders to anonymously execute transactions) and Iceberg orders (large size orders may be entered while disclosing only a small portion of the total order size at any time). In 2004,

TSX Markets discontinued its POSIT^{TM2} Canada call market (large orders could be entered anonymously outside the continuous market) due to a lack of market interest.

Market integrity is an essential element of any marketplace. Historically, Toronto Stock Exchange and TSX Venture Exchange monitored and enforced market integrity directly. In order to make this regulatory function independent from its business operations, TSX Inc. proposed the creation of a separate corporate entity, Market Regulation Services Inc. (“RS”), that would administer a set of universal market integrity rules (“UMIR”) for all marketplaces trading equities in Canada. RS is owned 50% by TSX Inc. and 50% by the IDA. RS is recognized by the Ontario, Manitoba, Alberta and British Columbia securities commissions, as well as in Quebec, by the Autorité des marchés financiers, as a self-regulatory organization to act as a regulation services provider under the ATS rules. In March 2002, RS was retained to provide regulation services to Toronto Stock Exchange and TSX Venture Exchange under the ATS rules, as agent for each of them. RS monitors and enforces compliance with those requirements by the POs, their directors, officers, employees and affiliates and performs other regulatory functions as delegated to RS by TSX Group’s equity exchanges.

Trading activity is affected when listed issuers seek additional listings on foreign exchanges, principally in the United States (often referred to as interlisting or dual listings). Interlistings generally raise the profile of issuers in the global market, and trading volumes for these issuers’ securities often increase across all markets as well as on Toronto Stock Exchange. Whether a significant portion of trading of a particular issuer remains in Canada following its interlisting depends on a number of factors, including the location of the issuer’s shareholder base and the location of research analysts who cover the issuer.

Toronto Stock Exchange’s share of trading in Canadian-based interlisted issues, based on value traded, increased from \$434.7 billion in 2003 to \$533.0 billion in 2004; however, its share of trading in these interlisted stocks declined from 60% in 2003 to 47% in 2004. This related primarily to increased investor interest in the United States in securities that are widely held in both Canada and the United States.

In 2004, TSX Markets introduced U.S. dollar trading for 30 companies listed on Toronto Stock Exchange. Initiatives such as the U.S. dollar book and an increased U.S. sales effort are targeted at capturing an increasing proportion of executable order flow from U.S. based investors.

²POSIT is a trade-mark of the POSIT joint venture, a joint venture between Barra POSIT, Inc. and ITG Software, Inc.

TSX Markets has a dedicated sales team focused on U.S. accounts with the goal of raising the level of awareness regarding the benefits of trading on Toronto Stock Exchange and TSX Venture Exchange.

NGX

On March 1, 2004, TSX Group acquired NGX, a Canadian-based energy exchange that provides customers with an electronic platform for the trading and clearing of natural gas and electricity contracts. NGX generates trading and clearing revenue by applying fees to all transactions based on the contract volume traded and/or centrally cleared through the exchange, and charges a monthly fixed subscription fee to each trading customer who utilizes the exchange. NGX’s revenue from trading and clearing activities for the ten months ended December 31, 2004 was \$10.8 million, or 4% of TSX Group’s 2004 revenue.

MARKET DATA - TSX DATALINX

Through TSX Datalinx, TSX Group sells its real-time trading and quotation data, historical data and corporate information to market participants on a global basis. Timely and comprehensive information about market activity and listed issuers assists POs and investors in their decision-making processes and facilitates efficient markets. In 2004 and 2003, data fees represented \$58.8 million, or 20%, and \$52.6 million, or 23%, respectively, of TSX Group’s revenue.

Real-Time Data

Trading activity on TSX Group’s equity exchanges produces a stream of real-time data reflecting orders and executed transactions. This stream of data is packaged by TSX Datalinx into real-time market data products and delivered to end users via more than 75 Canadian and global market data vendors that sell feeds and desktop information services. These information services allow end users to view the real-time market activity of several exchanges and marketplaces, as well as provide supporting reference data, corporate actions and news. These services also enable the end user to transfer the data to applications that allow further manipulation and analysis.

The TSX Datalinx market data distribution platform offers a flexible and reliable environment over which TSX Datalinx distributes a wide range of data simultaneously to a large number of clients. TSX Datalinx carries data from other sources including stocks traded on the Canadian Trading and Quotation System Inc., an exchange for micro-cap stocks, and CanDeal.ca Inc. (“CanDeal”), an institutional fixed income trading system, of which TSX Inc. owns approximately 45%. During 2004, TSX Datalinx offered 99.992% real time feed availability.

Subscribers for TSX Datalinx data generally pay fixed monthly rates, which differ depending on the number of end users and the depth of information accessed. In addition, some subscribers are charged a fee on a per quote basis. Real-time data fees are primarily driven by the number of data subscriptions and therefore are partly related to industry employment. Market data vendors are charged a fixed monthly access fee for each connection to TSX Datalinx. Sales of real-time data represented approximately 95% of TSX Datalinx revenue in both 2004 and 2003.

In 2003, TSX Group and Canada NewsWire Ltd. (“CNW”) announced the creation of CNX Marketlink³, which provides an investor communications and disclosure network for publicly listed companies for press release dissemination. Among other offerings such as web casting and conference call services, CNX Marketlink provides regulatory filing services to public companies using the service to facilitate timely compliance with applicable filing and other disclosure requirements under applicable securities law. TSX Group receives a portion of the revenue from the sale of CNX Marketlink products.

NGX data is currently accessed by customers through a fully electronic, independent trading platform. NGX applies a monthly fixed viewing fee to firms who wish to subscribe to market data services.

Historical Market Data and Corporate Information

Historical market data products include market information (such as historical pricing, index constituents and weightings) and corporate information (such as dividends and corporate actions). This information is generally made available at the end of the trading day and is used in research, analysis and trade clearing.

Historical data products are generally sold 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 redistribution. TSX Datalinx produces two historical data publications for each exchange, a Daily Record, distributed electronically, and a Monthly Review, both of which are sold on a subscription basis.

Index Products

TSX Group has long supported indices to facilitate the measurement of equity market performance. The first Canadian indices were introduced by Toronto Stock Exchange in 1934 and were subsequently modified to

³CNX Marketlink is a trade-mark of CNW Group Ltd. and is used under license.

reflect a substantial increase in listings. The Toronto 35 was introduced in 1987 and was the basis for the world’s first exchange-traded fund, TIPS® (Toronto 35 Index Participation Units). TSX Datalinx and Standard & Poor’s (“S&P”TM)⁴ collaborated in 1998 to bring global recognition to the Canadian markets through the well-known S&P brand. Several new indices were introduced, including the S&P/TSX 60 Index (the large capitalization index for the Canadian equity market) and in 2002, the S&P/TSX Composite Index (the “Index”). The S&P/TSX Composite (formerly the TSE 300 Composite Index®) is the most quoted index for the Canadian equity marketplace, appearing with a high degree of frequency in business media and thereby strengthening brand awareness of TSX Group. In addition, an independent fixed-income index is expected to be launched in the first quarter of 2005.

S&P intends to calculate and distribute the index in collaboration with CIBC World Markets, RBC Capital Markets and TSX Inc.

TSX Datalinx has an arrangement with S&P under which license fees received from organizations that create products, such as mutual funds and exchange-traded funds, based on the S&P/TSX indices, are shared. In general, these license fees are based on a percentage of funds under management in respect of those products.

BUSINESS SERVICES – TSX TECHNOLOGIES

Through the development of its internal technology systems, TSX Group has gained extensive expertise in the area of exchange technology. Since 2001, TSX Group has developed and implemented an information technology plan to ensure the ongoing modernization and streamlining of its technology infrastructure. The execution of the plan has included recruiting a seasoned team of exchange technology professionals with extensive industry experience in installing and operating trading and related systems at other global exchanges. In 2004 and 2003, business services revenue represented \$8.4 million, or 3%, and \$9.1 million, or 4%, of TSX Group’s revenue.

TSX Group currently provides RS technology and related services necessary to conduct its review and real-time monitoring of trading. RS pays TSX Group fees for these services, negotiated on an arm’s length basis, in accordance with an agreement which also details service levels. TSX Group also has an agreement with CanDeal to provide technological services for a fee in support of its institutional fixed-income trading system.

⁴S&P is a trade-mark owned by The McGraw-Hill Companies, Inc. and is used under license.

REVIEW OF OPERATIONS – 2004

TSX Group's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and in Canadian dollars. TSX Group has filed its 2004 audited consolidated financial statements with Canadian securities regulators, and these statements may be accessed through www.sedar.com, or on the TSX Group website at www.tsx.com. This Management's Discussion and Analysis ("MD&A") is to be read in conjunction with these financial statements and related notes. In addition, once filed, TSX Group's Annual Information Form for the financial year ended December 31, 2004 will be available through www.sedar.com.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

Net income was \$98.4 million, or \$2.91 per common share (\$2.88 on a diluted basis), compared with net income of \$76.4 million, or \$2.26 per common share (\$2.25 on a diluted basis) for 2003, representing an increase of 29%. These results reflect increased revenues, partially offset by higher expenses, higher income taxes and lower investment income.

REVENUE

Revenue of \$295.6 million in 2004 increased by \$61.9 million, or 26%, from \$233.7 million in 2003 due to increased revenue from the three primary revenue streams, listing, trading and market data.

Listing Revenue

Listing revenue of \$127.1 million in 2004 increased by \$28.9 million, or 29%, compared with \$98.2 million in 2003. This improvement was due to the previously discussed change in Toronto Stock Exchange's listing fee structure and increased financing activity on both exchanges. Listing revenue on Toronto Stock Exchange of \$96.5 million in 2004 increased by \$22.3 million, or 30%, from \$74.2 million in 2003. There was \$38.4 billion in new equity financing on Toronto Stock Exchange in 2004 compared with \$29.1 billion in 2003. In 2004, there were 204 new issuers listed on Toronto Stock Exchange, as compared with 128 new issuers listed in 2003. Listing revenue on TSX Venture Exchange of \$30.6 million increased by \$6.6 million, or 28%, compared with \$24.0 million in 2003. In terms of new equity financing, \$4.2 billion was raised on TSX Venture Exchange in 2004 compared with \$2.4 billion in 2003. During 2004, there were 142 new issuers listed, compared with 76 new issuers listed in 2003, on TSX Venture Exchange, excluding NEX.

The revenue from sustaining fees also increased in 2004 over 2003, reflecting overall higher market capitalization of

issuers at December 31, 2003 compared with December 31, 2002. For 2005, sustaining fees will be based on the December 31, 2004 market capitalization. There are no planned changes in pricing or listing fee structure on Toronto Stock Exchange for 2005.

Trading and Related Revenue

Trading and related revenue of \$99.6 million in 2004 increased by \$27.7 million, or 39%, compared with \$71.9 million in 2003, largely due to an increase in both the total value of securities traded and number of transactions. Trading and related revenue on Toronto Stock Exchange of \$76.1 million in 2004 increased by \$13.5 million, or 22%, compared with \$62.6 million in 2003. Trading and related revenue on TSX Venture Exchange of \$12.7 million in 2004 increased by \$3.4 million, or 37%, compared with \$9.3 million in 2003. The total value of securities traded on Toronto Stock Exchange and TSX Venture Exchange was \$844.8 billion in 2004, a 29% increase over the \$655.3 billion in value traded during 2003. The number of transactions on Toronto Stock Exchange and TSX Venture Exchange increased by 31% to 43.1 million in 2004 from 33.0 million in 2003.

In addition, revenues of \$10.8 million from NGX for the period from March 1, 2004 to December 31, 2004 have been included in trading and related revenue. In the period from March 1, 2004 to December 31, 2004, 6.4 million terajoules in natural gas and electricity contracts were traded on NGX, a 19% increase over 5.4 million terajoules traded in this 10 month period during 2003.

Market Data Revenue

Market data revenue of \$58.8 million in 2004 increased by \$6.2 million, or 12%, compared with \$52.6 million in 2003. The increase reflects a higher number of professional and real-time data subscriptions. The 107,610 professional and equivalent real-time data subscriptions at the end of 2004 are higher by approximately 6% when compared to 101,795 at the end of 2003, partly reflecting sales of premium products that display the full order book. In addition, the increase reflects the benefits from increased retail activity, and the revenue from CNX Marketlink, a joint initiative launched with CNW during the fourth quarter of 2003. As well, during the third quarter of 2004, there were revenue recoveries of approximately \$1.5 million related to under-reported usage of real-time quotes.

The revenue growth was somewhat offset by the impact of certain users converting to an alternate fee model under which the fees for usage based quotes are capped. While most users, who would benefit, had converted to this model by the end of 2004, revenue growth in 2005 could be affected by this factor. The growth in market data revenue

was also somewhat offset by the negative impact of the appreciation of the Canadian dollar versus the U.S. dollar during 2004. TSX Group derived approximately \$18.1 million Canadian in both 2004 and 2003 from market data sales to customers paying in U.S. dollars.

Market data revenue on Toronto Stock Exchange of \$45.2 million in 2004 increased by \$5.2 million, or 13%, compared with \$40.0 million in 2003. Market data revenue on TSX Venture Exchange of \$13.2 million in 2004, increased by \$0.6 million, or 5%, compared with \$12.6 million in 2003.

Business Services Revenue

Business services revenue of \$8.4 million in 2004 decreased by \$0.7 million, or 8%, compared with \$9.1 million in 2003. The decrease is primarily related to a change in the pricing for technology services provided to RS, reflecting cost savings from migrating to a more cost efficient technology solution. RS paid TSX Group \$7.3 million in 2004 for technology related services as compared to \$8.1 million in 2003.

EXPENSES

Expenses of \$144.5 million in 2004 increased by \$9.5 million, or 7%, from \$135.0 million in 2003. The increase was largely due to higher general and administrative costs and the inclusion of NGX expenses for the ten month period ended December 31, 2004, partially offset by a decrease in information and trading systems costs for the same period.

Compensation and Benefits

Compensation and benefits costs of \$73.6 million for 2004 increased by \$0.4 million, or 1%, from \$73.2 million in 2003. The change is attributable to the inclusion of costs pertaining to NGX employees for the period from March 1, 2004 to December 31, 2004 and salary increases, which were largely offset by reduced long term compensation expense related to both share options and share appreciation rights. During the fourth quarter of 2003, a program was established to effectively hedge non-performance based compensation expense related to share price appreciation, which mitigated the impact in 2004.

The number of employees at December 31, 2004 was 553, including 30 NGX employees, compared with 524 at December 31, 2003.

Information and Trading Systems

Information and trading systems costs of \$15.8 million for 2004 decreased by \$1.5 million, or 9%, from \$17.3 million in 2003. The decrease is primarily attributable to savings from lower lease and maintenance costs as operational efficiencies were realized.

General and Administrative

General and administrative costs of \$42.1 million increased by \$8.8 million, or 26%, from \$33.3 million in 2003. The increase is partially attributable to the inclusion of NGX costs for the period from March 1, 2004 to December 31, 2004 and higher expenses related to product and brand marketing compared with 2003. The increase is also related to the settlement of arbitration proceedings with Ashton Technology Canada Inc. ("Ashton"). TSX Inc., a subsidiary of TSX Group Inc., was a defendant in arbitration proceedings commenced by Ashton on June 11, 2003. On September 20, 2004, an arbitrator held that TSX Inc. had breached an agreement with Ashton dated June 7, 2000 to develop and integrate an eVWAP facility, and held that Ashton was entitled to recover damages and reasonable costs sustained as a result of that breach. On October 22, 2004, the parties settled the matter for \$3.6 million.

TSX Group paid RS \$3.1 million for regulation services in 2004 as compared to \$3.6 million in 2003. The decrease related to lower fees charged for the RS services.

Amortization

Amortization of \$13.0 million for 2004 increased by \$1.8 million, or 16%, from \$11.2 million in 2003, primarily reflecting \$1.7 million of amortization of the tangible and intangible assets associated with the acquisition of NGX.

Loss from Investment in Affiliate

Loss from investment in affiliate of \$1.2 million represents TSX Group's approximate 45% share of CanDeal's loss for 2004, and is essentially unchanged from the loss in 2003.

Investment Income

Investment income of \$4.8 million for 2004 decreased by \$5.4 million, or 53%, compared with \$10.2 million in 2003. The decrease was primarily attributable to a lower amount of cash available for investment following the payment of a special dividend of \$168.7 million on December 31, 2003.

Income Taxes

Income taxes were \$56.2 million in 2004, compared to \$31.3 million in 2003. The effective tax rate increased from approximately 29% for 2003, to approximately 36% for 2004. The lower tax rate in 2003 related primarily to an adjustment of \$8.7 million in the value of the future tax asset in 2003. In December, 2003, the Ontario government enacted legislation to increase the provincial corporate income tax rate from 12.5% to 14.0% effective January 1, 2004. As a result of this change in the provincial tax rate, the value of the future tax asset was increased and income tax expense was reduced for 2003.

LIQUIDITY AND CAPITAL RESOURCES

CASH AND MARKETABLE SECURITIES

Cash and marketable securities were \$171.6 million at December 31, 2004, an increase of \$54.0 million from \$117.6 million at the end of 2003. Cash generated from operating activities was \$127.0 million for 2004, compared with \$82.0 million in 2003. On March 1, 2004, there was a net cash outflow of \$27.2 million for the acquisition of NGX, as described in CASH FLOWS USED IN INVESTING ACTIVITIES.

During 2004, TSX Group paid two dividends of \$0.25 per common share, and two dividends of \$0.33 per common share, or \$39.3 million in aggregate. The recognition order of TSX Group Inc. and TSX Inc. contains certain financial viability tests that must be met. If these tests are not met for a period of three consecutive months, dividends cannot be paid by TSX Inc. until six months after rectification.

FINANCIAL INSTRUMENTS

TSX Group's financial instruments include cash and marketable securities. TSX Group holds units in a money market fund and a short-term bond and mortgage fund. The primary risks related to these financial instruments are variation in interest rates and counterparty default. Short-term interest rate risk is managed by maintaining a mix between amounts invested in the money market fund and the short-term bond and mortgage fund. Credit risk is managed by restricting investments to counterparties with a credit rating of A or higher as determined by the Dominion Bond Rating Service.

DERIVATIVE FINANCIAL INSTRUMENTS

TSX Group purchased total return forward contracts to partially hedge against the impact of market price fluctuations of TSX Group shares on the cost of restricted share units and deferred share units that are awarded to directors and senior management. Specifically in 2003, a program was established to effectively hedge non-performance based compensation costs related to share appreciation rights. Any increase in TSX Group's share price results in an increase in the liability to its employees and directors and a corresponding increase in the return on the hedged units. The reverse situation arises in the case of a price decline. In the event a designated hedged item is sold, forfeited or matures prior to the termination of the relative derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income. As part of this hedging arrangement, TSX Group pledged assets with a market value of \$11.9 million (\$12.4 million in 2003) with CDS but retains beneficial ownership. This enables a counterparty to purchase derivative instruments in return for

a competitive financing charge. To manage credit risk, TSX Group's arrangement is with a Schedule I Canadian chartered bank.

NGX COLLATERAL ARRANGEMENTS AND CLEARING BACKSTOP FUND

As part of its clearing operations, NGX becomes the central counterparty to each transaction, thereby guaranteeing the performance of every contract that is executed on its electronic trading platform. To manage the risks associated with its clearing activities, NGX holds collateral to cover each counterparty's ("Contracting Party") exposure and maintains a \$30.0 million clearing backstop fund. TSX Group is the guarantor of this fund, and has pledged \$30.0 million of marketable securities related to its obligations as guarantor.

NGX requires each Contracting Party to provide collateral in the form of cash or letters of credit based on the margins required for its unsettled contractual obligations, which may be accessed in the event of default by such Contracting Party. The collateral provided in the form of cash ("the cash collateral deposits") is segregated in individually designated bank accounts held at a major Canadian chartered bank by NGX which acts as trustee for these funds. The cash collateral deposits, together with letters of credit provided by all the Contracting Parties, exceed all of the outstanding credit exposure, as determined by NGX, for all its unsettled contractual obligations at any point in time.

TOTAL ASSETS

Total assets were \$967.4 million at December 31, 2004, an increase of \$692.8 million from \$274.6 million at December 31, 2003. The increase is primarily due to the inclusion of energy contract receivables of \$608.4 million related to the clearing operations of NGX. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contract payables, which were \$607.5 million at December 31, 2004. In addition, \$31.6 million was recorded in 2004 to reflect the goodwill and intangible asset associated with the purchase of NGX. As well, cash and marketable securities at the end of 2004 increased by \$54.0 million over the total at the end of 2003.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were \$127.0 million in 2004 compared with \$82.0 million for 2003, representing an increase of \$45.0 million. A significant contributor to cash flows in 2004 was \$111.4 million of net income before amortization (\$87.6 million in 2003). There was also an increase of \$13.7 million in income taxes payable in 2004 (\$6.7 million decrease in 2003).

CASH FLOWS USED IN INVESTING ACTIVITIES

Cash flows used in investing activities were \$81.2 million in 2004, compared with \$110.2 million generated from investing activities in 2003, representing a decrease of \$191.4 million. During 2004, \$44.7 million was invested in marketable securities (\$117.3 million (net) in marketable securities were sold in 2003). On March 1, 2004, TSX Group acquired NGX at a purchase price of \$39.4 million plus \$0.8 million of closing costs, less cash held by NGX

CONTRACTUAL OBLIGATIONS

(In thousands of dollars)	PAYMENTS DUE BY PERIOD			
	Total	Less than 1 year	1 to 3 years	4+ years
Lease Commitments				
Capital Lease Obligations	\$ 2,138	\$ 715	\$ 1,423	\$ -
Operating Leases	58,894	11,213	21,997	25,684
Total Lease Commitments	61,032	11,928	23,420	25,684

SHAREHOLDERS' EQUITY

Shareholders' equity was \$280.8 million at December 31, 2004, an increase of \$63.5 million from \$217.3 million at the end of 2003. The increase is primarily attributable to net income of \$98.4 million, offset by dividend payments in 2004 of \$39.3 million. As a result of legislation passed by the Ontario Legislature on December 14, 1999, effective April 3, 2000, Toronto Stock Exchange continued from a not-for-profit corporation to a for-profit taxable business corporation, The Toronto Stock Exchange Inc. (subsequently renamed TSX Inc.). At the time of the continuance, any accumulated excess in revenue over expenses was internally restricted and could not be distributed to the shareholders, except on a windup of TSX Inc. As at December 31, 2004, this amount was \$64.5 million compared with \$64.9 million at December 31, 2003.

At both December 31, 2004 and January 25, 2005, there were 33,890,291 common shares issued and outstanding. There were 2,800,000 common shares originally reserved for issuance under a share option plan of which 140,200

of \$13.0 million at March 1, 2004, for a net cash outflow of \$27.2 million.

CAPITAL AND OTHER ASSET EXPENDITURES

Capital expenditures in 2004 were \$9.3 million primarily related to further technology investments targeted at maintaining best in class systems and leasehold improvements associated with the business continuity plan. Capital expenditures were \$7.1 million in 2003 primarily related to the renovation of TSX Broadcast & Conference Centre in the second quarter of 2003.

common shares were issued on the exercise of stock options in 2004. At both December 31, 2004 and January 25, 2005, 665,950 options were outstanding.

On January 25, 2005, the Board of Directors approved, subject to shareholder and regulatory approval, a subdivision of TSX Group's shares on a two-for-one basis.

INITIAL ADOPTION OF ACCOUNTING POLICIES

EMPLOYEE FUTURE BENEFITS

In the second quarter of 2004, TSX Group adopted the amendments published by the Canadian Institute of Chartered Accountants for reporting Employee Future Benefits, which is effective for periods ending on or after June 30, 2004. The total net retirement benefit cost was \$4.7 million for 2004 (\$4.2 million for 2003). Commencing January 1, 2004, TSX Group measured its accrued benefit obligations and the fair value of plan assets for accounting purposes as at September 30 of each year (as at December 31 for 2003).

SELECTED ANNUAL INFORMATION

(in thousands of dollars, except per share amounts)	2004	2003	2002*
Revenue	\$ 295,553	\$ 233,680	\$ 215,885
Net income	98,397	76,353	53,762
Total assets	967,430	274,571	386,237
Long-term liabilities	24,286	23,510	17,398
Earnings per share: Basic	2.91	2.26	1.59
Diluted	2.88	2.25	1.59
Cash dividends declared per common share	1.16	5.69	0.59**

* On November 12, 2002, TSX Inc. completed a reorganization under a court-approved plan of arrangement. As a result of this reorganization, TSX Group became the holding company for TSX Inc. and its operating subsidiaries and divisions. The financial information contained in this table is the consolidated financial information of TSX Inc. prior to November 12, 2002, and has been presented as a continuity of interests of TSX Inc. from and after November 12, 2002. The reorganization would not have had a material effect on TSX Group's financial results if it had been implemented at the beginning of the financial year ended December 31, 2002.

**Restated after giving effect to the conversion of one share for 12,688 shares in November, 2002.

For the year ended December 31, 2004, net income was \$98.4 million, or \$2.91 per common share (\$2.88 on a diluted basis), on total revenue of \$295.6 million, representing an increase of \$22.0 million, or 29%, compared to \$76.4 million, or \$2.26 per common share (\$2.25 on a diluted basis) for the year ended December 31, 2003. The 2004 results reflect significantly higher revenue across all of the primary business areas, partially offset by an increase in expenses and income taxes and lower investment income.

For the year ended December 31, 2003, net income was \$76.4 million, or \$2.26 per common share (\$2.25 on a diluted basis), on total revenue of \$233.7 million, representing an increase of \$22.6 million, or 42% compared to \$53.8 million, or \$1.59 per common share (on a basic and diluted basis), for the year ended December 31, 2002. This increase was primarily due to increased listing as well as trading and related revenue somewhat offset by lower market data revenue. The results also reflected the achievement of operational efficiencies, a reduction in discretionary spending and lower income taxes primarily related

to an increase in the value of the future tax asset of \$8.7 million in 2003.

During 2004, total assets of \$967.4 million increased by \$692.8 million over \$274.6 million in 2003 primarily as a result of the inclusion of energy contract receivables of \$608.4 million related to the clearing operations of NGX. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contract payables, which were \$607.5 million at December 31, 2004. In addition, \$31.6 million was recorded in 2004 to reflect the goodwill and intangible asset associated with the purchase of NGX. As well, cash and marketable securities at the end of 2004 increased by \$54.0 million over the total at the end of 2003.

During 2003, TSX Group paid \$192.0 million in dividends (including a special dividend of \$5.00 per common share, or \$168.7 million) which was the primary reason for the decrease in total assets between December 31, 2002 and December 31, 2003.

QUARTERLY INFORMATION

The following is a summary of the unaudited results for the quarters ended:

(in thousands of dollars, except per share amounts)	2004				2003			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue	\$ 79,000	\$ 67,784*	\$ 74,368*	\$ 74,401*	\$ 67,344	\$ 59,441	\$ 52,813	\$ 54,082
Net income	27,678	19,996	24,879	25,844	26,910	18,883	16,198	14,362
Earnings per share: Basic	0.82	0.59	0.74	0.76	0.80	0.56	0.48	0.43
Diluted	0.81	0.58	0.73	0.76	0.79	0.56	0.48	0.43

*Revenue adjusted to reflect reclassification of interest income earned on collateral deposits from Investment income to Trading and related revenue.

In 2003, revenues for both the first and second quarters were impacted by geopolitical events, which created market uncertainty. Revenues improved in the third and fourth quarters of 2003 primarily due to increased market activity in terms of both additional financing as well as trading. While TSX Group has a largely fixed cost structure, a portion of spending is discretionary with respect to timing and amount for certain initiatives. During 2003, discretionary spending was limited. TSX Group's 2003 quarterly spending level was consistent throughout the year with the exception of the fourth quarter, due to additional share-based compensation expense. In the fourth quarter of 2003, the Ontario government enacted legislation to increase the provincial corporate income tax rate from 12.5% to 14.0% effective January 1, 2004. As a result of this change in the provincial corporate tax rate, the value of the future tax asset was increased and income tax expense decreased by \$8.7 million.

Strong market activity continued in the first quarter of 2004, which resulted in improved revenues. Investors and issuers continued to be very active in the second quarter of 2004. There was a seasonal slowdown in market activity during July and August of 2004, which was the main driver of the decline in revenue for the third quarter of 2004 compared with both the first and second quarters of 2004. Net income for the third quarter of 2004 also declined when compared with both the first and second quarters of 2004 due to the decline in revenue and higher general and administrative costs. Market activity increased in September, 2004 and continued on into the fourth quarter, resulting in significantly increased revenue from both listing and trading activity. Net income for the fourth quarter increased compared to each of the first three quarters of 2004 primarily due to the increased revenue. Expenses in the fourth quarter of 2004 were significantly lower than the third quarter of 2004 due to substantially lower general and administrative costs.

STRATEGY AND OUTLOOK

TSX Group has identified a number of trends that have important implications for its Strategy and Outlook. Technology is enabling and accelerating change by providing capital markets with the tools to improve efficiency and to pursue new avenues of growth. This is clearly evident as exchanges become fully electronic, as increased processing power is available at a lower cost, and access widens with rapid internet adoption as well as wireless connectivity.

Innovation is driving growth in new areas as well. This can be seen in the rapid acceleration into electronic trading of additional asset classes (fixed income and derivatives),

the development of increasingly sophisticated investment products (exchange traded funds and income trusts) and the proliferation of more complex trading practices (program, quantitative, basket and hedge fund trading). Opportunities are developing to standardize Over the Counter ("OTC") products, which is often a precursor to trading on electronic exchanges.

TSX Group believes its principal strengths are its:

- pre-eminent position in the domestic market, operating the national equity exchanges and leading energy exchange in Canada;
- leadership and demonstrated expertise in introducing technological and product innovations in the exchange industry globally; and
- international reputation for operating exchanges independently and with integrity.

TSX Group's corporate objectives are to achieve profitable growth and to maximize shareholder returns by capitalizing on these strengths and pursuing the principal strategies described below, organically and through acquisitions, strategic alliances and investments. TSX Group's goal is to achieve long-term annual earnings per share growth in the 10 to 12 per cent range although growth rates will vary both on a quarterly and annual basis.

ENHANCE THE CORE BUSINESS

To maintain its pre-eminent position in the Canadian equity capital market, TSX Group intends to further expand its product and service offerings with increased customer focus, to address the changing needs of issuers, intermediaries and investors.

- TSX Group will continue to focus on maintaining a quality marketplace with balanced standards that address the diverse needs of issuers, investors and intermediaries. By doing so, both Toronto Stock Exchange and TSX Venture Exchange expect to attract new, quality issuers and list innovative securities, which in turn is expected to continue to attract capital and investors to the marketplace. Both exchanges plan to further streamline the graduation process, an important source of new listings for Toronto Stock Exchange, and will provide venues for issuers to showcase themselves in order to attract interest and activity on the exchanges. Toronto Stock Exchange will focus on addressing issues that affect listed issuers as public companies, through policy reforms, corporate governance workshops and by providing investor relations tools. TSX Venture Exchange will focus on addressing issues that affect listed issuers as public companies, pursuing initiatives that drive new listings, such as expansion of its CPC™ program and

execution of its Public Venture Capital Campaign, and enhancing existing issuers' probability of success as public companies through mentoring programs. TSX Venture also intends to pursue growth in Central and Eastern Canada, where public venture capital markets are less developed than in Western Canada.

- TSX Group intends to continue to operate one of the world's leading electronic trading platforms that offers reliability, scalability and speed of execution. In addition, TSX Group will continue to develop and offer new customized trading products, services and features, such as those introduced in 2004 (Market on Close, Market Making Reform and the U.S. Dollar Book) in order to meet the distinct needs of its various investors and intermediaries and bring more liquidity and efficiency to the marketplace.
- TSX Group plans to leverage its existing data capabilities and infrastructure (LinxPointOne) to add new content, such as OTC data and other premium data. It will focus on expanding the existing customer base and selling premium products that display the full order book.
- TSX Group will focus on maintaining its operational excellence, while supporting new business initiatives and managing its costs of operations. TSX Group will continue to implement enhancements, such as the recent major hardware upgrades, and new products and services to support business initiatives, in compliance with its technology standards and architecture plan.

EXTEND OUR PRE-EMINENT DOMESTIC POSITION

TSX Group will also seek growth opportunities through diversification into related markets in which it has competitive advantages and can capitalize on its strengths.

- TSX Group plans to apply its expertise in developing and operating electronic marketplaces to reach beyond its current equity securities business into other types of securities and other marketplaces, including those that are in early stages of transition to electronic trading. Examples of such marketplaces include:
 - In July 2002, TSX Group acquired an interest in CanDeal, which owns an electronic trading system for the institutional debt market in Canada. CanDeal's value traded has grown from \$50 billion in 2003 to \$88 billion in 2004. CanDeal had 65 customers at the end of 2004 compared with 46 customers at the end of 2003. CanDeal plans to add content, and increase the number of liquidity providers and customers in 2005.
 - In March 2004, TSX Group acquired NGX, an exchange that trades and clears natural gas and electricity contracts. NGX provides an efficient and secure energy trading and clearing platform to North

American customers. NGX will continue to focus on developing its physical and financial contracts business in both Canada and the United States, while building capacity through improvements to its business processes and capital structuring.

- TSX Group will continue to provide select technology services to external customers by leveraging its existing infrastructure and resources and, in particular, its staff's expertise in market-related technology.

GEOGRAPHIC EXPANSION

TSX Group will look for ways to grow the business and expand beyond the borders of Canada.

- TSX Group will place greater focus in the future on making its exchanges the markets of choice for those securities and products traded in Canada by U.S. market participants. It will pursue multiple initiatives across all business areas:
 - TSX Group will seek to capture an increasing proportion of executable order flow from U.S.-based investors by meeting U.S. and global connectivity standards (FIX), expanding its use of comparable pricing (in U.S.\$), demonstrating best execution, and having a dedicated team to educate the market on the benefits of trading on TSX Group's equity exchanges.
 - TSX Group plans to utilize a U.S.-based sales team to deepen its relationships with all market data vendors in order to increase data sales.
 - TSX Group plans to raise the profile of the Canadian market generally in both the U.S. and further abroad, through participation in industry events, and developing and enhancing relationships with key stakeholders and strategic partners in U.S. cities and other global financial centres. Also, TSX Group will work with interlisted issuers to further understand their needs and learn their perception of the value of interlisting to enhance its offering and services.
 - TSX Group will seek to attract additional listings of global mining and other natural resource companies by capitalizing on its international reputation of having a leading marketplace for those issuers. Today, over 50% of the world's publicly traded mining companies are listed on TSX Group's exchanges.
 - TSX Group believes there is an opportunity to expand its North American energy business. NGX provides a combination of electronic trading and clearing that TSX Group believes is a competitive advantage. TSX Group will conduct extensive research to identify key hubs for the NGX model and leverage its existing systems and customer base.

NON-GAAP FINANCIAL MEASURES

Net income before amortization, which is used in this MD&A, does not have a standardized meaning prescribed by Canadian GAAP and therefore, is unlikely to be comparable to similar measures presented by other issuers.

FORWARD-LOOKING STATEMENTS, RISKS AND UNCERTAINTIES

This MD&A, in particular the section under the heading “Strategy and Outlook”, contains forward-looking statements, which are not historical facts but are based on certain assumptions and reflect TSX 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. Some of the risk factors that could cause actual results to differ materially from current expectations are those set out below.

TSX Group has in place an integrated and evolving 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 Senior Management oversees 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.

TSX Group’s business, financial condition, or operating results could be materially adversely affected if any of these risks and uncertainties were to materialize, and if TSX Group was unsuccessful in mitigation of any of these risks through the strategies outlined in this section. Additional risk factors are discussed in TSX Group’s materials, including its Annual Information Form, filed with the securities regulatory authorities in Canada from time to time. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

CANADIAN ECONOMY, MARKETS, COMPETITION AND NEW BUSINESS ACTIVITIES

TSX Group’s revenue is derived primarily in Canada and can be negatively affected by an economic downturn. TSX Group depends on market activity that is outside of its control. TSX Group’s revenues are highly dependent upon

the level of activity on TSX Group’s exchanges, including the number of transactions, volume and value of securities traded, the number and market capitalization of listed issuers, the number of new listings, the number of active traders and POs in the market, the number of market data subscribers and similar variables.

TSX Group faces competition from other securities exchanges as well as from ATSS, or electronic communication networks (ECNs), and other quotation and trading systems. This competition may intensify in the future, especially as technological advances create pressure to develop more efficient and less costly trading in global and/or regional markets.

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

TSX GROUP’S EXCHANGES DEPEND ON THE DEVELOPMENT AND ACCEPTANCE OF THEIR NEW PRODUCTS

TSX Group is dependent to a great extent on the development and introduction of new financial and trading products, services and features, and the acceptance by the investment community of those products, services and features. While TSX Group is continually reviewing its products and, in consultation with market participants, developing new products that respond to the needs of the marketplace, there can be no assurance that TSX Group will continue to develop successful new products. Current products may become outdated or lose market favour before adequate enhancements or replacements can be developed.

Other exchanges or ATSS may introduce new products or product enhancements that reduce the attractiveness of TSX Group’s products. Even if TSX Group develops an attractive new product, TSX Group could lose trading activity to another exchange or an ATS that introduces a similar or identical product because of the competitor’s greater liquidity or lower cost. Furthermore, TSX Group may not receive regulatory approval in a timely manner or at all for new products it develops. Any such event could have a material adverse effect on TSX Group’s results of operations.

EXECUTING BUSINESS STRATEGIES

In order to seek profitable growth and maximize shareholder returns, TSX Group intends to invest significant resources in executing its strategies. TSX Group may experience difficulty in executing its strategies because of, among other things, increased global competition, difficulty in developing and introducing new products, barriers to entry in other geographic markets and changes in regulatory requirements. Any of the above could have a material adverse effect on the successful execution of TSX Group's strategies.

TSX GROUP COULD SUFFER LOSSES AS A RESULT OF NGX'S CLEARING ACTIVITIES

TSX Group acquired NGX on March 1, 2004. In providing clearing services, NGX guarantees the performance of its cleared contracts. TSX Group could suffer a loss as a result of NGX assuming the counterparty risk, which is the risk that one or several Contracting Parties will default on their contractual obligations. NGX faces other particular risks associated with the clearing business including, market risks, settlement risks, concentration risks, operational risks and risks of default by a Contracting Party or its financial institution.

NGX provides a clearing facility to energy market participants and acts as the central counterparty to all transactions consummated through its exchange. As a clearing house, NGX is subject to the risk of the simultaneous occurrence of a counterparty default event coupled with an extreme market price movement. NGX manages this risk through standardized rules and regulations, and a conservative margining regime that utilizes globally-accepted margin concepts.

The margining regime involves a real-time market stress valuation of client portfolios and the deposit by counterparties of liquid collateral in excess of such valuations. Market stress scenarios are conducted regularly to test the ongoing integrity of the clearing operation. In addition to the margining regime, there are established policies, instructions, rules and regulations as well as procedures that are specifically designed to ensure that risks are actively managed and mitigated.

In order to backstop its clearing operations, NGX has a \$30.0 million credit facility in place with a Canadian chartered bank. If NGX draws on this facility as a result of a default and then is unable to repay when due, then TSX Group, as NGX's guarantor, will be required to repay the amount owing on the facility.

CUSTOMERS, SUPPLIERS AND OTHER EXTERNAL FACTORS

During 2004, approximately 63% of TSX Group's trading revenues on Toronto Stock Exchange and approximately 68% of TSX Group's trading revenues on TSX Venture Exchange were accounted for by the top 10 POs on each exchange. A significant reduction in revenue from any one of these POs, or consolidation among POs, could have a material adverse effect on TSX Group's business, financial condition or operating results.

If TSX Group's exchanges determine that an insufficient number of POs are able to access the markets for reasons such as their network problems or performance issues related to third party vendors, and there is not a fair market, the markets would be shut down.

TSX Group's systems and operations are vulnerable to damage or interruption from human error, natural disasters, power loss, sabotage or terrorism, computer viruses, intentional acts of vandalism and similar acts and events.

TSX Group depends on a number of third parties, such as CDS, RS, data processors, software and hardware suppliers, telecommunications businesses and suppliers of electricity for elements of its trading, data and other systems, as well as communications and networking equipment, computer hardware and software related support and maintenance. There can be no assurance that any of these providers will be able to provide these services without interruption and in an efficient, cost-effective manner or that they will be able to adequately expand their services to meet TSX Group's needs. TSX Group has active programs in place to identify and minimize its exposure to the above-mentioned risks.

TSX GROUP'S COST STRUCTURE IS LARGELY FIXED

Most of TSX Group's expenses are fixed and cannot be readily lowered in response to reductions in its revenues, which could have an adverse effect on TSX Group's results of operations and financial condition.

KEY MANAGEMENT PERSONNEL

TSX Group's success depends to a significant extent upon the continued employment and performance of a number of key management personnel. The loss of the services of one or more of these key personnel could have a material adverse effect on TSX Group's business and results of operations. TSX Group also believes that its future success will depend in large part on TSX Group's ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such personnel is

intense, particularly as market conditions continue to improve. There can be no assurance that TSX Group will be successful in attracting and retaining the personnel it requires.

TECHNOLOGY

TSX Group is extremely dependent on its information technology systems, including data and communications systems (“IT Operations”). TSX Group’s trading is conducted exclusively on an electronic basis. In addition, TSX Group’s trading system hardware was upgraded in 2004 and was benchmarked over a standard trading window to handle approximately 2.5 times the historical market peak activity using a representative mix of orders and trades. TSX Markets have recently experienced an increase in orders and have continued to respond with systems upgrades. There are many factors, including number of orders and executed trades, which can impact required systems capacity. The mix of order flow is subject to fluctuation depending on the trading patterns of POs and the marketplace. While TSX Group has developed and planned various measures, disaster recovery and contingency plans and back-up procedures to manage, mitigate and minimize the risk of an interruption or failure to its IT operations

and to ensure their integrity, there is always the risk that those measures, plans and procedures are not adequate and therefore the risk of a system failure or interruption cannot be eliminated.

REGULATORY ENVIRONMENT

TSX Group and its exchanges are subject to the oversight of certain of the provincial securities regulators and their future operations may be subject to regulation in other jurisdictions. Securities regulators may impose barriers or constraints limiting TSX Group’s ability to build an efficient, competitive organization and also may limit TSX Group’s strategies for expanding foreign and global access and utilization. In addition, securities regulators impose financial and corporate governance restrictions on TSX Group. TSX Group’s exchanges’ listing standards, trading rules and features, and operations of its systems, or changes to them, are subject to oversight or approval of certain of the provincial securities regulators and compliance with mandated procedures, which may entail additional costs to TSX Group and impact timing of implementation.

January 25, 2005

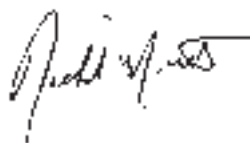
MANAGEMENT STATEMENT

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements, management's discussion and analysis, and other information in this annual report. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and, in the opinion of management, fairly reflect the financial position, results of operations and changes in the financial position of TSX 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 unrelated directors within the meaning of the TSX Guidelines, 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.

The TSX 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.



RICHARD NESBITT
Chief Executive Officer
January 25, 2005




MICHAEL PTASZNIK
Chief Financial Officer
January 25, 2005

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of TSX Group Inc. as at December 31, 2004 and 2003 and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Toronto, Canada
January 25, 2005

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003 (in thousands of dollars)	2004	2003
Assets		
Current assets:		
Cash	\$ 17,424	\$ 8,230
Marketable securities (notes 3 and 4)	154,126	109,400
Accounts receivable	19,751	14,263
Energy contracts receivable (notes 9 and 10)	608,383	–
Prepaid expenses	3,592	2,371
Future tax asset (note 20)	5,694	3,937
	808,970	138,201
Premises and equipment (note 5)	31,484	31,184
Future tax asset (note 20)	43,009	50,530
Other assets (note 6)	13,686	12,243
Investment in affiliate (note 8)	12,132	13,342
Intangible assets (note 11)	33,208	23,108
Goodwill (note 11)	24,941	5,963
	\$ 967,430	\$ 274,571
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 31,852	\$ 26,864
Energy contracts payable (notes 9 and 10)	607,537	–
Deferred revenue	2,828	588
Current portion of obligation under capital lease (note 12)	533	288
Income taxes payable	19,587	6,034
	662,337	33,774
Long term liabilities:		
Accrued employee benefits liability (note 7)	7,220	6,487
Obligation under capital lease (note 12)	1,282	1,277
Other liabilities (note 14)	15,784	15,746
	24,286	23,510
Shareholders' equity (note 15):		
Share capital	375,765	372,004
Reserve for share option plan	1,662	1,018
Deficit	(96,620)	(155,735)
	280,807	217,287
Commitments and contingent liability (notes 12 and 23)		
	\$ 967,430	\$ 274,571

See accompanying notes to consolidated financial statements.

On behalf of the Board:


WAYNE FOX
Chair


J. SPENCER LANTHIER
Director

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2004 AND 2003 (in thousands of dollars, except per share amounts)	2004	2003
Revenue:		
Listing	\$ 127,145	\$ 98,249
Trading and related	99,629	71,882
Market data	58,793	52,589
Business services (note 21)	8,367	9,148
Other	1,619	1,812
	295,553	233,680
Expenses:		
Compensation and benefits	73,639	73,176
Information and trading systems	15,798	17,286
General and administration	42,118	33,287
Amortization	12,976	11,249
	144,531	134,998
Income from operations	151,022	98,682
Loss from investment in affiliate	(1,210)	(1,182)
Investment income	4,772	10,151
Income before income taxes	154,584	107,651
Income taxes (note 20)	56,187	31,298
Net income	\$ 98,397	\$ 76,353
Earnings per share (note 19):		
Basic	\$ 2.91	\$ 2.26
Diluted	\$ 2.88	\$ 2.25

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2004 AND 2003 (in thousands of dollars)	2004	2003
Common shares:		
Balance, beginning of year	\$ 372,004	\$ 372,004
Proceeds on options exercised	2,981	-
Cost of exercised options	780	-
Balance, end of year	375,765	372,004
Reserve for share option plan:		
Balance, beginning of year	1,018	-
Cost of exercised options	(780)	-
Cost of share option plan	1,424	1,018
Balance, end of year	1,662	1,018
Deficit:		
Balance, beginning of year	(155,735)	(40,050)
Net income	98,397	76,353
Dividends on common shares	(39,282)	(192,038)
Balance, end of year	(96,620)	(155,735)
Shareholders' equity, end of year	\$ 280,807	\$ 217,287

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003 (in thousands of dollars)	2004	2003
Cash flows from (used in) operating activities:		
Net income	\$ 98,397	\$ 76,353
Items not involving cash:		
Amortization	12,976	11,249
Loss from investment in affiliate	1,210	1,182
Cost of share option plan	1,424	1,018
Loss on disposal of equipment	227	14
Decrease (increase) in future tax asset	1,592	(4,127)
	115,826	85,689
Change in non-cash working capital:		
Increase in energy contracts receivable	(211,826)	–
Increase in accounts receivable and prepaid expenses	(6,471)	(615)
Increase in other assets	(1,443)	(6,364)
Increase in accounts payable and accrued liabilities	5,091	3,794
Increase in energy contracts payable	210,819	–
Increase (decrease) in long-term other liabilities	(13)	5,760
Increase in deferred revenue	1,359	423
Increase (decrease) in income taxes payable	13,679	(6,725)
	127,021	81,962
Cash flows from (used in) financing activities:		
Reduction in obligation under capital lease	(288)	(251)
Exercised options	2,981	–
Dividends on common shares	(39,282)	(192,038)
	(36,589)	(192,289)
Cash flows from (used in) investing activities:		
Additions to premises and equipment	(9,347)	(7,093)
Proceeds on disposal of equipment	18	36
Purchase of NGX Canada Inc., net of cash acquired (note 2)	(27,183)	–
Decrease (increase) in marketable securities	(44,726)	117,298
	(81,238)	110,241
Increase (decrease) in cash	9,194	(86)
Cash, beginning of year	8,230	8,316
Cash, end of year	\$ 17,424	\$ 8,230
Supplemental cash flow information:		
Interest paid	\$ 502	\$ 263
Interest received	\$ 5,172	\$ 9,747
Income taxes paid	\$ 42,441	\$ 42,471

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003 (IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

TSX Group Inc. (the “Company”) owns and operates Canada’s two national stock exchanges serving the senior equity and public venture equity markets as well as Natural Gas Exchange Inc. (“NGX”), a leading North American exchange for the trading and clearing of natural gas and electricity contracts.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company’s wholly owned subsidiaries, TSX Inc., NGX and TSX Inc.’s wholly owned subsidiary, TSX Venture Exchange Inc. Intercompany balances and transactions have been eliminated upon consolidation.

(b) Investments:

The investment portfolio includes pooled fund investments.

Pooled funds are managed by an external investment fund manager and are carried at the lower of carrying value or market value. Market values for securities held by the pooled funds are determined by reference to quoted market prices. To the extent that the value of the underlying assets in the pooled funds decrease, the value of the units will decrease. There is no contractual maturity date for the investment in pooled funds.

Investment income is recognized in the period it is earned. Realized gains or losses on investments are recorded in the period in which they occur.

The Company’s investment in an affiliate, which is subject to significant influence, is accounted for using the equity method of accounting.

(c) Derivative financial instruments:

The Company has restricted and deferred share units that are awarded to directors and senior management. The Company uses derivatives to manage the exposure of the restricted share units and deferred share units to the TSX Group Inc.’s share price fluctuations. The Company’s policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets or liabilities on the balance sheet. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company purchases total return forward contracts to hedge against the market price fluctuations of the Company stock. Any increase in the Company’s share price results in an increase in the liability to directors and senior management and a corresponding increase in the return on the hedged units. The reverse situation arises in the case of a price decline. The only impact to the income statement is for the cost of the hedge itself. In the event a designated hedged item is sold, forfeited or matures prior to the termination of the relative derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

(d) Amortization:

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

ASSET	BASIS	RATE
Premises under capital lease	Straight line	25 years
Computers and electronic trading equipment	Straight line	3 - 5 years
Furniture, fixtures and other equipment	Straight line	5 years
Leasehold improvements	Straight line	Over terms of various leases to a maximum of 15 years
Intangible assets comprising:		
TSX Venture Exchange listed issuer base	Declining balance	7.3%
NGX customer base	Declining balance	8.0%

(e) Revenue recognition:

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

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

Fees relating to NGX trading are recognized when the service is provided.

Listing revenues are derived primarily from recurring annual sustaining fees and transaction-based fees for new and additional listings. Sustaining fees 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. New and additional listing fees are recognized as revenue in the period when the listing transaction occurs.

Real-time market data revenue is recognized based on usage as reported by customers and vendors. The Company conducts periodic audits of the information provided. Other Market Data and Business Services revenue are recorded and recognized as revenue in the month in which the services are provided.

(f) Development expenditures:

Development expenditures, including application software, are expensed as they are incurred.

(g) Income taxes:

Future income taxes are provided in recognition of temporary differences between the carrying amount of assets and liabilities and their respective tax bases, operating losses and tax credit carryforwards made for financial reporting and income tax purposes. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be removed or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the substantive enactment occurs.

(h) Employee future benefits:

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

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

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

- (i) The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and expected health care cost.
- (ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- (iii) Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.
- (iv) Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the expected average remaining service period of active employees.
- (v) When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(i) Intangible assets:

Intangible assets are reviewed annually. When the carrying amount of the reporting unit's intangible asset exceeds the implied fair value of the intangible asset, an impairment loss is recognized as an amount equal to the excess and is identified separately on the statement of income.

(j) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

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

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is recorded in the statement of income before extraordinary items and discontinued operations.

(k) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(l) Earnings per share:

Earnings per share are calculated using the treasury stock method.

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

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

(m) Related party transactions:

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

(n) Share-based compensation:

The Company has a share-based compensation plan, which is described in note 17. The Company accounts for all share-based payments to employees that call for settlement by the issuance of equity instruments, granted on or after January 1, 2003, using the fair value-based method. Under the fair value based method, compensation cost attributable to options to employees is measured at fair value at the grant date and amortized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost.

For options that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

2. PURCHASE OF NGX CANADA INC.:

On March 1, 2004, the Company acquired 100% of the outstanding common shares of a predecessor of Natural Gas Exchange Inc. (“NGX”). NGX is a Canadian exchange that trades and clears natural gas and electricity contracts. The acquisition of NGX was accounted for using the purchase method.

The purchase price was \$39,338 in cash plus closing costs of \$834. In addition, a payment that considers the memorandum of agreement signed in 1999 was made to the Bourse de Montreal totalling \$5,000. The allocation of the purchase price, including the valuation of goodwill and intangible asset, was completed at the end of April 2004.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of acquisition:

AS AT MARCH 1, 2004:	
Cash	\$ 12,989
Current assets	396,794
Premises and equipment	1,116
Future income taxes	386
Intangible asset	12,620
Goodwill	18,978
	442,883
Current liabilities	398,153
Future tax liability	4,558
Purchase price	\$ 40,172

The results of NGX are included from the date of acquisition.

3. MARKETABLE SECURITIES:

The carrying and fair values of the investment portfolio are as follows:

	2004		2003	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Money market fund	\$ 92,085	\$ 92,085	\$ 48,909	\$ 48,909
Short-term bond and mortgage fund	62,041	62,576	60,491	60,491
	\$ 154,126	\$ 154,661	\$ 109,400	\$ 109,400

4. DERIVATIVE FINANCIAL INSTRUMENTS:

TSX Inc. has entered into total return swaps which synthetically replicate the economics of TSX Inc. purchasing the Company's shares as a partial hedge to the share appreciation rights of restricted share units and deferred share units that are awarded to directors and senior management of the Company and its affiliates. The Company has purchased derivative financial instruments to effectively hedge against the impact of its share price fluctuations on the non-performance based portion of the long-term incentive plan.

The counterparty creates a hedge and delivers the cash proceeds net of borrowing costs to TSX Inc. at maturity. TSX Inc. has pledged assets with a market value of \$11,934 (2003 - \$12,376) at December 31, 2004 in a collateral account at The Canadian Depository for Securities Limited but retains beneficial ownership. This enables the counterparty to purchase the derivative instrument in return for a competitive financing charge.

AS AT DECEMBER 31, 2004:	REMAINING TERM TO MATURITY (notional amount)			FAIR VALUE		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #2	\$ 10,174	\$ -	\$ 10,174	\$ 3,291	\$ -	\$ 3,291
Equity Swap Contract #3	711	-	711	33	-	33
Equity Swap Contract #4	-	772	772	36	-	36
	\$ 10,885	\$ 772	\$ 11,657	\$ 3,360	\$ -	\$ 3,360

AS AT DECEMBER 31, 2003:	REMAINING TERM TO MATURITY (notional amount)			FAIR VALUE		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #1	\$ 1,000	\$ -	\$ 1,000	\$ 64	\$ -	\$ 64
Equity Swap Contract #2	-	10,174	10,174	646	-	646
	\$ 1,000	\$ 10,174	\$ 11,174	\$ 710	\$ -	\$ 710

5. PREMISES AND EQUIPMENT:

2004	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Premises under capital lease	\$ 12,317	\$ 10,162	\$ 2,155
Computers and electronic trading equipment	49,372	37,412	11,960
Furniture, fixtures and other equipment	16,579	14,264	2,315
Leasehold improvements	37,496	22,442	15,054
	\$ 115,764	\$ 84,280	\$ 31,484

2003	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Premises under capital lease	\$ 12,317	\$ 9,506	\$ 2,811
Computers and electronic trading equipment	41,019	29,069	11,950
Furniture, fixtures and other equipment	15,783	13,496	2,287
Leasehold improvements	33,611	19,475	14,136
	\$ 102,730	\$ 71,546	\$ 31,184

Amortization charged for the year \$10,456 (2003 - \$9,424)

6. OTHER ASSETS:

	2004	2003
Accrued benefit asset (note 7)	\$ 9,317	\$ 11,281
Other assets	4,369	962
	\$ 13,686	\$ 12,243

7. EMPLOYEE FUTURE BENEFITS:

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

Total cash amounts recognized as paid or payable for employee future benefits in 2004, consisting of employer contributions to the defined benefit pension plans, employer contributions to the other benefit plans, and employer contributions to the defined contribution plans, was \$1,881 (2003-\$9,892).

Defined benefit plans:

Commencing January 1, 2004, the Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at September 30 of each year (2003 - December 31). The most recent actuarial valuation of the pension plans for funding purposes was as at December 31, 2002, and the next required valuation will be as at December 31, 2005.

	PENSION AND RCA PLANS		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Accrued benefit obligation:				
Balance, beginning of year	\$ 37,719	\$ 37,532	\$ 5,762	\$ 5,113
Current service cost	1,715	1,557	408	373
Interest cost	2,410	2,281	436	380
Benefits paid	(1,244)	(3,652)	(111)	(104)
Employee contributions	266	438	-	-
Actuarial losses (gains)	(945)	1,822	929	-
Transfers	-	(2,259)	-	-
Special termination benefits	238	-	-	-
Acquisitions	837	-	142	-
Balance, end of year	\$ 40,996	\$ 37,719	\$ 7,566	\$ 5,762

	PENSION AND RCA PLANS		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Plan assets:				
Fair value, beginning of year	\$ 42,544	\$ 35,621	\$ -	\$ -
Actual return on plan assets	1,356	3,861	-	-
Employer contributions	19	8,264	-	-
Employee contributions	266	438	-	-
Benefits paid	(1,244)	(3,652)	-	-
Acquisitions	465	-	-	-
Transfers	-	(1,988)	-	-
Fair value, end of year	\$ 43,406	\$ 42,544	\$ -	\$ -
Funded status - plan surplus (deficiency)	\$ 2,410	\$ 4,825	\$ (7,566)	\$ (5,762)
Unamortized net actuarial loss (gain)	5,465	4,941	210	(725)
Employer contributions after measurement date	7	-	-	-
Unamortized transitional obligation	74	-	-	-
Unamortized past service costs	1,361	1,515	136	-
Accrued benefit asset (liability)	\$ 9,317	\$ 11,281	\$ (7,220)	\$ (6,487)

The accrued benefit asset and accrued benefit obligation is included in the Company's consolidated balance sheet as follows:

	PENSION AND RCA PLANS		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Other assets	\$ 9,317	\$ 11,281	\$ -	\$ -
Long term liabilities	-	-	(7,220)	(6,487)
Total	\$ 9,317	\$ 11,281	\$ (7,220)	\$ (6,487)

Plan assets consist of:

ASSET CATEGORY	OTHER BENEFIT PLANS	
	2004	2003
Equity securities	54 %	48 %
Debt securities	32 %	39 %
Canada Revenue Agency refundable tax account	14 %	13 %
	100 %	100 %

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

	PENSION AND RCA PLANS		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Current service cost, net of employees' contributions	\$ 1,715	\$ 1,557	\$ 408	\$ 373
Interest cost	2,410	2,281	436	380
Actual return on plan assets	(1,356)	(3,861)	-	-
Amortization of past service costs	-	-	6	-
Special termination benefits	238	-	-	-
Actuarial losses (gains)	(945)	1,822	(6)	(9)
	2,062	1,799	844	744
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs:				
Difference between expected return and actual return on plan assets for year (a)	(1,224)	1,702	-	-
Difference between actuarial (gains) losses recognized for year and actual actuarial (gains) losses on accrued benefit obligation for the year (b)	1,036	(1,822)	-	-
Difference between amortization of past service costs for year and actual plan amendments for the year (c)	154	154	-	-
Difference between costs arising in the period and costs recognized in the period in respect of transitional obligation (asset)	13	-	-	-
Net benefit plan expense	\$ 2,041	\$ 1,833	\$ 844	\$ 744

(a) Expected return on plan assets of \$2,580 (2003 - \$2,159) less the actual return on plan assets of \$1,356 (2003 - \$3,861).

(b) Actuarial (gain) loss recognized for the year of \$91 (2003 - \$nil) less the actual actuarial (gain) loss on accrued benefit obligation of \$(945) (2003 - \$1,822).

(c) Amortization of past service costs for the year of \$154 (2003 - \$154) less the actual plan amendments for year of \$nil (2003 - \$nil).

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

	PENSION AND RCA PLANS		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Discount rate	6.25 %	6.25 %	6.50 %	7.0 %
Rate of compensation increase	4.25 %	4.0 %	n/a	n/a
Expected long-term rate of return on plan assets	7.0 %	7.0 %	n/a	n/a

The assumed health care cost trend rate at December 31, 2004 was 7.3% (2003 - 5.9%), decreasing to 4.6% (2003 - 4.5%) over seven years.

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2004:

	INCREASE	DECREASE
Total of service and interest cost	\$ 221	\$ (194)
Accrued benefit obligation	\$ 1,714	\$ (1,316)

In 2004, the Company contributed and expensed \$1,855 (2003 - \$1,628) to the defined contribution tier, which amounts are not included in the recognized defined benefit costs above.

The average remaining service period of the active employees covered by the pension plans is 12 years (2003 - 15 years). The average remaining service period of the active employees covered by the other retirement benefits plans is 24 years (2003 - 24 years).

8. INVESTMENT IN AFFILIATE:

On July 8, 2002, the Company paid \$15,000 plus closing costs of \$126, to acquire approximately 40% equity interest in CanDeal.ca Inc. ("CanDeal"), which owns an electronic trading system for the institutional debt market. As part of the investment, the Company and CanDeal entered into an agreement under which the Company would provide technological services in support of CanDeal's electronic trading system.

On April 10, 2003, CanDeal acquired for redemption, shares previously issued to Basis 100, a technology provider, resulting in the Company's equity interest increasing to approximately 45%. The other shareholders of CanDeal includes its founders, Canada's six largest investment dealers, which represent the majority of the institutional debt trading market in Canada, and a service provider.

The investment is accounted for using the equity method. The purchase price exceeded the proportionate share of the fair value of tangible net assets acquired by \$16,069. This amount represents intangible assets and goodwill.

In 2004 the Company charged \$710 (2003 - \$763) for technology services.

9. NGX COLLATERAL ARRANGEMENTS AND CLEARING BACKSTOP FUND:

As part of its clearing operations, NGX becomes the counterparty to each transaction, thereby guaranteeing the fulfillment of every contract that is executed on its electronic trading platform. To manage the risks associated with its clearing activities NGX is fully collateralized and maintains a \$30,000 clearing backstop fund. The Company is the guarantor of this fund, and has pledged \$30,000 of marketable securities related to its obligations as a guarantor.

NGX requires each counterparty (the "Contracting Party") to provide collateral in the form of cash or letters of credit based on the magnitude of its unsettled contractual obligations which may be accessed in the event of default by a Contracting Party. The collateral provided in the form of cash ("the cash collateral deposits") is segregated in individually designated bank accounts held at a major Canadian chartered bank by NGX which acts as trustee for these funds. The collateral deposits, together with letters of credit provided by all the Contracting Parties, exceed all of the outstanding credit exposure, as determined by NGX, for all its unsettled contractual obligations at any point in time.

10. NGX CLEARING RISK:

As an electronic exchange for energy products, NGX is a party to offsetting contracts for the physical delivery of energy products in future periods at fixed prices for all energy products traded on NGX between buyers and sellers. Prices are determined by the electronic matching of bids and offers from NGX customers at the time the trade contracts are initiated. NGX is also a party to offsetting financial swap contracts with customers which call for the payment of the differential between fixed prices, as agreed through the bid offer process, and specified market indices at future dates.

NGX does not participate in the price risk associated with these trading contracts and does not take physical delivery of energy products traded on NGX. In the event of non-performance by one of the customers in a trade, NGX has arranged for third party physical backstopping on trades with all related costs payable by the non-performing customer. As NGX handles the clearing of all payments related to trading contracts, it bears credit risk associated with customer obligations.

The terms of physical contracts traded on NGX range from same day to October 31, 2008 and the terms for swap contracts traded on NGX range from near month to October 31, 2008.

As the clearing counterparty to every trade, NGX is exposed to credit risk in the event that a buyer fails to pay the required funds for energy products purchased and the market risk if buyers or sellers fail to take or deliver energy products which have been contracted at prices less favourable than market prices at the time of the contract delivery period or if a customer fails to settle their financial trade commitments. To mitigate these risks, NGX employs a customized energy market margining model secured by liquid collateral deposits from all Contracting Parties with exposure.

NGX will provide the counterparty with an invoice on or before the 15th day of each calendar month for deliveries and receipts of energy products during the prior calendar month pursuant to physical contracts which are payable in the same currency, setting forth a net amount owing by or to the counterparty itemizing and applying set-off to each of any purchase amount payable or receivable in respect of any such physical contracts, any amounts payable for fees to NGX, and any amounts payable for GST. Physical and financial trading contracts which have not yet been settled, as well as the revenues and expenses related to the value of energy products traded or swap differential payments made during the year, are not recognized in these consolidated financial statements as NGX does not function as a principal in these trading activities. NGX energy contract receivable and payable positions are recognized for all trading contracts where physical delivery has occurred prior to the period end but payments had not yet been made.

NGX monitors and measures total potential exposure for each Contracting Party's portfolio on a real-time basis as the aggregate of:

- (i) outstanding accounts receivable positions;
- (ii) "Variation Margin," which is comprised of the aggregate "mark to market" exposure for all outstanding purchase and sale contracts with a negative value from the perspective of the customer; and
- (iii) "Initial Margin," which is an amount expressed as a rate in dollars per unit of energy that estimates the worst expected loss that a position might incur under normal market conditions during a liquidation period.

NGX maintains credit policies and practices with regard to its customers that management believes significantly minimize overall clearing risk. These policies and practices include a continuous monitoring of aggregate margin requirements for each customer to ensure that the customer has posted sufficient collateral in compliance with the Risk Management Policy of the Contracting Party's Agreement which is a standardized agreement that allows for netting of positive and negative exposures associated with a single customer. In addition, NGX monitors the customer's (and its credit support providers, if any) financial condition to ensure full compliance with the representations and warranties of the contracting party. In the event of default by any contracting party, which includes a failure to take delivery of product, a failure to make delivery of product, failure to pay, failure to deposit collateral, or insolvency, NGX will liquidate the defaulting customer's open positions, draw down the collateral to cover the liquidation, and terminate such contracting party from trading on NGX.

11. GOODWILL AND INTANGIBLE ASSETS:

Goodwill is tested for impairment annually. The impairment test is carried out in two steps. In the first step, the Company compared the carrying amounts of its reporting units with their fair values. The test was performed in the fourth quarter of 2004. The measurement methodology used to determine whether impairment exists was recoverability based on discounted future cash flows. The Company found that the fair values of its reporting units were not impaired. Therefore, the second step of the impairment test was not required.

The Company recorded an intangible asset related to the purchase value of the listed issuer base of TSX Venture Exchange Inc. The intangible asset is amortized at 7.3% per year on a declining balance.

An intangible asset representing the value of the customer base resulted from the acquisition of an additional subsidiary, NGX Canada Inc. (now Natural Gas Exchange Inc.), and is amortized at 8.0% per year on a declining balance.

	2004	2003
Intangible assets, beginning of year	\$ 23,108	\$ 24,933
Acquisition of intangible asset (note 2)	12,620	–
Less amortization of intangible assets	(2,520)	(1,825)
Intangible assets, end of year	\$ 33,208	\$ 23,108

12. LEASE COMMITMENTS:

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

- (a) The rental of office space, under various long-term operating leases with remaining terms of up to 14 years and a capital lease for an initial term of 25 years with an additional 10-year renewal option.
- (b) The rental of computer hardware and software for terms of one to three years.

Current lease obligations over the remaining terms of the operating leases are as follows:

YEARS ENDING DECEMBER 31:	
2005	\$ 11,213
2006	10,362
2007	7,829
2008	3,806
2009	3,700
Thereafter	21,984
	\$ 58,894

The obligations under capital leases are as follows:

	2004	2003
Total minimum lease payments	\$ 2,138	\$ 2,093
Less amounts representing interest	323	528
	1,815	1,565
Less current portion	533	288
	\$ 1,282	\$ 1,277

Interest on the obligations under capital leases amounted to \$204 (2003 - \$242).

Current lease obligations over the remaining terms of the capital leases are as follows:

YEARS ENDING DECEMBER 31:	
2005	\$ 715
2006	715
2007	586
2008	122
Thereafter	-
	\$ 2,138

13. SEGMENTED INFORMATION:

The Company operates in two reportable segments. In the Capital Markets segment, the Company owns and operates Canada's two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange. The Energy Markets segment is engaged in trading and clearing natural gas and electricity contracts through NGX.

	CAPITAL MARKETS	ENERGY MARKETS*	TOTAL
2004			
Total Revenue	\$ 284,174	\$ 11,379	\$ 295,553
Net Income	96,998	1,399	98,397
Goodwill	5,963	18,978	24,941
Total Assets	343,560	623,870	967,430
2003			
Total Revenue	\$ 233,680	\$ -	\$ 233,680
Net Income	76,353	-	76,353
Goodwill	5,963	-	5,963
Total Assets	274,571	-	274,571

*Results from date of acquisition.

14. OTHER LIABILITIES:

Other liabilities include amounts payable under the long term incentive plan (note 18) and liabilities due to the contraction of office space.

15. SHARE CAPITAL:

The authorized capital of the Company consists of an unlimited number of common shares, an unlimited number of preference shares, issuable in series and an unlimited number of choice shares.

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.

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 and choice 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, together with the choice shares 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.

Details of capital transactions are as follows:

	COMMON SHARES		DEFICIT	RESERVE FOR SHARE OPTION PLAN	TOTAL SHAREHOLDERS' EQUITY
	NUMBER	AMOUNT			
Balance, December 31, 2002	33,750,091	\$ 372,004	\$ (40,050)	\$ -	\$ 331,954
Net income 2003	-	-	76,353	-	76,353
Dividends	-	-	(192,038)	-	(192,038)
Share option costs	-	-	-	1,018	1,018
Balance, December 31, 2003	33,750,091	372,004	(155,735)	1,018	217,287
Net income 2004	-	-	98,397	-	98,397
Dividends	-	-	(39,282)	-	(39,282)
Exercised options	140,200	3,761	-	-	3,761
Share option costs	-	-	-	644	644
Balance, December 31, 2004	33,890,291	\$ 375,765	\$ (96,620)	\$ 1,662	\$ 280,807

At the time of the continuance of the predecessor company into a for profit corporation, any accumulated excess in revenue over expenses was internally restricted and could not be distributed to the shareholders, except on a windup of TSX Inc. As at December 31, 2004, the company determined this amount to be \$64,511 (2003 - \$64,886).

In December 2003, the company paid a special dividend of \$168,750, or \$5 per share.

On January 25, 2005 the Board of Directors approved, subject to shareholder and regulatory approval, a subdivision of the Company's shares on a two for one basis.

16. EMPLOYEE SHARE PURCHASE PLAN:

The Company offers an employee share purchase plan for eligible employees of the Company and its subsidiaries. Under the employee share purchase plan, contributions by the Company and by eligible employees will be used by the plan administrator, CIBC Mellon Trust Company, to make purchases of common shares of the Company on the open market. Each eligible employee may contribute up to 10% of the employee's salary to the employee share purchase plan. The Company will contribute to the plan administrator the funds required to purchase one common share of the Company for each two common shares purchased on behalf of the eligible employee, up to a maximum annual contribution of \$2.5. Shareholder approval is not required for this plan.

The Company accounts for its contribution as compensation expense when it is contributed to the plan. Compensation expense related to this plan was \$758 for the year ended December 31, 2004 (2003 - \$326).

17. SHARE OPTION PLAN:

The Company established a share option plan in the year of its initial public offering. All officers and director-level employees of the Company and its affiliates are eligible to be granted options under the option plan. The share option plan, together with the other share compensation arrangements, cannot result in the number of shares reserved for issuance under share options held by any one person exceeding 5% of the outstanding common shares issued. 2,800,000 common shares of the Company have been reserved for issuance upon exercise of options granted under this plan, representing approximately 8% of the outstanding common shares of the Company.

On December 17, 2002, the Board of Directors of the Company approved the granting of 725,000 options to eligible employees of the Company pursuant to the share option plan. These options were granted on January 2, 2003 and two

further grants were awarded on January 30, 2003 and July 2, 2003 for options to purchase 20,000 shares and 25,000 shares, respectively. For the year ended 2003, 67,000 options were forfeited. Options granted in 2003 had strike prices in the range of \$21.057 to \$28.333.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2003: dividend yield of 2.7%; expected volatility of 25%; risk-free interest rate of 4.165% and expected life of six years.

In January 2004, 211,800 options were granted to eligible employees. On March 30, 2004 an additional 13,600 options were granted. In 2004, 140,200 options were exercised, 122,250 options were forfeited, resulting in 665,950 options remaining outstanding under the share option plan. Options granted in 2004 had strike prices in the range of \$44.806 to \$52.893.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2004: dividend yield of 2.5%; expected volatility of 25%; risk-free interest rate of 3.910% and expected life of five years.

Options granted will expire in 2013 and 2014.

Share options:

	FOR THE YEARS ENDED			
	2004		2003	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	703,000	\$ 21.215	–	\$ –
Granted	225,400	45.180	770,000	21.206
Forfeited	(122,250)	24.618	(67,000)	21.057
Exercised	(140,200)	21.106	–	–
Outstanding, end of year	665,950	\$ 27.874	703,000	\$ 21.215

46,800 options were fully vested and exercisable at strike prices in the range of \$21.057 and \$28.333 at December 31, 2004.

During 2004, the Company recognized compensation cost of \$1,424 (2003 - \$1,018) in respect of its share option plan.

18. LONG-TERM INCENTIVE PLAN:

Effective January 1, 2001, TSX Inc. introduced an interim bonus plan (in lieu of a long-term incentive plan) for officers and director-level employees of TSX Inc. and its affiliates. The interim bonus plan provided eligible employees with a deferred award based on the annual financial performance of the Company. Amounts earned in 2001 were converted into deferred share units for executive officers and restricted share units for other participants in conjunction with the public offering of the Company, with each deferred share unit or restricted share unit having an initial value equal to the price of one common share of the Company in the public offering. Amounts earned in 2002 were converted into deferred share units or restricted share units based on the share value, with each deferred share unit or restricted share unit having a value based on the value of one common share of the Company on December 31, 2002.

In general, deferred share units vest in accordance with the same schedule contemplated by the existing interim bonus plan, being, for deferred share units issued on conversion of 2001 amounts, one-third on each of December 31, 2002, 2003 and 2004, and, for deferred share units issued on conversion of 2002 amounts, one-third on each of December 31, 2003, 2004 and 2005, but can only be redeemed upon termination of employment or retirement. Restricted share units vest in accordance with the same three-year vesting schedule described above and will be redeemed at the end of the schedule, or in certain circumstances, on an earlier date. The deferred share unit plan and the restricted share unit plan have been established for the purpose of converting amounts earned under the interim bonus plan. No shares will be issued or transferred on redemption of deferred share units or restricted share units; only cash payments will be made. Each participant may elect to receive their incentive compensation, in whole or in part, in the form of deferred share units.

In January, 2004 the Board approved a long-term incentive plan which provides for the granting of restricted share units (“RSUs”). The amount of the award payable at the end of three years will be determined by the total shareholder return at the end of the three year period. Total shareholder return represents the appreciation in share price plus dividends paid on a share, measured at the time RSUs vest.

The Company records its obligation under the plan, if any, in the period in which the award is earned. As at December 31, 2004, \$11,674 (2003 - \$10,375) has been accrued and is included in accounts payable and accrued liabilities and other liabilities. The Company has purchased derivative financial instruments to effectively hedge against the impact of its share price fluctuations on the non-performance based portion of the long-term incentive plan (note 4).

19. EARNINGS PER SHARE:

	2004	2003
Net income	\$ 98,397	\$ 76,353
Weighted average number of common shares outstanding	33,843,853	33,750,091
Basic earnings per share	\$ 2.91	\$ 2.26
Diluted weighted average number of common shares outstanding	34,199,408	33,951,954
Diluted earnings per share	\$ 2.88	\$ 2.25

20. INCOME TAXES:

Income tax expense attributable to income from operations differs from the amounts computed by applying the combined federal and provincial income tax rate of 35.54% (2003 - 36.53%) to pre-tax income from operations as a result of the following:

	2004	2003
Income before income taxes	\$ 154,584	\$ 107,651
Computed expected tax expense	\$ 54,939	\$ 39,325
Non-deductible expenses	945	451
Share of affiliate loss	433	430
Impact of changes in substantively enacted income tax rates	-	(8,655)
Other	(130)	(253)
	\$ 56,187	\$ 31,298

The income tax provisions for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Current tax expense	\$ 54,595	\$ 35,425
Future tax expense	1,592	(4,127)
	\$ 56,187	\$ 31,298

The tax effects of temporary differences that give rise to significant portions of the future tax asset at December 31, 2004 and 2003 are presented below:

	2004	2003
Non-capital loss carryforwards	\$ 1,048	\$ 654
Premises and equipment	5,279	4,805
Cumulative eligible capital	35,810	42,413
Financing costs	1,142	1,575
Other temporary differences	5,424	5,020
	\$ 48,703	\$ 54,467
Future tax asset:		
Current	\$ 5,694	\$ 3,937
Long-term	43,009	50,530
	\$ 48,703	\$ 54,467

21. REGULATORY SERVICES:

Since 2002, the Securities Commissions of Alberta, British Columbia, Manitoba, Ontario and Quebec (the commissions) have recognized Market Regulation Services Inc. ("RS") as a self-regulatory organization and approved the retention of RS to perform certain market regulation functions formerly performed by TSX Inc. RS is a private corporation jointly owned by TSX Inc. and the Investment Dealers Association of Canada and operated on a not-for-profit basis in accordance with its articles. RS provides regulatory services to Canadian marketplaces (i.e., exchanges, alternative trading systems and quotation and trade reporting systems) that contract with it, in consideration of fees to be paid by such marketplaces and their participants. TSX Inc. and TSX Venture Exchange Inc. have retained RS to perform certain market regulation functions.

For the period from January 1 to December 31, 2004, \$7,292 (2003 - \$8,132) of Business Services revenue was earned for technology, payroll and human resources services provided to RS and \$3,065 (2003 - \$3,614) was paid to RS for services provided by RS.

22. FINANCIAL INSTRUMENTS:

(a) Fair values of financial assets and financial liabilities:

The fair values of the Company's cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. The fair value of other assets and the obligation under capital lease is not readily determinable.

(b) Foreign currency risk:

Accounts receivable include U.S. \$ 2,069 (2003 - U.S. \$2,047), which is exposed to change in the U.S.- Canadian dollar exchange rate.

23. CONTINGENT LIABILITY:

From time to time in connection with its operations, the Corporation is named as a defendant in actions for damages and costs sustained by plaintiffs. During the year the Corporation was named as a defendant in an action for \$10.2 million. The Corporation believes the claim is without merit and intends to vigorously defend the action. Accordingly, no provision has been made in the accounts.

24. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

FIVE-YEAR REVIEW — FINANCIAL INFORMATION*

(in thousands of dollars)	2000 ¹	2001 ²	2002	2003	2004 ³
Revenue:					
Listing	41,046	54,185	80,504	98,249	127,145
Trading and related	124,748	65,882	67,650	71,882	99,629
Market data	35,223	43,447	55,457	52,589	58,793
Market regulation	14,052	14,078	2,337	–	–
Business services	–	–	7,962	9,148	8,367
Other	3,021	2,360	1,975	1,812	1,619
	218,090	179,952	215,885	233,680	295,553
Expenses	120,082	127,119	139,381	134,998	144,531
Income from operations	98,008	52,833	76,504	98,682	151,022
Loss from investment in affiliate	–	–	(602)	(1,182)	(1,210)
Investment income	11,280	12,434	13,897	10,151	4,772
Unusual items	394	–	–	–	–
Income taxes	(32,772)	(35,114)	(36,037)	(31,298)	(56,187)
Net Income	76,910	30,153	53,762	76,353	98,397
Operating cash flow	113,438	38,220	81,193	81,962	127,021
Working capital	210,183	191,540	211,044	104,427	146,633
Total Assets	342,477	352,046	386,237	274,571	967,430
Shareholders' Equity	293,821	302,215	331,954	217,287	280,807

¹Prior to April 3, 2000, TSX Group was organized and operated on a not-for-profit basis.

²The financial results of TSX Venture Exchange have been consolidated into these results from and after August 1, 2001.

³The financial results of Natural Gas Exchange have been consolidated into these results from and after March 1, 2004.

*Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

FIVE-YEAR REVIEW — MARKET STATISTICS*

	2000	2001	2002	2003	2004
Toronto Stock Exchange:					
Volume (millions)	40,752.0	37,190.4	46,351.2	55,562.9	61,278.0
Value (\$ billions)	944.3	712.5	637.7	648.7	833.9
Transactions (000s)	32,775.0	26,155.2	26,540.7	30,894.0	40,267.0
Issuers Listed	1,398	1,316	1,304	1,340	1,421
New Issuers Listed:					
Number of Initial Public Offerings	53	53	70	67	115
Number of graduates from TSX Venture/NEX	46	27	24	47	58
New Equity Financing: (\$ millions)					
Initial Public Offering Financing (\$ millions)	8,646.3	9,260.1	9,120.7	11,271.5	15,633.2
Secondary Offering Financing ¹ (\$ millions)	14,379.6	10,971.3	16,844.0	17,873.0	22,747.7
Market Cap of Listed Issuers (\$ billions)	1,433.9	1,246.7	1,045.2	1,287.7	1,546.9
S&P/TSX Composite Index Close ²	8,933.7	7,688.4	6,614.5	8,220.9	9,246.7
TSX Venture Exchange:³					
Volume (millions)	13,849.1	8,856.9	8,719.4	13,474.4	17,087.2
Value (\$ millions)	15,977.9	3,605.4	3,232.8	6,557.7	10,940.2
Transactions (000s)	4,382.7	1,540.0	1,310.2	2,088.2	2,877.1
Issuers Listed	2,598	2,688	2,504	2,276	2,209
New Issuers Listed:					
Number of Initial Public Offerings	475	277	88	76	142
New Equity Financing: (\$ millions)					
Initial Public Offering Financing (\$ millions)	127.0	101.3	72.1	120.4	194.3
Secondary Offering Financing ¹ (\$ millions)	2,243.3	980.2	1,368.5	2,269.5	4,011.3
Market Cap of Listed Issuers (\$ billions)	14.9	10.6	11.1	21.2	24.2
S&P/TSX Venture Composite Index Close ²	–	1,036.6	1,074.1	1,751.3	1,825.5

¹ Secondary Offering Financing includes prospectus offerings on both a treasury and secondary basis. However, financing from supplemental listings are excluded from Secondary Offering Financing for Toronto Stock Exchange and included for TSX Venture Exchange.

² S&P is a trade-mark owned by The McGraw-Hill Companies, Inc. and is used under license. S&P/TSX Venture Composite Index commenced December 10, 2001 with a value of 1,000.

³ Prior to July 26, 2002, TSX Venture Exchange was named Canadian Venture Exchange (CDNX). Canadian Dealing Network and Winnipeg Stock Exchange were merged into TSX Venture Exchange in 2000. TSX Group acquired TSX Venture Exchange on August 1, 2001. Junior listings from Montreal Stock Exchange were transferred to TSX Venture Exchange on October 1, 2001. TSX Venture Exchange market statistics do not include data for debt securities. Market Capitalization includes only those issues that traded during the month of December. 'New Issuers Listed' and 'S&P/TSX Venture Composite Index Close' statistics exclude data for issuers on NEX. All other TSX Venture Exchange market statistics include data for issuers on NEX since its creation on August 18, 2003. NEX is a board that was established for issuers that have fallen below TSX Venture Exchange's listing standards (261 issuers at December 31, 2004 and 285 issuers at December 31, 2003).

* Certain comparative figures have been restated.

BOARD OF DIRECTORS

WAYNE C. FOX (CHAIR)

Vice Chair & Chief Risk Officer
Treasury, Balance Sheet and Risk Management
Canadian Imperial Bank of Commerce
Committees: Governance, Human Resources
Director since: 1997

IAN S. BROWN

Senior Managing Director
Raymond James Ltd.
Committees: Public Venture Market (Chair)
Director since: 2001

TULLIO CEDRASCHI

President and Chief Executive Officer
CN Investment Division
Committees: Governance, Human Resources (Chair)
Director since: 2001

RAYMOND GARNEAU

Chairman of the Board
Industrial Alliance, Insurance and Financial Services Inc.
Committees: Governance, Human Resources
Director since: 2003

JOHN A. HAGG

Principal
Tristone Capital Inc.
Committees: Governance, Public Venture Market
Director since: 2001

HARRY A. JAAKO

Chairman, Co-CEO and Principal
Discovery Capital Corporation
Committees: Finance & Audit, Human Resources
Public Venture Market
Director since: 2001

J. SPENCER LANTHIER

Corporate Director
Committees: Finance & Audit (Chair), Governance,
Human Resources
Director since: 2000

JEAN MARTEL

Senior Partner
Lavery, de Billy
Committees: Finance & Audit, Human Resources,
Public Venture Market
Director since: 1999

OWEN MCCREERY

Consultant and Corporate Director
Committees: Finance & Audit, Governance,
Public Venture Market
Director since: 2002

JOHN P. MULVIHILL

Chairman
Mulvihill Capital Management Inc.
Committees: Finance & Audit, Governance (Chair)
Director since: 1996

ERIC C. TRIPP

Vice Chairman
Equity Division
BMO Nesbitt Burns Inc.
Committees: Human Resources
Director since: 1999

SENIOR MANAGEMENT OF TSX GROUP AND ITS SUBSIDIARIES

RICHARD W. NESBITT*

Chief Executive Officer
TSX Group

JOHN B. CIESLAK*

Executive Vice President
Information and Trading
Technology and Chief
Information Officer
TSX Group

KEVAN B. COWAN

Senior Vice President
TSX Venture Exchange

ROBERT M. FABES*

Senior Vice President
Toronto Stock Exchange

BRENDA L. HOFFMAN

Vice President, Development
Information and Trading
Technology,
TSX Technologies

LINDA M. O. HOHOL*

President
TSX Venture Exchange

PETER KRENKEL*

President
NGX

JOHN MCKENZIE

Vice President,
Corporate Strategy and
Development
TSX Group

HARRY A. MCLEAN

Vice President, Operations
TSX Technologies

RIK PARKHILL*

President
TSX Markets

SHARON C. PEL*

Senior Vice President,
Legal and Business Affairs
TSX Group

MICHAEL S. PTASZNIK*

Senior Vice President and
Chief Financial Officer
TSX Group

ERIC SINCLAIR*

Senior Vice President
TSX Datalinx

*Member of Senior Management Team

TORONTO STOCK EXCHANGE PARTICIPATING ORGANIZATIONS

Acker Finley Inc.
 Acumen Capital Finance Partners Ltd.
 Altus Securities Inc.
 Assante Capital Management Ltd.
 Berkshire Securities Inc.
 BMO Nesbitt Burns Inc.
 BNP (Canada) Securities Inc.
 Bolder Investment Partners Ltd.
 Brant Securities Ltd.
 Brockhouse & Cooper Inc.
 Burgeonvest Securities Limited
 Byron Securities Limited
 Caldwell Securities Ltd.
 Canaccord Capital Corp.
 CIBC World Markets Inc.
 Citigroup Global Makets Canada
 Clarus Securities Inc.
 Commission Direct Inc.
 Credifinance Securities Ltd.
 Credit Suisse First Boston Securities Canada Inc.
 CTI Capital Inc.
 Desjardins Securities Inc.
 Deutsche Bank Securities Ltd.
 Dlouhy Merchant Group Inc.
 Dominick & Dominick Securities Inc.
 Dundee Securities Corp.
 E*TRADE Canada Securities Corp.
 e3m Investments Inc.
 Edward Jones
 FIMAT Derivatives Canada Inc.
 First Asset Advisory Services Inc.
 First Associates Investments Inc.
 FirstEnergy Capital Corp.
 Foster & Associates Financial Services Inc.
 Fraser Mackenzie Limited
 Friedberg Mercantile Group
 Genuity Capital Markets
 Global Securities Corp.
 GMP Securities Limited
 Golden Capital Securities Ltd.
 Goldman Sachs Canada Inc.
 Hampton Securities Ltd.
 Harris Partners Ltd.
 Haywood Securities Inc.
 HSBC Securities (Canada) Inc.
 Independent Trading Group
 Industrial Alliance Securities Inc.
 Instinet Canada Ltd.
 Integral Wealth Securities Limited
 Interactive Brokers Canada Inc.
 IPC Securities Corp.
 ITG Canada Corp.
 JC Clark Ltd.
 Jennings Capital Inc.
 Jitney Group Inc. (The)

Jones Gable & Company Ltd.
 Kingsdale Capital Markets Inc.
 Kingwest and Company
 Laurentian Bank Securities Inc.
 Le Groupe Option Retraite Inc.
 Leede Financial Markets Inc.
 Lightyear Capital Inc.
 Loewen Ondaatje McCutcheon Ltd.
 MacDougall MacDougall & MacTier Inc.
 Maison Placements Canada Inc.
 Maple Securities Canada Limited
 MCA Securities
 McFarlane Gordon Inc.
 Merrill Lynch Canada Inc.
 MMI Group Limited
 Morgan Stanley Canada Ltd.
 National Bank Discount Brokerage Inc.
 National Bank Financial Inc.
 NBCN (National Bank Correspondent Network)
 Norstar Securities International Inc.
 Northern Securities Inc.
 Octagon Capital Corporation
 Odlum Brown Ltd.
 Orion Securities Inc.
 Pacific Int'l Securities Inc.
 Paradigm Capital Inc.
 Penson Financial Services Canada Inc.
 Peters & Co. Ltd.
 Pictet Canada L.P.
 Polar Securities Inc.
 Pollitt & Co. Inc.
 Pope & Company
 Raymond James Ltd.
 RBC Capital Markets
 Refco Futures (Canada) Ltd.
 Research Capital Corp.
 Salman Partners Inc.
 Scotia Capital Inc.
 Sprott Securities Inc.
 Standard Securities Capital Corp.
 State Street Global Markets Canada Inc.
 Strategic Capital Partners Inc.
 TD Securities Inc.
 TD Waterhouse Canada Inc.
 Timber Hill Canada Company
 Toll Cross Securities Inc.
 Tristone Capital Inc.
 UBS Securities Inc.
 Union Securities Ltd.
 W.D. Latimer Co. Ltd.
 Westwind Partners Inc.
 Wolverton Securities Ltd.
 Woodstone Capital Inc.

TSX VENTURE EXCHANGE MEMBER FIRMS

Acadian Securities Inc.
Acumen Capital Finance Partners Ltd.
Berkshire Securities Inc.
Bieber Securities Inc.
BMO Nesbitt Burns Inc.
Bolder Investment Partners Ltd.
Byron Securities
Caldwell Securities Ltd.
Canaccord Capital Corp.
CIBC World Markets Inc.
Clarus Securities Inc.
CTI Capital Inc.
Dlouhy Merchant Group Inc.
Dominick & Dominick Securities Inc.
Dundee Securities Corp.
E*TRADE Canada Securities Corp.
Emerging Equities Inc.
First Associates Investments Inc.
FirstEnergy Capital Corp.
Fraser Mackenzie Limited
Friedberg Mercantile Group
Global Securities Corp.
GMP Securities Limited
Golden Capital Securities Ltd.
Graydon Elliot Capital Corporation
Hampton Securities Ltd.
Haywood Securities Inc.
HSBC Securities (Canada) Inc.
iForum Securities
Integral Wealth Securities Limited
Investpro Securities Inc.
ITG Canada Corp.
Jennings Capital Inc.
Jones Gable & Company Ltd.
Jory Capital Inc.
Kingsdale Capital Markets Inc.
Leede Financial Markets Inc.
Lightyear Capital Inc.
Loewen Ondaatje McCutcheon Ltd.
MCA Securities
McFarlane Gordon Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
NBCN (National Bank Correspondent Network)
Northern Securities Inc.
Octagon Capital Corporation
Odlum Brown Ltd.
Orion Securities Inc.
Pacific Int'l Securities Inc.
Paradigm Capital Inc.
Peters & Co. Ltd.
Pictet Canada L.P.
Polar Securities
Raymond James Ltd.

RBC Capital Markets
Research Capital Corp.
Salman Partners Inc.
Scotia Capital Inc.
Sprott Securities Inc.
Standard Securities Capital Corp.
Strategic Capital Partners Inc.
TD Securities Inc.
TD Waterhouse Canada Inc.
Toll Cross Securities Inc.
Tristone Capital Inc.
TWC Securities Inc.
UBS Securities Inc.
Union Securities Ltd.
W.D. Latimer Co. Ltd.
Wellington West Capital Inc.
Westwind Partners Inc.
Wolverton Securities Ltd.
Woodstone Capital Inc.

TSX VENTURE EXCHANGE PARTICIPATING ORGANIZATIONS

Brant Securities Ltd.
Burgeonvest Securities Limited
Commission Direct Inc.
Desjardins Securities Inc.
Genuity Capital Markets
Harris Partners
IPC Securities Corp.
Laurentian Bank Securities Inc.
MacDougall MacDougal & MacTier Inc.
Morgan Stanley Canada Ltd.
National Bank Discount Brokerage Inc.
Norstar Securities International Inc.
Penson Financial Services Canada Inc.
Pollitt & Co. Inc.
Pope & Company
Questrade Inc.
Refco Futures (Canada) Ltd.

SHAREHOLDER INFORMATION

STOCK LISTING

Toronto Stock Exchange
Share Symbol "X"

AUDITORS

KPMG LLP
Toronto, ON

REGISTERED OFFICE AND HEAD OFFICE OF TSX GROUP

The Exchange Tower
130 King Street West
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M5X 1J2

HEAD OFFICE OF TSX VENTURE EXCHANGE

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10th Floor
Calgary, AB
T2P 3C4

HEAD OFFICE OF NGX

140 – 4th Avenue SW
Suite 2330
Calgary, AB
T2P 3N3

REGIONAL OFFICES

Montreal
1000 Sherbrooke Street West
Suite 1100
Montreal, QC
H3A 3G4

Vancouver
650 West Georgia Street
Suite 2700
Vancouver, BC
V6B 4N9

Winnipeg
One Lombard Place
Suite 600
Winnipeg, MB
R3B 0X3

SHARE TRANSFER AGENT

Requests for information regarding share transfers should be directed to the Transfer Agent:

CIBC Mellon Trust Company
PO Box 7010
Adelaide Street Postal Station
Toronto, ON
M5C 2W9
Tel: (416) 643-5500 (Toronto Area)
1-800-387-0825 (North America)
Fax: (416) 643-5501
E-mail: inquiries@cibcmellon.com

INVESTOR CONTACT INFORMATION

Investor Relations may be contacted at:

Tel: (416) 947-4277 (Toronto Area)
1-888-873-8392 (North America)
Fax: (416) 947-4727
E-mail: shareholder@tsx.com

ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of shareholders will be held at 2 p.m. (Mountain Daylight Time) on April 26, 2005 at:

Calgary TELUS Convention Centre
Glenn 202 – 204
South Building Upper Level
120 Ninth Avenue SE
Calgary, Alberta
T2G 0P3