

TSX GROUP INC.

**ANNUAL
INFORMATION
FORM**

March 6, 2008

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Unless otherwise noted, the information contained in this Annual Information Form is given as at February 28, 2008, and all dollar amounts are expressed in Canadian dollars.

CORPORATE STRUCTURE

Name and Incorporation

The Toronto Stock Exchange was founded in 1852. It demutualized and continued as The Toronto Stock Exchange Inc. under the *Business Corporations Act* (Ontario) on April 3, 2000. In April 2002, the TSX group of companies introduced the “TSX” brand, name and logo. We renamed The Toronto Stock Exchange Inc. as TSX Inc. on July 10, 2002, and we renamed Canadian Venture Exchange Inc. (incorporated under the *Business Corporations Act* (Alberta)), a wholly-owned subsidiary of TSX Inc., as TSX Venture Exchange Inc. on July 26, 2002.

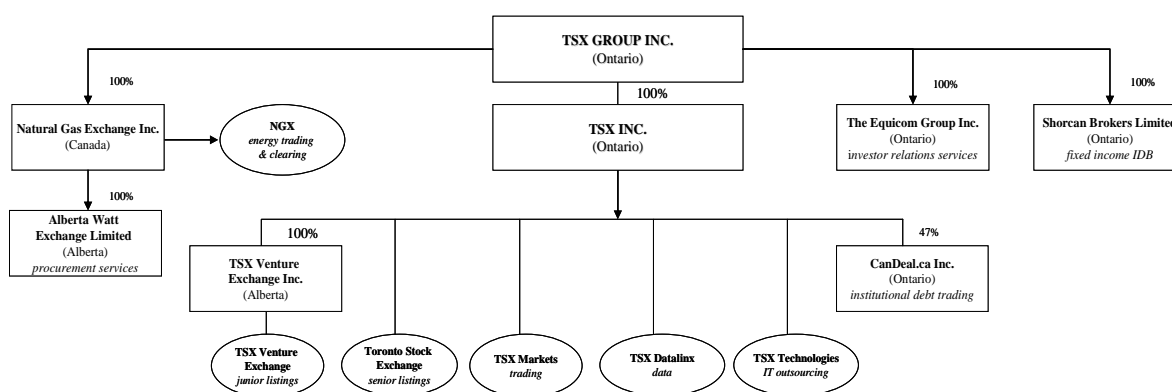
Immediately before we closed our initial public offering of our common shares on November 12, 2002, TSX Inc. and its affiliates completed a corporate reorganization under a court approved plan of arrangement. As part of the reorganization, TSX Group Inc., newly incorporated under the *Business Corporations Act* (Ontario) on August 23, 2002 (referred to, with its consolidated subsidiaries, as the context requires, as “TSX Group”, “us” or “we”), acquired all of the outstanding shares of TSX Inc. and became the holding company for the TSX group of companies. The shareholders of TSX Inc. were issued shares of TSX Group in exchange for their shares of TSX Inc.

Intercorporate Relationships

Our business consists of the following operations:

- Toronto Stock Exchange (listing of senior equities);
- TSX Venture Exchange (listing of junior equities);
- TSX Markets (trading operations);
- TSX Datalinx (market data), which includes PC-Bond, comprising fixed income index and analytics products;
- TSX Technologies (information technology outsourcing and professional services);
- Natural Gas Exchange Inc. or “NGX” (trading and clearing natural gas and electricity contracts), which owns Alberta Watt Exchange Limited (“Watt-Ex”), an operating reserve procurement system provider to the Alberta Electric System Operator;
- The Equicom Group Inc. or “Equicom” (investor relations services);
- Shorcan Brokers Limited (“Shorcan”) (fixed income inter-dealer broker (“IDB”)); and
- CanDeal.ca Inc. (“CanDeal”) (electronic trading system for the institutional debt market), in which we own a 47% interest.

We carry on our business through the companies (boxed) and operations (circled) shown below:



Our head and registered offices are at The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2. We also carry on business at the head offices of TSX Venture Exchange and NGX, each located in Calgary and through offices in Vancouver and Montreal. Our website is www.tsx.com. We are not incorporating information contained on the website in this Annual Information Form.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview of the Global Equity Exchange Industry

Equity securities exchanges are centralized markets where issuers raise capital and participants buy and sell securities. Exchanges are a central feature of many capital markets and provide a primary mechanism for securities price formation. According to the World Federation of Exchanges, over 50 regulated equity securities member exchanges currently operate throughout the world. These member exchanges listed equity securities with a combined market capitalization of CAD\$60 trillion as at December 31, 2007, and a combined value of CAD\$93.4 trillion in securities traded on these exchanges in 2007.

The last 25 years have demonstrated the long-term growth in the global equity securities industry's underlying fundamentals. However, the industry, like the general economy, is also characterized by its cycles. Performance of exchanges globally is driven by the underlying performance of the equity capital markets, including the number of issuers listed on exchanges, their market capitalizations and the trading activity in their securities.

Our History and Overview of the Canadian Equity Exchange Industry

The Toronto Stock Exchange was formed in 1852 as a mutual member-owned, not-for-profit corporation. Its primary objective was to meet the needs of its members and operate a fair and efficient market. Members of the exchange were brokerage firms whose membership interests (or seats) in the exchange gave them access rights to trade in listed securities, either as principal or on behalf of clients. Trading originally occurred on the floor of the exchange with traders executing and completing trades using manual paper-based systems. In 1977, The Toronto Stock Exchange introduced the world's first computer assisted electronic trading system (CATS) for certain

securities. In 1997, we closed the trading floor and became the first fully electronic major exchange in North America, and one of the first globally.

Canadian Market Realignment

Five equity securities exchanges operated in Canada until 1999. To reduce the fragmentation of the markets' liquidity and reduce costs for participants, we participated in the realignment and consolidation of the Canadian exchange industry. As part of this realignment and consolidation, Toronto Stock Exchange Inc., the company that is now TSX Venture Exchange Inc. and the Bourse de Montréal Inc., or "MX", entered into a memorandum of agreement. Under this agreement:

- Toronto Stock Exchange became the senior equity exchange by combining the senior equity securities businesses of the Toronto and Montreal exchanges;
- the exchange that is now TSX Venture Exchange (which we acquired in 2001) became the junior equity exchange by combining operations of the Vancouver, Alberta and Winnipeg stock exchanges, the junior listings from the MX and the over-the-counter ("OTC") Canadian Dealing Network; and
- the MX became the derivatives exchange for equity and fixed income securities.

We also acquired additional shares in the Canadian Depository for Securities Limited ("CDS"), bringing our ownership stake to approximately 18%. In addition, the memorandum of agreement prevents us from providing trading facilities and services in Canada for exchange-traded derivative products, comprising (without limitation) option and futures contracts, other than natural gas and electricity products, until March 2009.

Demutualization and Initial Public Offering

In 2000, Toronto Stock Exchange became the first exchange in North America to demutualize and become a for-profit corporation owned by its shareholders. This separated ownership of the exchange from access to the facilities of the exchange. Then, in 2001, we acquired the company that is now TSX Venture Exchange Inc., which increased both the scale and scope of our operations and made us the operator of both the senior and junior equity exchanges in Canada.

In 2002, we moved our expertise in market regulation into Market Regulation Services Inc. ("RS") after the Canadian securities commissions implemented the Alternative Trading System (or ATS) rules. These rules allow ATSS or electronic communication networks (ECNs, as they are known in the United States) to compete in the Canadian marketplace. This helped eliminate the perception of a conflict if we continued to regulate our markets in this new framework. We continue to own 50% of RS, and the remaining interest is owned by the Investment Dealers Association of Canada ("IDA"), although neither of us controls RS' operations.

We then completed the process which began with our demutualization in 2000, when in November 2002, TSX Group acquired all the shares of TSX Inc. and became the first publicly listed exchange in North America.

Initiatives, Investments and Alliances¹

Since demutualization, we have undertaken many initiatives in keeping with our strategies to: (i) continue to focus on growth of our core business domestically to deliver superior technology, order flow and products and services; (ii) achieve a leadership position in all asset classes inside Canada, with a particular focus on equities, fixed income and energy; and (iii) pursue expansion beyond Canada based on our competitive advantages.

2004

- On March 1, 2004, we purchased NGX for \$39.3 million, excluding closing costs, from OMX AB (formerly OMHEX AB). NGX is a Canadian-based energy exchange established in 1994 that provides customers with an electronic platform for trading and clearing/settlement services for natural gas and electricity contracts.

2006

- On October 2, 2006, NGX acquired Watt-Ex. Watt-Ex, which owns and operates a system for procurement of electric operating reserves to the Alberta Electric System Operator, which is used to balance supply and demand on the Alberta electricity grid.
- On October 25, 2006, a wholly-owned subsidiary of TSX Group acquired Scotia Capital Inc.'s fixed income indices, its PC-Bond analytics applications, and related data assets. We have subsequently rebranded the indices as DEX fixed income indices and added ten dealers as fixed income pricing sources.
- On December 1, 2006, we acquired Shorcan, Canada's first fixed income IDB. Shorcan offers broker services for clients trading in federal, provincial, corporate, mortgage bonds and treasury bills. Shorcan became the first IDB to offer straight through processing in 2003.

We paid approximately \$53.7 million (net of cash acquired) in the fourth quarter of 2006 related to the acquisitions of Watt-Ex, PC-Bond and Shorcan. With respect to these acquisitions, we or one of our subsidiaries will make further payments of up to \$36.9 million related to performance incentives, data licenses and other arrangements over the term of the relevant agreements.

2007

- On March 28, 2007, we announced the formation of a transformative technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and IntercontinentalExchange Inc. ("ICE"). NGX's Canadian energy products were listed on ICE's trading system on February 9, 2008 with cleared U.S. products to be listed in stages throughout 2008, with the first stage occurring March 3, 2008. The alliance brings together the respective strengths of NGX, Canada's leading energy exchange and North America's leading physical clearing and

¹ The "Initiatives, Investments and Alliances" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

settlement facility in energy, and ICE, a world leading electronic energy and soft commodities marketplace. Under the arrangement, North American physical natural gas and Canadian electricity products will be offered through ICE's electronic commodities trading platform. NGX serves as the clearinghouse for these products and maintains responsibility for exchange trading in certain of these products.

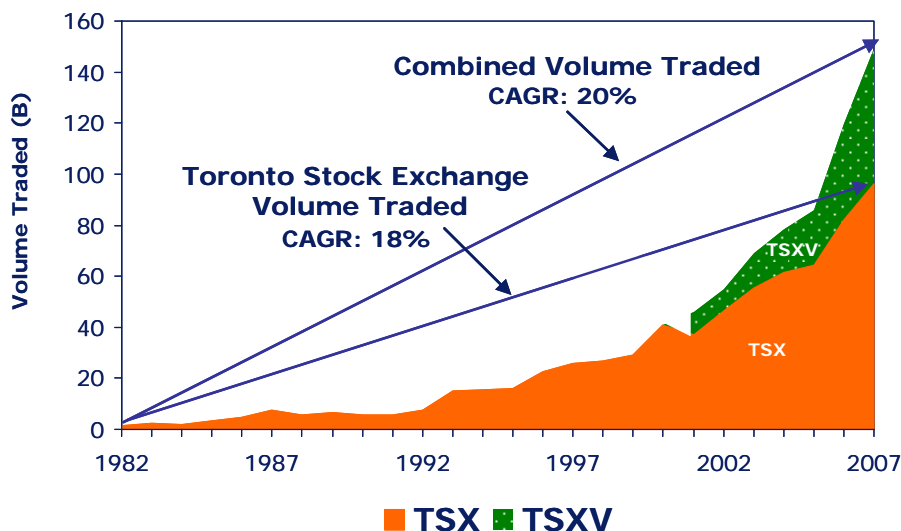
- On June 1, 2007, we further expanded our service offerings to issuers with the purchase of Equicom, a leading provider of investor relations and related corporate communication services to public issuers in Canada.
- On September 6, 2007, we entered into an agreement with Enbridge Inc. ("Enbridge") and Circuit Technology Limited ("Circuit Technology") granting us the option to acquire NetThruPut Inc. ("NetThruPut") at a time after March 15, 2009. NetThruPut is a Canadian electronic platform and clearing facility for crude oil. We paid \$9.5 million for the right to acquire all the shares of NetThruPut from its shareholders at a price between \$40 million and \$95 million depending on NetThruPut's 2008 net income.
- On December 10, 2007, we announced, together with MX, that we had agreed to combine TSX Group and MX to create TMX Group Inc. ("TMX Group"), a leading, integrated, multi-asset class exchange group. The combination will be effected by a series of amalgamations whereby TSX Group will indirectly acquire all of MX's outstanding common shares for a total consideration of approximately 15.3 million of our common shares and \$428.2 million in cash. The head office of TMX Group will be located in Toronto, and the head office of MX and the derivatives trading and related product operations will remain in Montreal. The combination is subject to approval of MX shareholders (which was obtained on February 13, 2008) and various regulatory approvals, including approvals from Quebec's Autorité des marchés financiers, the Competition Bureau, Toronto Stock Exchange and the United States Securities and Exchange Commission. As part of its regulatory approval process, on February 1, 2008 the Autorité des marchés financiers published MX's application for an amendment to its recognition order to permit the transaction to be completed. The comment period is open until March 3, 2008 and will be followed by public hearings on March 26 and 27, 2008. We hope to complete the transaction as soon as possible after the public hearings and receiving the Autorité des marchés financiers' decision and all other approvals. (See "Combination with MX" under the section "Strategies and Outlook" for a discussion of the transaction.)

Canadian Exchange Environment

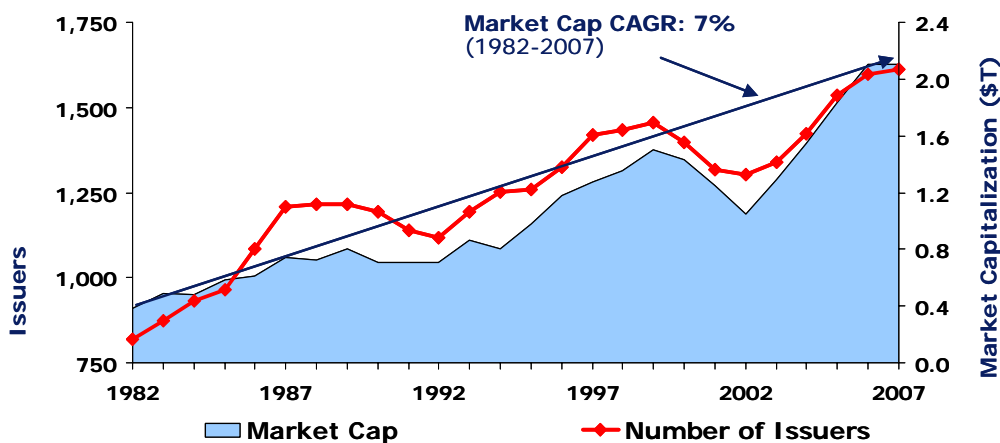
Market capitalization of listed issuers on Canadian equity exchanges has increased by approximately 7% per year from 1982 to 2007. The total market capitalization of the 3,951 issuers listed on our equity exchanges at December 31, 2007 was in excess of \$2.1 trillion, making our combined equity exchanges the third largest in North America and the seventh largest in the world. The number of issuers on Toronto Stock Exchange has also increased from 819 in 1982 to 1,613 at the end of 2007. There has also been strong growth in volume traded on TSX Group's equity exchanges, with a compound annual growth rate (CAGR) of approximately 20% from 1982 to 2007, with approximately 847 billion securities traded on our equity exchanges

during that period.² The following charts show statistics for annual trading volume and the number of listed issuers and total market capitalization of listed issuers on Toronto Stock Exchange from 1982 to 2007, together with the related compound annual growth rates. The first chart includes TSX Venture Exchange and NEX³ (a trading board launched in 2003 for issuers that have fallen below TSX Venture Exchange's ongoing listing standards) for the periods noted.

**Toronto Stock Exchange and TSX Venture Exchange
Volume Traded⁴**



**Toronto Stock Exchange
Market Capitalization and Number of Issuers**



² Includes TSX Venture Exchange for the years 2001 to 2007.

³ Unless otherwise indicated, market statistics and financial information for TSX Venture Exchange also includes such information for NEX.

⁴ Volume traded includes TSX Venture Exchange for the years 2001 to 2007 and NEX for the years 2003 to 2007.

In addition to Toronto Stock Exchange and TSX Venture Exchange, there are two other recognized stock exchanges in Canada. Canadian Trading and Quotation Systems Inc. (“CNQ”) is a recognized stock exchange in Ontario and has been granted an exemption from recognition as an exchange in Alberta and British Columbia. In August 2007, the Quebec’s Autorité des marchés financiers granted CNQ a temporary order authorizing it to carry on a securities exchange in Quebec. As at December 31, 2007, CNQ’s stock list comprised 104 listed securities with a total market capitalization of approximately \$1 billion. CNQ provides an automated, regulated marketplace for the trading of equity securities of emerging companies. CNQ commenced operations on July 25, 2003. In September 2007, CNQ launched an alternative market, Pure Trading, to trade securities listed on Toronto Stock Exchange.

In March 2007, the British Columbia Securities Commission recognized egX Canada Inc. (“egX Canada”) as an exchange. When launched, egX Canada will operate an exchange for real estate related securities in British Columbia. In June 2007, it filed an application with the Ontario Securities Commission (“OSC”) to operate egX Canada as an exchange in Ontario. egX Canada is a wholly-owned subsidiary of egX Group Inc., a company listed and traded on TSX Venture Exchange.

There are a number of equity ATs that currently provide or have announced intentions to launch trading services in Canada to institutional clients and dealers. In 2007, a group of Canada’s leading banks and investment dealers announced their intention to form an ATS to trade Toronto Stock Exchange securities which plans to launch in the second half of 2008.

Overview of our Business

TSX Group Revenue

Capital Markets

We derive our capital markets revenue, which includes our equity and fixed income markets, primarily from three integrated activities: issuer services (previously listings), trading and market data.

Issuer Services (previously Listings). Toronto Stock Exchange and TSX Venture Exchange list equity securities of Canadian and non-Canadian issuers, units of income funds and limited partnerships and debentures. Toronto Stock Exchange also lists securities of exchange-traded funds (“ETFs”) and other structured equity products. Through Equicom, acquired in June 2007, we also provide investor relations and related corporate communications services to public issuers. In 2005, 2006 and 2007, revenue from issuer services represented approximately 30%, 31% and 31%, respectively, of our revenue.

Trading. Brokerage firms, acting as principals or agents for retail and institutional investors, place orders or report trades for securities listed on Toronto Stock Exchange and TSX Venture Exchange using our fully-electronic trading systems. Shorcan, acquired in December 2006, provides a facility for matching orders for domestic, fixed-income securities for anonymous buyers and sellers in the secondary market. In 2005, 2006 and 2007, trading and related fees regarding our capital markets represented approximately 37%, 36% and 35%, respectively, of our revenue.

Market Data. Through TSX Datalinx, TSX Group sells its trading and quotation data (real-time and historical) generated through Toronto Stock Exchange and TSX Venture Exchange to market participants on a global basis. We also distribute data from other sources. In addition, we receive a portion of license fees from organizations that develop products based on certain equity and fixed income indices. In October 2006, we acquired PC-Bond, comprising the leading Canadian fixed income indices, PC-Bond analytics applications and related data assets. In 2005, 2006 and 2007, market data revenue represented approximately 23%, 25% and 26%, respectively, of our revenue.

Each of listings, trading and market data activities, as it relates to the equity markets, is linked to the others in a manner that supports the growth of them all: new listings tend to generate more trading and market data; increased trading creates greater liquidity and generates data; and more liquid markets are likely to attract new listings and participation by brokerage firms and investors.

Energy Markets

We also derive revenue from our energy markets as outlined below.

NGX. Participants post orders to a central limit order book for natural gas and electricity contracts through NGX's electronic exchange. In October 2006, we added to our energy business when NGX acquired Watt-Ex, which owns and operates a system for procurement of operating electric reserves to the Alberta Electric System Operator, which is used to balance supply and demand on the Alberta electricity grid. In 2005, 2006 and 2007, revenue from our energy markets represented approximately 6%, 5% and 5%, respectively, of our revenue.

Trends

We have identified a number of trends that have important implications for our strategies and outlook. Advances in technology, globalization, consolidation, regulation and the introduction of alternative trading venues are all changing the way global exchange markets operate. Market participants are demanding faster, more sophisticated trading engines. These trends will continue to fuel competition among global and regional exchanges.

Some exchanges have been combining across multiple asset classes and are moving to integrated and multi-product business models in an effort to broaden their revenue sources. Exchanges are also combining across geographies in order to diversify revenue. We believe that the cost of technology will continue to drive exchanges to consolidate and seek the benefits of cost synergies associated with operating on a common platform.

Technology Advancements

Technology is enabling and accelerating change by providing capital markets with tools to improve efficiency and pursue new avenues of growth. This is evident as more exchanges become fully electronic, as increased processing power is available at a lower cost, and as access widens with rapid internet adoption as well as wireless connectivity.

Technological innovation is driving growth in new areas as well. This can be seen in the acceleration into electronic trading of additional types of securities (such as fixed-income and derivatives); the development of increasingly sophisticated investment products (such as exchange-traded funds and structured equity products); and the proliferation of more complex

trading practices (such as program, quantitative, basket, hedge fund and algorithmic trading). Opportunities are developing to standardize OTC products, which is often a precursor to trading on electronic exchanges.

Globalization

One of the most significant industry developments in recent years is the accelerating pace of globalization of the world's capital markets. The emphasis on greater geographic diversification of investments, as well as expanded global cross-border commercial activities is leading to increasing levels of global cross-border trading and capital movements. Financial institutions, investment firms and other financial intermediaries increasingly trade in numerous markets and asset classes across national boundaries, outside traditional exchanges and even directly among themselves. This has led to increased competition for listings and trading between domestic and international exchanges, and to a growing demand for increased technological and regulatory cooperation between market centres in different jurisdictions.

Consolidation and Strategic Alliances

Another common trend in the industry is the consolidation of marketplaces. The need to respond to the globalization of capital markets and the desire to provide cross-border and multi-asset class offerings to customers has led to a number of domestic and transcontinental consolidations. For example:

- In March 2006, New York Stock Exchange and Archipelago Holdings Inc. merged to form NYSE Group, Inc. ("NYSE Group"), and in April 2007, NYSE Group completed a merger with Euronext;
- In May 2007, NASDAQ announced its intention to acquire OMX, and in September 2007 announced it was joining forces with Borse Dubai to complete the acquisition. In the NASDAQ/OMX deal, which closed February 27, 2008, Borse Dubai received NASDAQ's approximate 28% ownership in the London Stock Exchange and an approximate 19.9% ownership interest in NASDAQ. In addition, in the Fall of 2007, NASDAQ announced its intention to acquire both the Boston Stock Exchange and the Philadelphia Stock Exchange; and
- In December 2007, derivatives exchange Eurex Frankfurt AG, a joint venture of Deutsche Börse and SWX Swiss Exchange, completed its acquisition of the International Securities Exchange ("ISE").

Furthermore, in addition to consolidating across asset classes, certain exchanges have been actively pursuing vertical expansion or integration strategies by making acquisitions or alliances in areas such as technology and investor and issuer services.

We have also seen a recent trend for market participants to make strategic investments in marketplaces in or to create alternative trading venues (ATs/ECNs) including:

- In September 2006, several broker dealers including Citigroup, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS announced their intention to create Block Interest Discovery Service ("BIDS"), a platform for U.S. equity block trading. BIDS commenced operations in the spring of 2007;

- In October 2006, several broker dealers including Credit Suisse, Lehman Brothers, and Morgan Stanley announced they had acquired minority stakes in the U.S.-based BATS Trading, Inc. (“BATS”), which operates an ATS. In November 2007, BATS filed an application with the U.S. Securities and Exchange Commission to be approved as an exchange; and
- On November 15, 2006, a group of seven investment banks, including Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley and UBS, announced their intention to create a new pan-European equity trading platform, referred to as Project Turquoise, to compete with Europe’s stock exchanges. In October 2007, BNP Paribas SA and Société Générale SA joined the group, bringing the total number of investment banks involved to nine. This multi-lateral trading facility is currently scheduled to begin operations in 2008.

Regulatory Change

Best execution and trade through rules in Canada, like Regulation NMS in the United States (designed to modernize and strengthen the United States’ national market system, or NMS, for equity securities) and the MiFID (Markets in Financial Instruments Directive) in Europe, are major sets of regulation that are expected to have a substantial impact on Canadian and U.S. equity trading and European cash and derivatives trading, respectively. These rules attempt to create fairer markets that better protect investors while facilitating competition between market participants.

Strategies and Outlook⁵

In our view, Canada needs a strong integrated marketplace that offers cash and derivatives trading in equities, fixed income and energy to compete globally in the consolidating world of exchanges. Our corporate strategy has evolved through our assessment of the exchange sector and of our business. We plan to capitalize on our competitive advantages by pursuing the strategies described below, organically and through acquisitions, strategic alliances and investments to achieve profitable growth and maximize shareholder returns.

Strategies

- To continue to focus on growth of our core business domestically in terms of superior technology, order flow and products and services.
- To achieve a leadership position in all asset classes inside Canada, with a particular focus on equities, fixed income and energy.
- To pursue expansion beyond Canada based on our competitive advantages.

⁵ The “Strategies and Outlook” section contains certain forward-looking statements. Please refer to “Forward-Looking Statements” on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

Competitive Advantages

Domestic:

- Brand and reputation
- Pre-eminent domestic position
- Trading and data technology capability
- Marketplace operations capability
- Data platform and distribution capability

International:

- Mining listings and expertise
- Oil & Gas listings and expertise
- Small-to-medium enterprises (“SME”) expertise

Continue to focus on growth of our core business domestically in terms of superior technology, order flow and products and services

Issuer Services

The listings operations of Toronto Stock Exchange and TSX Venture Exchange are focused on offering growth through business development and new services for existing issuers.

Toronto Stock Exchange will:

- Continue to focus on listing structured equity products, such as ETFs, which expand our reach into the investment marketplace.
- Offer value-added products and services to our listed issuers by collaborating with industry leaders, such as our 2007 purchase of Equicom.

TSX Venture will:

- Focus on pursuing initiatives that drive new listings, such as expanding its Capital Pool Company program and executing its public venture capital campaign.
- Offer mentoring programs designed to enhance existing issuers’ probability of success as public companies.
- Pursue growth in Central and Eastern Canada, where public venture capital markets are relatively less developed.
- Pursue growth in untapped non-resource sectors.

Equity Trading

There are three key drivers to increased trading:

Superior Technology

- Speed of execution is a necessity due to the rapid growth of algorithmic trading and we have taken steps to enhance capacity and performance. Our TSX Quantum trading engine will enhance the reliability, scalability, low cost and high speed of execution, which underpins us as a world leading electronic marketplace. We launched the TSX Quantum trading engine in December 2007 and will continue its roll-out throughout 2008.

Innovative Products

- We will continue to develop and offer new customized trading products and services, such as TSX MOC, Multiple Broker Give Up and ATX, designed to meet the distinct needs of various investors and intermediaries and bring more liquidity and efficiency to the marketplace. In 2008 we plan to introduce a smart order router that should help domestic and international customers meet best execution obligations. In addition, we also plan to offer co-location to customers in 2008.

Competitive Trading Fees

- In both 2006 and 2007, we implemented changes to the trading fee structure on Toronto Stock Exchange and TSX Venture Exchange to attract more volume and incent liquidity from global players. According to a survey conducted by Elkins McSherry, for the one year period ended June 30, 2007 the cost of executing a trade on our exchanges was 0.20 basis points which ranked as the third lowest (tied) in the world.

Market Data

TSX Datalinx will focus on:

- Increasing penetration of existing customers and up-selling them to premium content products.
- Continuing to work with market data vendors to upgrade their data delivery capabilities.
- Continuing to provide direct distribution to clients (TSX Direct) to meet their needs for reduced data latency.
- Expanding the availability of market data information for our customers across North America by continuing as a market centre on the Secure Financial Transaction Infrastructure (“SFTI”), allowing customers access to real-time market information with extremely low latency.
- Leveraging existing data capabilities and infrastructure (LinxPointOne) to add new content, such as OTC, fixed income, foreign exchange, and other premium data.

- Providing customers with the opportunity to co-locate their data infrastructure within our data centre.
- Building on our agreement with The Canadian Press to provide fact-based, non-biased journalist generated news.
- Launching the Consolidated Data Feed or CDF, providing pre- and post-trade data from equity marketplaces in Canada in a standard format to ease the multi-marketplace integration for stakeholders and help facilitate best execution and trade through obligations.
- Expanding market data content on tsx.com to include information from U.S. equity markets.

Achieve leadership position in all asset classes inside Canada, with particular focus on equities, fixed income and energy

Fixed Income Trading

We are a leading participant in the Canadian fixed income market following the acquisitions of Shorcan and PC-Bond (including the leading Canadian fixed income indices, renamed the DEX Fixed Income Indices in October 2007) in 2006. Shorcan is an IDB offering clients trading in federal, provincial, corporate and mortgage bonds and treasury bills and PC-Bond (DEX Fixed Income Indices) is the leading provider of fixed income indices in Canada.

Through our 47% stake in CanDeal, we also provide dealer to client fixed income trading. CanDeal has achieved significant growth since its inception and reported a profit of \$0.4 million in 2007. CanDeal continues to focus on expanding its product and service offering and attracting more institutional customers. CanDeal also provides access beyond Canada through its technology and co-marketing agreement with Thomson TradeWeb.

Energy Trading

We entered the energy trading and clearing business in March 2004 when we purchased NGX. NGX will continue to focus on growing its business. In October 2006, we added to our energy business when we acquired Watt-Ex, which owns and operates a system for procurement of electric operating reserves for the Alberta Electric System Operator which is used to balance supply and demand on the Alberta grid.

On March 28, 2007, we announced the formation of a transformative technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and ICE. NGX's Canadian energy products were listed on ICE's trading system on February 9, 2008 with cleared U.S. products to be listed in stages throughout 2008, with the first stage occurring March 3, 2008. The alliance brings together the respective strengths of NGX, Canada's leading energy exchange and North America's leading physical clearing and settlement facility in energy, and ICE, a world leading electronic energy and soft commodities marketplace. Under the arrangement, North American physical natural gas and Canadian electricity products will be offered through ICE's electronic commodities trading platform. NGX serves as the clearinghouse for these products and maintains responsibility for exchange trading in certain of these products.

In September 2007, we entered into an agreement with Enbridge and Circuit Technology to acquire all of the shares of NetThruPut after March 15, 2009. NetThruPut is the leading Canadian electronic platform and clearing facility for crude oil. We have a right to acquire NetThruPut from its shareholders, Enbridge and Circuit Technology, at a price between \$40.0 million and \$95.0 million depending on NetThruPut's 2008 net earnings. The purchase price payable to Circuit Technology will be satisfied by the issuance of TSX Group shares.

Derivatives

Combination with MX

On December 10, 2007, we entered into a combination agreement (the "Combination Agreement") with MX pursuant to which TSX Group will indirectly acquire all of MX's outstanding common shares for total consideration of approximately 15.3 million of our common shares and \$428.2 million in cash. We intend to finance the cash consideration with a three-year term facility of \$430.0 million underwritten by two Canadian chartered banks. We will also enter into a three-year, \$50.0 million revolving credit facility with these banks.

MX has agreed to pay TSX Group a termination fee of \$45.7 million if the amalgamation is not completed for certain reasons. Assuming the amalgamation closes within the time frame outlined above under the heading "Initiatives, Investments and Alliances", we will incur costs and fees of approximately \$15.2 million in connection with the Combination Agreement and the amalgamation, including, without limitation, external advisory fees, bank fees, filing fees and employment costs, which will be included in the purchase price. In addition, we may incur contract termination fees (see "Arrangement with ISE") and employment costs of approximately \$17.0 million which, if required, would be expensed in the period they are incurred.

The following strategic factors were considered in connection with our proposed business combination with MX:

- *Improved positioning in light of global exchange consolidation trends.* Substantial consolidation in the exchange sector has occurred and continues to occur around the world. The combination will create a substantially larger entity that will be better positioned to compete and benefit from this consolidation trend.
- *Greater product offering.* TSX Group and MX have limited product overlap. As an integrated exchange group bringing together our operational, financial and technical resources with those of MX, the combined entity will offer its customers access to diversified products and services. The combination of TSX Group and MX will create a leading North American exchange group encompassing multiple asset classes and comprising a broad range of cash and derivatives products, including products based on interest rates, equities, equity indices, foreign exchange, energy and environmental financial products. We believe the combined entity will be well positioned to compete against other U.S. and foreign exchanges and the OTC market in a rapidly evolving industry.
- *Increased size and financial strength.* On a pro forma basis after giving effect to the amalgamation, the combined entity would have had combined revenue and net income of \$432.0 million and \$132.6 million, respectively, for the year ended December 31, 2006 and \$376.9 million and \$122.2 million, respectively, for the nine-month period ended September 30, 2007.

On a pro forma basis after giving effect to the amalgamation, the combined entity would have a strong balance sheet and the potential to generate cash flow to finance future expansion, investment in new or improved technology, and development of new products and services for its customers.

- *More diversified revenue base.* The combination will allow us to further diversify our revenue base by including revenue from trading and clearing derivatives as well as by distributing market data.
- *Combination creates opportunity to achieve meaningful synergies.* The combination is anticipated to create significant value for our shareholders through the combined entity's enhanced growth profile and opportunity to realize meaningful synergies. TSX Group and MX are currently targeting annual cost synergies of \$25.0 million, expected to be achieved by reducing corporate costs, rationalizing premises and data centres and optimizing technology. In addition, the combined entity will target revenue synergies by developing new trading, clearing and market data products, leveraging a broader platform across multiple asset classes, targeting cross-selling opportunities over the combined TSX Group – MX customer base, optimizing clearing models, and expanding the combined customer base globally.
- *Combination creates opportunities to accelerate growth strategies.* By bringing together the strong markets, teams and expertise of MX and TSX Group, the combined entity will be well positioned to grow trading volumes, including by developing and launching new products, and will have the resources and scale to develop new high-value data services and offer an integrated clearing solution to an enlarged and international customer base. Furthermore, the combination allows the combined entity to generate growth prospects and strategies, including growth strategies outside of Canada, particularly in the U.S. via MX's interest in the Boston Options Exchange Group LLC (BOX).

Arrangement with ISE

On August 14, 2007, we announced the completion of the shareholders' agreement for CDEX Inc. ("CDEX"), which would operate DEX, our new Canadian derivatives exchange. CDEX is owned 52% by TSX Group and 48% by a wholly-owned subsidiary of ISE. DEX was scheduled to begin operations in March 2009. CDEX was funded with \$26.0 million, representing the estimated cost of setting up the exchange, which was split between the two shareholders according to their share ownership in CDEX. If we complete the transaction to create TMX Group, we will not be moving forward with our plans to launch DEX in March 2009; however, we continue to explore alternative business opportunities with ISE.

In connection with the announcement of the agreement to combine with MX, we provided ISE with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement. If the parties are unable to agree to an alternative business arrangement, originally by January 10, 2008 and subsequently extended to March 31, 2008 through an amending agreement, we will be required to pay ISE \$15.0 million plus interest. If the payment is required, it will be expensed in the period incurred.

Pursue expansion beyond Canada based on our competitive advantages

Leading Global Resource Exchange Group

We intend to create a unique platform and differentiate ourselves globally by leveraging our strengths in natural resources. Implementation of this strategy will include providing listings, trading and clearing of resource equities, fixed income, options and futures for natural resource companies and the underlying commodity products. Resource companies and investors will value our comprehensive integrated resource offerings, deep liquidity, and attractive economics. This strategy will capitalize on the rapid global growth of the resource sector and on Canada's evolving position as a leading energy supplier. Our current base of resource listings, together with our ownership of NGX and future ownership of NetThruPut, provides us with a strong base upon which to build.

Leading North American Exchange for Small-to-Medium Enterprises (SMEs)

We are a leading exchange for SMEs, and we intend to expand this platform to attract North American and international listings. The SME market globally, and especially in the United States, is large and potentially underserved.

In 2007, our international business development efforts were focused on listing opportunities from China, Australia, Israel and the U.S. We completed a nine-city U.S. Campaign in 2007 focused on attracting SMEs in our strongest key sectors: mining, oil and gas, and technology. We added 23 new U.S. listings for the year and initiated new business opportunities across the largest capital market in the world.

Regulatory Matters

Different organizations regulate or monitor participants in the Canadian capital markets including issuers, brokerage firms, stock exchanges, ATSS, trading and quotation systems and IDBs. Self-regulatory authorities, such as the IDA and RS, regulate the activities of brokerage firms, their capital requirements, and business and trading conduct. Canadian exchanges also establish standards for their listed issuers to maintain quality marketplaces and investor confidence. With the continuing evolution of the multiple marketplace environment in Canada, we anticipate that in 2008, the Canadian securities administrators will continue the process to establish the rules related to a market participant's best execution and trade through obligations.

We are a reporting issuer in all provinces and territories of Canada. TSX Venture Exchange, TSX Inc. and TSX Group are all regulated as stock exchanges. NGX is currently exempt from the requirement to be recognized as an exchange, and from related requirements, in applicable jurisdictions. NGX, however, continues to be subject to certain conditions, operating principles, or residual regulation in these jurisdictions, including the United States. CanDeal is registered as an ATS. Shorcan is an Ontario Securities Commission registrant under the category of "limited market dealer" and has been approved by the IDA to act as an IDB.

Recognition and Regulation of Stock Exchanges

A stock exchange operating in Canada must be recognized in certain jurisdictions under applicable securities legislation. In some circumstances, an exchange may obtain an exemption from this requirement. The Ontario, Alberta and British Columbia securities commissions have issued recognition orders and oversee our operations and those of Toronto Stock Exchange and

TSX Venture Exchange to ensure we operate in the public interest. The Ontario Securities Commission is the lead regulator for TSX Group and TSX Inc. (which operates Toronto Stock Exchange) and the Alberta and British Columbia Securities Commissions are the joint lead regulator for TSX Venture Exchange Inc. (which operates TSX Venture Exchange).

The lead regulator of an equity exchange focuses, among other things, on the exchange's listing standards and trading activities (embodied in the rules of the exchange), including its market quality rules, and the universal market integrity rules approved by all the regulators. The lead regulator must approve any new standards or rules or changes to existing rules (for Toronto Stock Exchange and TSX Venture Exchange), or that are determined to be a significant regulatory instrument (for TSX Venture Exchange) before they are implemented. The lead regulator also has the general power to make any decision for an exchange that it deems necessary in the public interest, and can review any direction, decision, order or ruling of that exchange at the request of the regulator's executive director or any person directly affected by the direction, decision, order or ruling.

Toronto Stock Exchange

TSX Inc., which operates Toronto Stock Exchange, is recognized and regulated by the Ontario Securities Commission. TSX Inc. has received an exemption from recognition from the regulators in British Columbia, Alberta and Quebec. TSX Group, as the parent holding company of TSX Inc., is also recognized by the Ontario Securities Commission as carrying on business as a stock exchange.

The Ontario Securities Commission's recognition order for TSX Group and TSX Inc. recognizes them as stock exchanges in Ontario subject to certain terms and conditions.

TSX Inc.'s terms and conditions include the following:

- TSX Inc. must ensure that its governance structure provides for fair and meaningful representation on its board of directors and any governance committee of the board, including a requirement that at least fifty per cent of its board of directors be independent. A director is independent if he or she is independent within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees* and he or she meets the additional standards established by our board of directors. The additional standards establish examples of when an individual is considered to have a material relationship with TSX Inc. and is therefore considered not to be independent (e.g., an employee of a Participating Organization). The current members of the board of TSX Inc. are all independent for these purposes. TSX Inc. is also required to take reasonable steps to ensure that each of its directors and officers is fit to serve in that role.
- TSX Inc. is required to meet specified financial viability tests to ensure that it maintains sufficient financial resources to properly perform its functions. Those financial ratios are:
 - a current ratio that must be greater than or equal to 1.1-to-1 based on current assets to current liabilities (where current assets are adjusted to exclude the current portion of the future tax asset related to deferred revenue-initial and additional listing fees and current liabilities are adjusted to exclude the current portion of deferred revenue-initial and additional listing fees);

- a debt to cash flow ratio that must be less than or equal to 4-to-1 based on total debt used to finance TSX Inc.'s operations to adjusted earnings before interest, taxes, depreciation and amortization for the most recent twelve months (adjusted to include initial and additional listing fees billed⁶ and to exclude initial and additional listing fees reported as revenue); and
- a financial leverage ratio that must be less than or equal to 4-to-1, based on adjusted total assets to adjusted shareholders' equity (where adjusted total assets is calculated as total assets as reported on the TSX Inc. balance sheet less the portion of the future tax asset on the TSX Inc. balance sheet that is related to deferred revenue - initial and additional listing fees as reported on the TSX Inc. balance sheet ("Adjusted Future Tax Asset") and adjusted shareholders' equity is calculated as shareholders' equity as reported on TSX Inc.'s balance sheet plus deferred revenue - initial and additional listing fees as reported on TSX Inc.'s balance sheet less Adjusted Future Tax Asset).

If any of these tests is not met for a period of more than three months, TSX Inc.'s Chief Executive Officer must immediately deliver a letter advising the Ontario Securities Commission staff of the reasons for the continued deficiencies and the steps being taken to rectify the situation. In these circumstances, TSX Inc. will not, without the prior approval of the Director of the Ontario Securities Commission, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed to by Ontario Securities Commission staff.

- All fees imposed by TSX Inc. on Participating Organizations must be equitable and cannot have the effect of creating barriers to access.
- TSX Inc. must meet requirements for the capacity and integrity of the components of its trading system.
- Any material agreement or transaction entered into between TSX Inc. and TSX Group or a subsidiary or associate of TSX Group must be on terms that are at least as favourable to TSX Inc. as market terms and conditions.
- TSX Inc. is required to maintain board-approved policies and procedures to: evaluate and approve material outsourcing arrangements with parties except its affiliates; assess the risk of any such arrangement; and in certain circumstances ensure that the outsourcing contract permits the Ontario Securities Commission to have access to any data and information maintained by the service provider.
- TSX Inc. has special terms and conditions relating to the listing of TSX Group shares on Toronto Stock Exchange, which are described below in the section entitled "Listing of our Shares on Toronto Stock Exchange".

TSX Group has similar requirements to TSX Inc. under the terms of its recognition order for governance structure, including the independence requirement (TSX Group's independent directors are the same as TSX Inc.'s independent directors) and fitness of officers and directors.

⁶ See discussion under the heading "Non-GAAP Financial Measures" on page 70.

TSX Group is also required to allocate sufficient financial and other resources to TSX Inc., so long as TSX Inc. carries on business as a stock exchange, to permit TSX Inc. to operate in accordance with the terms of its recognition order. In addition, TSX Group is required to do everything in its control to cause TSX Inc. to comply with the terms and conditions in its recognition order.

TSX Venture Exchange

The Alberta and British Columbia securities commissions jointly recognize and regulate TSX Venture Exchange Inc. (which operates TSX Venture Exchange). TSX Venture Exchange Inc. is exempt from recognition by the securities regulatory authorities in Ontario, Manitoba and Quebec.

The recognition orders of the British Columbia and Alberta securities commissions for TSX Venture Exchange Inc. recognize it as an exchange and impose similar terms and conditions to those in the TSX Inc. recognition order for: governance structure, including the independence requirement (TSX Venture Exchange Inc.'s independent directors are the same as TSX Inc.'s independent directors), fitness of directors and officers, fees and equality of access to the trading facilities, trading system capacity and integrity, material related party agreements or transactions, and material outsourcing. In addition, at least 25% of the directors of TSX Venture Exchange Inc. must have expertise in or be associated with the Canadian public venture capital market. The current members of the board for this purpose are Messrs. Fox, Hagg, Jaako and Martel and Ms. Sinclair, who together comprise approximately 42% of the directors. TSX Venture Exchange Inc. cannot, without the prior approval of the Alberta and British Columbia securities commissions, implement any significant changes to its governance structure and the practices of its board of directors. TSX Inc. and TSX Group have provided related undertakings, including to allocate sufficient financial and other resources to TSX Venture Exchange to permit it to operate in accordance with its recognition orders. In addition, TSX Group and TSX Inc. have represented that they will do everything in their control to cause TSX Venture Exchange to comply with the terms and conditions of its recognition orders. TSX Group has also created and agreed to maintain a public venture market committee of its Board of Directors.

Regulation of Brokerage Firms — Operations and Business Conduct Generally

All brokerage firms trading through Toronto Stock Exchange or TSX Venture Exchange must be members of a recognized self-regulatory organization which regulates its members. These organizations regulate the broker-client relationships, business conduct, and capital adequacy of their members. This regulation seeks to maintain the credibility of marketplaces, protect investors' interests and instil investor confidence by addressing general issues of trading ethics and investor protection in the markets. Although the IDA now regulates brokerage firms, the exchanges also have criteria for access to their markets.

Regulation of Market Participants — Market Trading Conduct — RS

In the past, Toronto Stock Exchange and TSX Venture Exchange regulated their Participating Organizations and Member Firms (collectively, "POs") directly. In December 2001, the securities regulatory authorities in Canada implemented national instruments commonly referred to as the ATS rules. Under these rules, each ATS is regulated by a "regulation services provider" which is either a recognized exchange, a recognized quotation and trade reporting system, or a recognized self-regulatory entity. An exchange can monitor its participants and enforce its requirements either directly, or through a regulation services provider. RS is recognized by the

securities regulatory authorities in Ontario, Quebec, Manitoba, Alberta and British Columbia as a self-regulatory organization under the ATS rules to act as a regulation services provider.

In March 2002, Toronto Stock Exchange and TSX Venture Exchange retained RS to provide regulation services. As agent for each of them, RS regulates the trading activity of the exchanges' POs; and monitors and enforces compliance with the Universal Market Integrity Rules, or UMIR. Currently, RS also administers the exchanges' timely disclosure policies. Subject to regulatory approval, the exchanges intend to take back the administration of this function.

The RS board of directors has thirteen members: six are independent of the two shareholders; five are appointed by the two shareholders, including one that represents the Canadian public venture capital market; one represents ATSS; and one is the President and CEO of RS. RS operates independently from us although we provide certain technology and administrative services to RS.

RS operates on a not-for-profit basis and its fees are designed only to recover its costs of regulation.

In April 2006, the Boards of Directors of the IDA and RS announced a proposal to create a new Self Regulatory Organization ("SRO") to succeed the IDA and RS. A joint steering committee was established by the IDA and RS to work with Canadian securities administrators ("CSA") and capital markets stakeholders to develop a detailed implementation plan. In May 2007, the Board of Directors of the IDA and the Board of Directors of RS each agreed, subject to the approval of the members of the IDA (which was obtained on December 17, 2007), the shareholders of RS (the IDA and TSX Inc.) and the CSA to create a new SRO, provisionally called New Regco. If these approvals are obtained, New Regco will be the SRO that will provide regulation services to each of Toronto Stock Exchange and TSX Venture Exchange. New Regco will monitor and enforce compliance with UMIR and perform other regulatory functions that our equity exchanges may delegate to New Regco.

New Regco will be a non-share capital corporation and will have two classes of members, being Dealer Members (investment dealers in accordance with applicable Canadian securities legislation (including ATSS which are required to be registered dealers and members of an SRO)) and Marketplace Members (marketplaces that have retained New Regco as their regulation services provider). Each class of members will have equal voting rights and will vote together. The Board of Directors of New Regco will consist of 15 directors: five directors representing the Dealer Members, two directors representing the Marketplace Members, seven independent directors and the chief executive officer of New Regco. We will be entitled to nominate one of the directors representing the Marketplace Members.

Issuers of Securities

In Canada, there is one securities regulatory body in each province or territory. These provincial and territorial securities regulatory authorities regulate the offering of securities by issuers and their reporting and continuous disclosure requirements and, in certain cases, the conduct of various market participants including stock exchanges and intermediaries.

The Alberta and British Columbia securities commissions have required TSX Venture Exchange to review and approve certain prospectuses filed by issuers listed on TSX Venture Exchange.

Each of our equity exchanges establishes standards for listed issuers, and enforces compliance with those standards through the exchange's powers to halt trading in a security or to suspend or delist the listing of a security.

Listing of our Shares on Toronto Stock Exchange

Toronto Stock Exchange and staff of the Ontario Securities Commission approved the listing and posting for trading of our common shares on Toronto Stock Exchange under the symbol "X" on November 12, 2002. The Ontario Securities Commission also established procedures which require Toronto Stock Exchange to promptly report to the Ontario Securities Commission any conflicts or potential conflicts of interest that arise or may arise with respect to our continued listing or the initial listing or continued listing of a competitor of TSX Group or its affiliates. Under these procedures, a conflicts committee has been established, with at least two members who are independent of TSX Inc., and all conflict resolutions must be approved by staff of the Ontario Securities Commission.

In addition, under Ontario securities legislation, the Ontario Securities Commission has overriding powers to make decisions about Toronto Stock Exchange if it appears to be in the public interest. Toronto Stock Exchange's reporting requirements and the Ontario Securities Commission's monitoring function for the listing of our shares are set out in TSX Inc.'s recognition order.

NARRATIVE DESCRIPTION OF THE BUSINESS

Operations of TSX Group

Issuer Services

Listings — Toronto Stock Exchange and TSX Venture Exchange

General

We conduct our listings operations through Toronto Stock Exchange, our senior market, and TSX Venture Exchange, our junior market. TSX Venture Exchange also has a board for issuers that have fallen below its ongoing listing standards, referred to as NEX⁷. At December 31, 2007, 1,613 issuers were listed on Toronto Stock Exchange with an aggregate market capitalization of \$2.10 trillion. At the same date, 2,338 issuers were listed on TSX Venture Exchange with an aggregate market capitalization of \$58.5 billion. We charge these issuers initial listing fees, annual sustaining listing fees, and additional listing fees for subsequent capital markets transactions, such as private placements and subsequent public offerings.

In general, issuers initially list on Toronto Stock Exchange either in connection with their IPOs or by graduating from TSX Venture Exchange. In addition, issuers with securities listed or trading on another marketplace may apply to list on Toronto Stock Exchange. Listing on Toronto Stock Exchange provides 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.

⁷ Unless otherwise indicated, market statistics and financial information for TSX Venture Exchange includes NEX.

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 program or reverse takeovers. As Canada's pre-eminent public venture market, TSX Venture Exchange provides emerging growth companies and entrepreneurs with a range of benefits, including opportunities to access public venture financing, liquidity for investors and the prospect of graduating to Toronto Stock Exchange. At the same time, TSX Venture Exchange offers investors an opportunity to invest in emerging companies at an early stage, on a diversified basis and through a supervised market.

To attract and retain listings and maintain investor confidence, our equity exchanges preserve the quality of our existing listings by applying initial and ongoing listing standards and policies tailored to the stage of development and sector within which an issuer operates. We also promote best practices for corporate governance, continuous disclosure reporting and timely disclosure in addition to enforcing Toronto Stock Exchange rules on timely disclosure. Toronto Stock Exchange has established an industry advisory committee to assist in the development of its standards and policies and to advise as to whether they remain relevant. The Listings Advisory Committee is comprised of individuals representing Participating Organizations, institutional investors, issuers or other entities, drawn from various backgrounds including legal, accounting and regulatory. Our Board has a public venture market committee that, along with other industry advisory committees established by TSX Venture Exchange, advise TSX Venture Exchange to ensure that its standards and policies are applied and remain relevant, and on other policy matters relating to the Canadian public venture capital market generally.

Listings – International Business Development

Our listings operations have a strong focus on international business development. We are currently focusing our international business development efforts on listing opportunities from China, Australia, Israel and the United States. In 2007, we completed a nine-city U.S. campaign focused on attracting SMEs in our strongest key sectors: mining, oil and gas and technology, and we also conducted two three-city road shows in China. In 2007, we added 49 new international listings, of which 23 came from the U.S. Through our U.S. campaign, we initiated new business opportunities across the largest capital market in the world. In 2007, we added ten new listings from Australia, seven new listings from China, four new listings from the United Kingdom/Europe, two new listings from South America and three new listings from other international locations.

Other Issuer Services

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.

One strategic objective of our issuer services operations is to provide added value to our issuers through ongoing development and introduction of new products and services as well as through a "high touch" relationship management approach with our listed issuers. In 2006, we launched TSXconnect, web based investor relations analytics tools available to Toronto Stock Exchange and TSX Venture Exchange issuers. In June 2007, we further expanded our service offerings with our purchase of Equicom, a leading provider of investor relations and related corporate communications services to over 100 public issuers in Canada. In order to support the expansion of available products and services, a relationship management platform has been developed with

a team of relationship managers deployed across the country. Their primary role is to be a dedicated resource for listed issuers which will include product and service sales in addition to ongoing client management.

Revenue Recognition Policy – Listing Fees

Canadian GAAP requires that we recognize initial and additional listing fees over an estimated service period related to those fees, which we have determined to be ten years, even though we receive these fees upon completion of the related transaction and they are non-refundable to customers. The estimated service period of ten years was determined by conducting an historical review of listing activity. We determined that the average period of time that an issuer remained listed on Toronto Stock Exchange was approximately ten years. In addition, turnover rates were calculated for a Toronto Stock Exchange listed issuer and for a TSX Venture Exchange listed issuer and were determined to be in the range of ten to twelve years. Examining historical data allowed us to consider the impact of economic cycles and other trends in capital markets over time. The service period selected affects the rate at which deferred revenue is recognized, as well as the future tax asset related to these fees. We record unamortized balances as “deferred revenue – initial and additional listing fees” on our consolidated balance sheet.

In the case of Toronto Stock Exchange, effective April 2007, customers are billed for initial and additional listing fees. Prior to this date, these fees were paid upon the listing or reserving of securities, which is still the practice on TSX Venture Exchange. With the adoption of the new system, there is now a lag between the time when securities are issued or reserved and when these listing fees are paid for Toronto Stock Exchange listed issuers.

We bill sustaining listing fees during the first quarter of the year, record them as deferred revenue and recognize them as revenue over the year on a straight-line basis.

Issuer Services Revenue

We generate revenue through our listing activities by charging issuers the following types of fees.

Initial and Additional Listing Fees

Initial Listing Fees. Toronto Stock Exchange and TSX Venture Exchange issuers pay initial listing fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. For accounting purposes, we recognize initial listing fees on a straight line basis over a ten-year period as described under the section entitled, “Revenue Recognition Policy – Listing Fees”.

Additional Listing Fees. Issuers already listed on one of our equity exchanges pay fees in connection with subsequent capital market transactions, such as the raising of new capital through the sale of additional securities. Additional listing fees are based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. For accounting purposes, we recognise additional listing fees on a straight line basis over a ten-year period as described under the section entitled, “Revenue Recognition Policy – Listing Fees”.

Sustaining Listing Fees

Issuers listed on one of our equity exchanges pay annual fees to maintain their listing which are primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees.

Changes to Listing Fees for 2008⁸

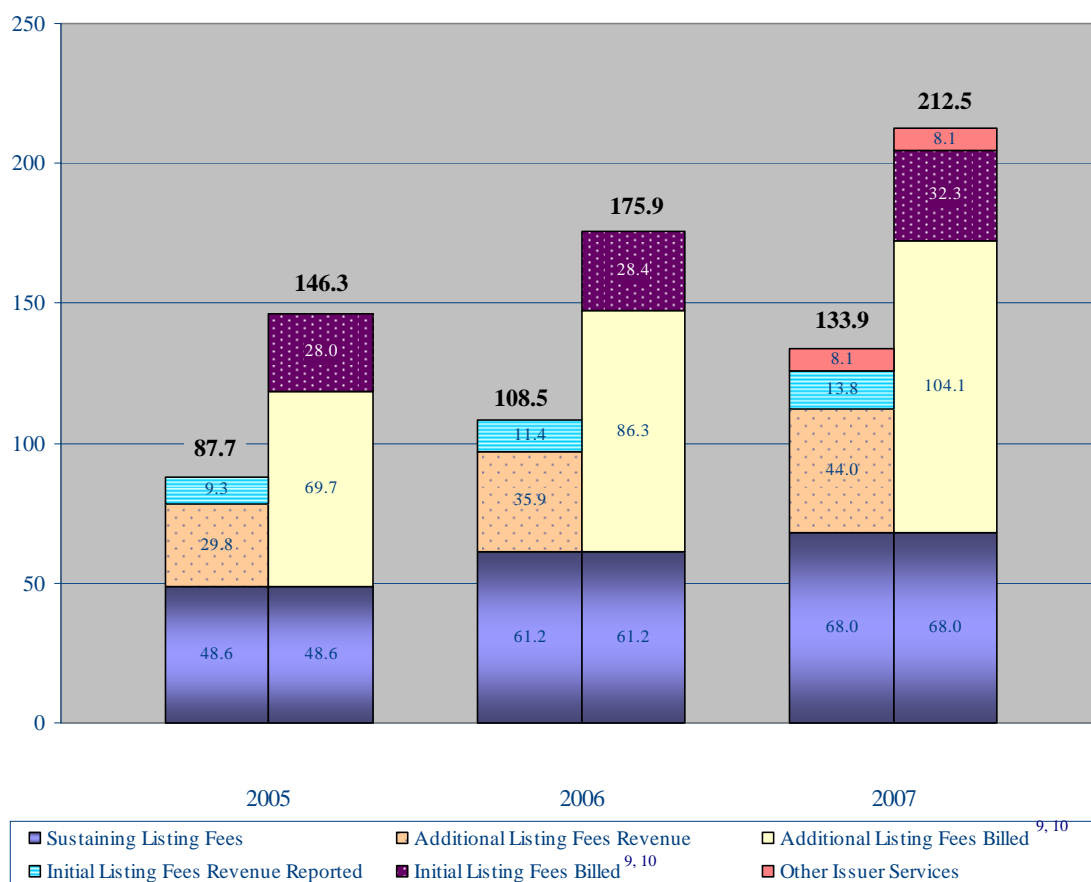
On October 31, 2007, we announced changes to the fee structure for issuers listed on Toronto Stock Exchange and TSX Venture Exchange, effective January 1, 2008. This decision followed a review of listing fees on other major global exchanges. Based on recent market activity at that time, it was anticipated that total issuer services revenue reported would have increased by about one to three percent and total issuer services fees billed^{9,10} would have increased by about six to eight percent on an annual basis as a result of these changes. For Toronto Stock Exchange listed issuers, the changes include adjustments to the variable rates for initial and additional listing fees and increases to the maximum fee for security-based compensation arrangements. For TSX Venture Exchange issuers, the changes include increases to the minimum and maximum sustaining and additional listing fees and to the initial CPC program listing fee. Actual issuer services revenue reported and actual issuer services billed^{9,10} will depend on future capital market activity.

⁸ The “Changes to Listing Fees for 2008” section contains certain forward-looking statements. Please refer to “Forward-Looking Statements” on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

Toronto Stock Exchange and TSX Venture Exchange Breakdown of Listing Fees

The chart below shows a breakdown of revenue from sustaining listing fees, initial and additional listing fees, initial and additional listing fees billed^{9,10} for the years ended December 31, 2005, December 31, 2006 and December 31, 2007.

**Toronto Stock Exchange and TSX Venture Exchange
Sustaining Listing Fees, Initial and Additional Listing Fees Revenue Reported
and Initial and Additional Listing Fees Billed^{9,10}**



Initial and Additional Listing Fee Revenue Reported Initial and additional listing fees fluctuate with the number of transactions and value of securities being listed or reserved

⁹ See discussion under the heading “Non-GAAP Financial Measures” on page 70 and reconciliation below of initial and additional listing fees billed to initial and additional listing fees reported.

¹⁰ Reconciliation of initial and additional listing fees billed to initial and additional listing fees reported:

	2005	2006	2007
Initial Listing Fees (in millions of dollars)			
Initial listing fees billed	\$ 28.0	\$ 28.4	\$ 32.3
Initial listing fees billed and deferred to future periods	(\$ 27.4)	(\$ 28.0)	(\$ 31.8)
Recognition of initial listing fees billed and previously included in deferred revenue	\$ 8.7	\$ 11.0	\$ 13.3
Initial listing fees revenue reported	\$ 9.3	\$ 11.4	\$ 13.8
Additional Listing Fees (in millions of dollars)			
Additional listing fees billed	\$ 69.7	\$ 86.3	\$ 104.1
Additional listing fees billed and deferred to future periods	(\$ 68.3)	(\$ 84.9)	(\$ 102.4)
Recognition of additional listing fees billed and previously included in deferred revenue	\$ 28.4	\$ 34.5	\$ 42.3
Additional listing fees revenue reported	\$ 29.8	\$ 35.9	\$ 44.0

in a given period. Increases in revenue from initial and additional listing fees reflect increased capital market activity and fee increases over the period such revenue is recognized. In 2005, 2006 and 2007, revenue from initial listing fees was \$9.3 million, \$11.4 million and \$13.8 million, respectively, and from additional listing fees was \$29.8 million, \$35.9 million and \$44 million, respectively.

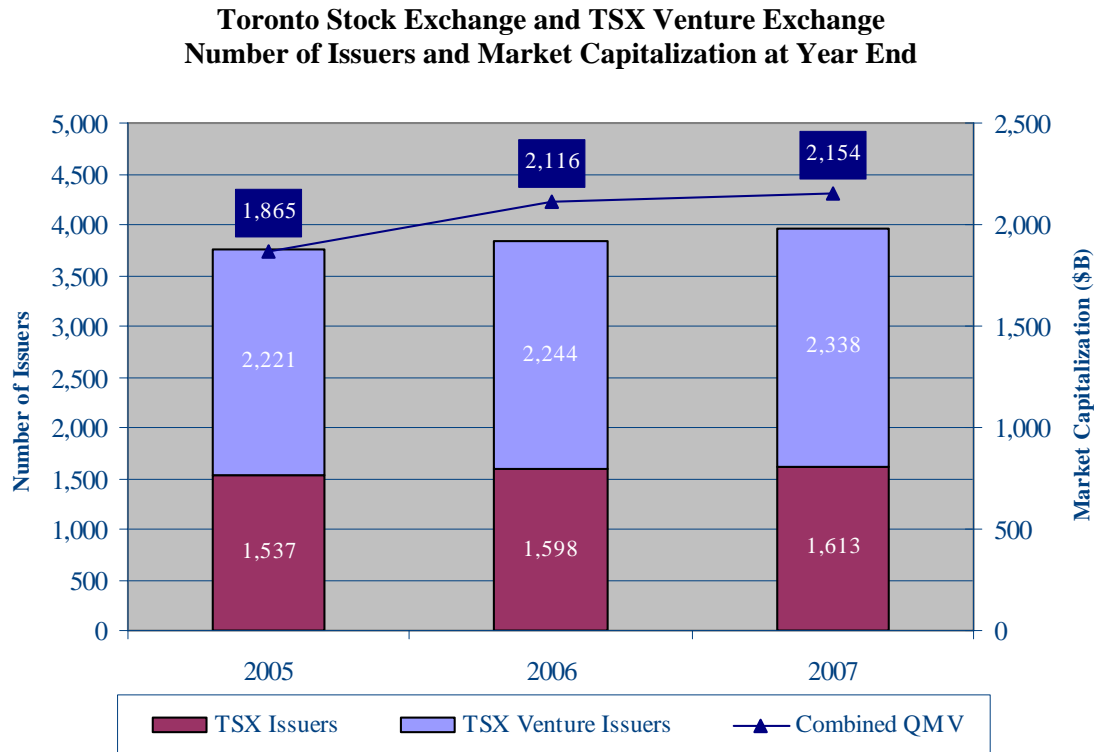
Initial and Additional Listing Fees Billed^{9, 10} In 2005, 2006 and 2007, initial listing fees billed were \$28.0 million, \$28.4 million and \$32.3 million, respectively, and additional listing fees billed were \$69.7 million, \$86.3 million and \$104.1 million, respectively.

Sustaining Listing Fees Sustaining listing fees provide a relatively stable, recurring revenue stream. These fees fluctuate annually with changes in market capitalizations of listed issuers. In 2005, 2006 and 2007, sustaining listing fees were \$48.6 million, \$61.2 million and \$68.0 million, respectively.

Other Issuer Services Revenue from other issuer services was \$8.1 million in 2007, including revenue of \$7.7 million from Equicom from the date of acquisition on June 1, 2007 to December 31, 2007.

Listed Issuers

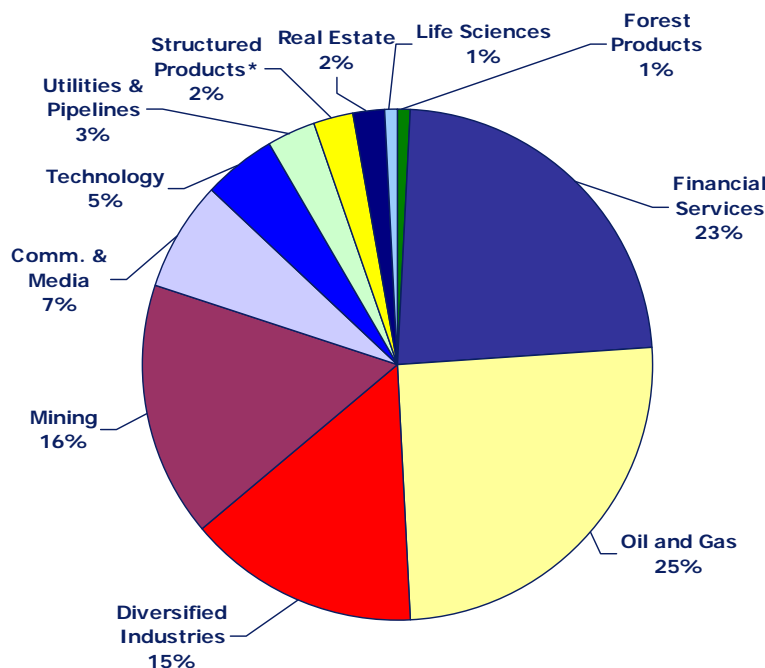
The chart below shows the total number and combined market capitalization (QMV) of issuers listed on Toronto Stock Exchange and TSX Venture Exchange from December 31, 2005 to December 31, 2007.



The over \$2.1 trillion market capitalization of our 3,951 listed issuers at December 31, 2007 has grown from \$0.5 trillion in 1982, resulting in our exchanges having the third largest total market capitalization of listed issuers for North America and the seventh largest globally.

Toronto Stock Exchange's listed issuers represent a broad cross-section of the Canadian economy. The chart below shows the proportion of issuers in each sector listed as at December 31, 2007 based on their market capitalization.

**Toronto Stock Exchange — Proportion of Issuers by Industry Sector
(based on market capitalization)**



*includes 47 ETFs and 276 investment funds as at December 31, 2007.

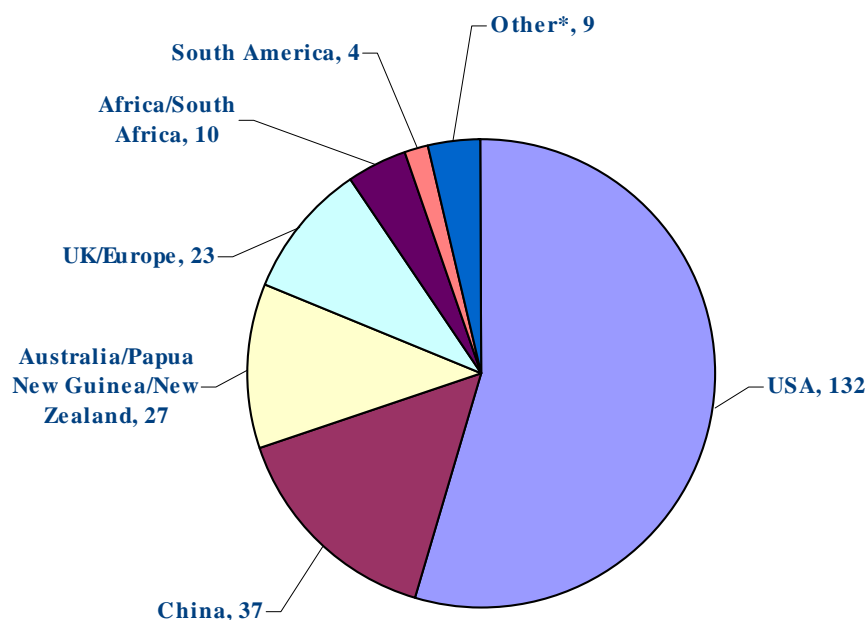
As at December 31, 2007, listed issuers on Toronto Stock Exchange ranged in market capitalization from less than \$1 million to over \$105 billion, with the largest Canadian-based issuer having a market capitalization of \$67 billion. Approximately 25% of listed issuers had market capitalizations exceeding \$500 million, 50% had market capitalizations between \$50 million and \$500 million and 25% had market capitalizations of less than \$50 million.

Nearly all Canadian-based issuers that list their securities seek to list on one of our equity exchanges. As those listed issuers expand their businesses and grow geographically, some of them also list their securities on one or more foreign exchanges, principally in the United States (often referred to as "interlisting"). We do not believe that issuers listing on other marketplaces have a significant effect on our listing revenue, as interlisted issuers continue to pay annual sustaining listing fees based on total market capitalization and additional listing fees for subsequent financings. In addition to listing nearly all Canadian-based listed issuers, we have also built a leading position in global resources industry listings. As at December 31, 2007, 57% of the world's publicly traded mining companies are listed on one of our equity exchanges.

Mining and oil and gas companies comprise over 1,750 issuers and represent approximately 42% of the total market capitalization of our listed issuers as at December 31, 2007.

Our strength in natural resources has contributed to our success in attracting an increasing number of international listings. At December 31, 2007, we had 242 international listings – 146 on Toronto Stock Exchange and 96 TSX Venture Exchange. The chart below illustrates the breakdown by region.

**Toronto Stock Exchange and TSX Venture Exchange
International Listings
(based on location of corporate headquarters)**



*Other includes Caribbean, British Virgin Islands, Guernsey

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 alternative types of securities such as exchangeable shares, convertible debt instruments, trust units and limited partnerships. The variety of innovative equity-related products has expanded as capital markets participants become increasingly sophisticated. Toronto Stock Exchange has adapted its listing standards to facilitate listing different types of securities, including the types of structured equity products described below:

Exchange-traded funds. Exchange-traded funds (“ETFs”) are a multi-functional investment tool, combining the trading characteristics of listed shares with the asset pooling capability of mutual funds. As at December 31, 2007, there were 47 exchange-traded funds listed on Toronto Stock Exchange, representing over \$19.4 billion in total assets. In addition, Toronto Stock Exchange created the world’s first exchange-traded fund in 1990 and was the first global exchange to list exchange-traded funds that track fixed-income indices.

Investment funds. In 2007, Toronto Stock Exchange listed 40 new investment funds, which raised a total of \$3.6 billion, bringing the total number of listed investment funds to 276, with a market capitalization of approximately \$31.7 billion. Investment funds are listed securities that represent a managed portfolio of assets with various investment strategies, similar to a mutual fund. They are designed to respond to investors' needs and are intended to achieve an enhanced yield and a diversified portfolio while providing capital appreciation and diversified risk.

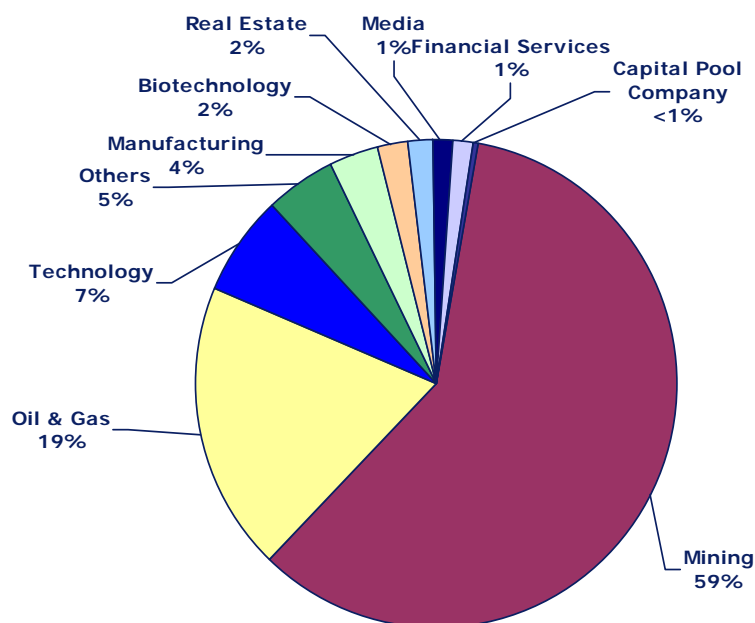
Another important source of listings for Toronto Stock Exchange is the graduation of issuers from TSX Venture Exchange. During 2007, 72 issuers graduated from TSX Venture Exchange to Toronto Stock Exchange, representing 35% of the new listed issuers on Toronto Stock Exchange during this period. Toronto Stock Exchange provides guidance to TSX Venture Exchange issuers to facilitate their graduation to Toronto Stock Exchange as seamlessly as possible. Also, in 2006 and 2007, 12 and 13 issuers listed on TSX Venture Exchange, respectively, were acquired or merged with issuers listed on Toronto Stock Exchange.

TSX Venture Exchange serves a unique capital market niche, with listed issuers raising on average \$4.3 million per financing transaction in 2007 (excludes NEX). TSX Venture Exchange's listed issuers range in market capitalization from less than \$1 million to \$1.1 billion, with a median of \$8.1 million, as of December 31, 2007 (excludes NEX). To expand the public venture capital market, TSX Venture Exchange has participated in developing alternative means of raising capital and has targeted smaller businesses. In 2007, there were 273 new listings on TSX Venture Exchange, including 239 IPOs, of which 180 were newly formed Capital Pool Companies. In addition, in 2007, 14 reverse takeovers were completed on TSX Venture Exchange and 9 reverse takeovers were completed on NEX. Under its Capital Pool Company program, a newly formed company with no existing business raises capital through an IPO on TSX Venture Exchange. The Capital Pool Company must then acquire an approved business or asset within 24 months of listing. After a successful acquisition, the Capital Pool Company becomes a regular listed issuer on TSX Venture Exchange. The Capital Pool Company program has operated successfully in Western Canada for over 20 years. Changes to securities laws in the past few years now allow this program to operate in Ontario, Quebec, Nova Scotia and New Brunswick.

Since TSX Venture Exchange's predecessor exchanges were located in Vancouver, Calgary and Winnipeg, most of its issuers were based in Western Canada. As at December 31, 2007, approximately 65% are based in British Columbia and Alberta (excludes NEX). TSX Venture Exchange continues to build on its Western presence while pursuing new growth opportunities in Central and Eastern Canada.

TSX Venture Exchange's listed issuers also operate in various industries, with a concentration in the mining and natural resources industries. The chart below shows the proportion of issuers in each sector listed as at December 31, 2007 based on market capitalization.

**TSX Venture Exchange
Proportion of Issuers by Industry Sector
(based on market capitalization)***



*May not add to 100% due to rounding.

Trading Operations — Capital Markets and Energy Markets

Capital Markets Trading – TSX Markets and Shorcan

TSX Markets

TSX Group's trading operations for both Toronto Stock Exchange and TSX Venture Exchange are conducted by TSX Markets. POs, acting as principals or agents for retail and institutional investors, place orders to buy or sell listed securities on our exchanges by using our fully electronic trading systems. In addition to POs, we provide electronic access to our equity exchanges to eligible clients including domestic and foreign institutions and foreign broker/dealers.

Trading occurs on a continuous basis throughout the day which begins at market open in an auction format and ends with an extended trading session in which trades occur at the closing price, referred to as a single price closing call market. Trading also occurs through crosses where POs internally match orders and report them through the exchanges. All trades are subsequently settled through CDS.

Equity trading activity on our exchanges 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 our equity

exchanges. 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.

TSX Markets has a dedicated sales team focused on United States accounts with the goal of attracting more participants and order flow by raising the level of awareness regarding the benefits of trading on Toronto Stock Exchange and TSX Venture Exchange.

Our trading strategy is to meet market demand by offering superior technology, innovative products and competitive trading fees.

Superior Technology¹¹

In 1997, Toronto Stock Exchange was the first major exchange in North America (and one of the first globally) to move to a fully-automated exchange where trading takes place entirely through electronic systems. This change increased the speed of execution, access to the exchange and the number of transactions which could be processed. In May 2001, we replaced our original electronic trading system with a more reliable, flexible and scalable system. In 2003, the gateway systems were replaced with a more scalable and higher throughput system. We upgraded our system hardware in 2004. Two hardware upgrades and two software performance releases were implemented in 2005 in response to increases in order message volumes and transactions being generated within the marketplace.

In 2006, we introduced a series of innovative trading system enhancements referred to as TSXPress, to meet increasing market demands. We successfully completed much of the work on TSXPress in 2006, resulting in three significant trading system performance enhancements which have reduced overall average TSX response time and optimized execution speeds for algorithmic traders. As the latest phase of TSXPress, in June 2007, we replaced our core trading engine hardware with the next generation of new HP Integrity Non-Stop servers that use the Intel Itanium 2 processor.

In addition, in 2006, we began development on our next generation trading engine, TSX Quantum. TSX Quantum, which contains patented technology, began its phased roll-out in December 2007. The key technology initiative of 2007 and 2008, TSX Quantum, will provide our customers with greater speed and capacity at a lower cost, and we believe it will enable us to attract higher volumes and even more liquidity. Based on laboratory results, response times are in the single digit millisecond range. These single digit response times have been validated in actual production trading.

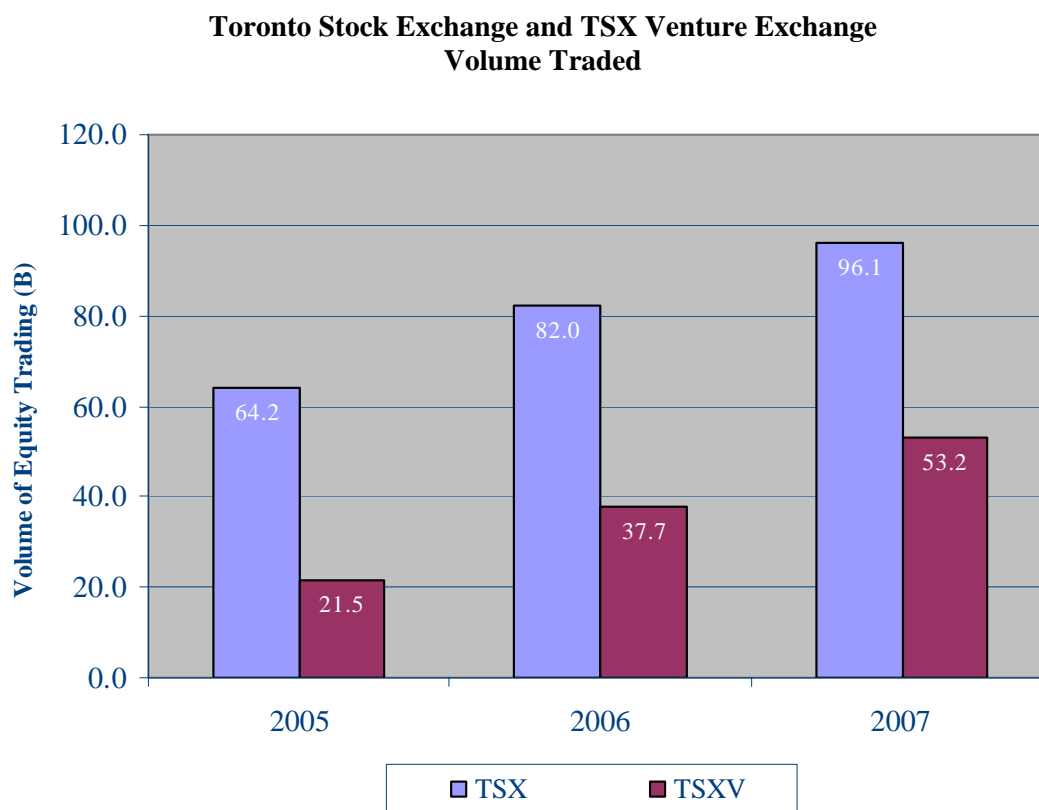
We believe that the reliability of our fully electronic trading system is among the best in the global securities exchange industry. We have a business continuity plan designed to provide continuous operations in the event of a disruption to our main facility. As part of this plan, we operate two data centres in separate locations, allowing for back-up recovery in the event that one of the centres experiences a failure.

¹¹ The "Superior Technology" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

*Innovative Products*¹²

The attractiveness and efficiency of trading on our equity exchanges is evidenced by liquidity. Market participants regard liquidity as one of the most important attributes of an exchange because, in a liquid market, securities can be bought and sold more efficiently, reducing the cost of trading and the risk to the investor. The total volume of securities traded annually on our equity exchanges (including those traded on TSX Venture Exchange) grew to approximately 149.3 billion in 2007 from 119.7 billion in 2006, 85.7 billion in 2005 and 1.6 billion in 1982. In 2007, our customers set new records for the volume of securities traded on these exchanges.

The chart below shows the volume of equity trading on Toronto Stock Exchange and TSX Venture Exchange.



The introduction of the ATS rules in 2001 permitted, among other things, the creation of ATSS which could become our significant competitors in the future in addition to the competition we face from established North American exchanges. For example, in 2007, a group of Canada's leading banks and investment dealers announced their intention to form an ATS to trade Toronto Stock Exchange listed securities, which is currently set to launch in the second half of 2008. Other ATSS currently provide, or have announced their intention to provide platforms that trade Toronto Stock Exchange listed securities.

¹² The "Innovative Products" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

Part of our strategy is to continually implement new trading features and methodologies to meet diverse customer requirements for trade execution. The following products have been launched over the last several years.

In 2004, we implemented our no-cost Multiple Give-Up service for both Toronto Stock Exchange and TSX Venture Exchange, which gives POs greater choice in clearing and settlement decisions. This gives POs the ability to select more than one clearing firm for trades from institutional clients. In 2004, we also launched the TSX MOC facility, initially for securities in the S&P/TSX 60 Index. The TSX MOC facility is an electronic call market that establishes the closing price for TSX MOC-eligible securities listed on Toronto Stock Exchange. It is designed to increase liquidity and lower levels of volatility at the close of the trading session. In 2005, we expanded the TSX MOC facility to include securities in the S&P/TSX Composite Index. As of December 31, 2005, all such securities were eligible for the TSX MOC facility.

In addition, TSX Markets' current product offering includes TSX Compliance Alerts Reporting System, or CARS, which provides POs with a suite of compliance monitoring products; specialty price crosses on Toronto Stock Exchange (designed to decrease costs associated with advanced trading techniques); voluntary attribution on both exchanges (allows traders to anonymously execute transactions); and iceberg orders on both exchanges (large size orders may be entered while disclosing only a small portion of the total order size at any time).

As an expansion and evolution of TSX Firm Order eXecution or FOX, our system to consolidate order flow across trading desks at a PO while managing capital risk in a more effective and efficient manner, in 2007 we rolled out a new subscription-based, pre-trade matching facility, TSX Alternative Trade eXecution, or ATX. This facility matches firm order flow against in-house liquidity, as FOX currently does, as well as order flow from other market participants. ATX is intended to reduce market impact costs of trading and facilitate best execution and risk management, with minimal latency.

Market participants around the world have been increasingly adopting FIX, the Financial Information exchange protocol, as the global standard to electronically communicate trade-related messages. This has assisted in lowering geographical barriers to trading on different markets. In response to this, in 2006 we launched trading access using the FIX protocol and we have experienced a steady growth in order flow from the United States, where this protocol is widely used. Customers now have the choice to route orders to Toronto Stock Exchange and TSX Venture Exchange either via FIX or STAMP (the Securities Trading Access Protocol). As at December 31, 2007 fifteen firms have access to our trading system using the FIX protocol.

In January 2007, we announced that TSX Markets and IRESS Market Technology Canada LP ("IRESS") are working together to offer a premier integrated vendor/order routing/exchange gateway access system solution for Toronto Stock Exchange and TSX Venture Exchange. IRESS's trading and market data-systems and its best market order router will be co-located within TSX Markets' primary data centre.

In addition, in 2008, we plan to introduce a smart order router to help domestic and international customers meet best execution obligations. We also plan to offer co-location to our customers in 2008 in order to further reduce latency.

On February 28, 2008, we announced our intention to launch a new parallel, distinct order book that will operate alongside the central limit order book. This market is expected to feature a differentiated market structure and pricing schedule optimized for high velocity traders trading

high-velocity symbols in a transparent auction market. This market is expected to launch in 2009 subject to regulatory approval.

Trading Participants

Trading occurs on our equity exchanges through POs that have entered into agreements with us to receive access to these exchanges as POs. As at December 31, 2007, 119 POs had access to our equity exchanges. During 2007, approximately 59% of our trading revenue on Toronto Stock Exchange and approximately 50% of our trading revenue on TSX Venture Exchange was accounted for by the top ten POs on each exchange. During 2007, approximately 36% of our trading revenue on Toronto Stock Exchange and approximately 34% of our trading revenue on TSX Venture Exchange were accounted for by the six largest Canadian banks and investment dealers. All POs must meet certain financial and business conduct requirements, which are monitored by the IDA.

*Revenue*¹³

We charge trading fees to the PO which enters an order that is matched against an existing order. On October 1, 2005, we introduced a volume-based trading fee structure for securities that are interlisted on Toronto Stock Exchange and either NASDAQ or AMEX. Effective July 1, 2006, we changed the fee model for most securities on Toronto Stock Exchange and TSX Venture Exchange from a value-based fee model to a volume-based fee structure. The volume-based fee structure better aligns our trading fees with the prevailing model in various U.S. marketplaces and replaced the value-based fee model for most securities. We structured this model so that market participants have an incentive to enter orders in our central limit order book. When participants add liquidity to the central limit order book, we credit executed passive orders on a per security basis, and when participants remove liquidity from the central limit order book, we charge each executed active order on a per security basis. To further incent trading on our equity exchanges, discounts are available to customers based on the volume of securities traded.

In advance of the roll-out of the TSX Quantum trading engine in December 2007 and continuing throughout 2008, effective November 1, 2007, we implemented further changes to the trading fee structures on both Toronto Stock Exchange and TSX Venture Exchange. The fee changes are targeted at taking advantage of this new technology by attracting more volume to the Toronto Stock Exchange central limit order book and incenting liquidity from global participants. In addition, the pricing model for TSX Venture Exchange has been aligned more closely with that of Toronto Stock Exchange. These changes were the next phase in the program we launched in 2006 and are consistent with our intention to reduce the overall cost of trading of Canadian equities.

Given that many of the changes have been structured to improve liquidity, it is expected that the impact of the proposed changes will be to improve TSX Group's competitive position in North America. Based on historical trading activity, patterns, and product mix, changes to the trading fee structure could reduce trading and related revenue by approximately \$7 to \$10 million on an annual basis if offsetting benefits, including increased volumes, are not realized. However, actual trading revenue will depend on future trading activity, patterns and product mix.

¹³ The "Revenue" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

For the years ended December 31, 2005, 2006 and 2007, we earned trading and related revenue through TSX Markets' operations of \$108.7 million, \$126.3 million and \$134.6 million, respectively. These amounts include revenue from Shorcan from its acquisition in December 2006.

Shorcan

In December 2006, we further expanded our presence in the fixed income market by acquiring Shorcan, Canada's first fixed income IDB. Shorcan offers broker services for clients trading in federal, provincial, corporate, mortgage bonds and treasury bills. Shorcan became the first IDB to offer Straight Through Processing in 2003. We estimate that the IDB market represents about 34% of total fixed income trading in Canada representing approximately \$2.3 trillion in 2007 and that Shorcan's share of this market is about 34% or \$782 billion in 2007.

Shorcan provides a facility for matching orders for domestic fixed income securities for anonymous buyers and sellers in the secondary market. Once a bid and offer are matched, Shorcan confirms to its customers by voice that a trade has been executed. In 2007, Shorcan implemented an electronic system that allows customers to submit prices and execute trades electronically. This new service is a complement to and not a replacement of the existing voice model.

Participants

Shorcan customers are Canadian dealers, Canadian banks, and international dealers, all of whom have criteria established by the IDA.

Revenue

Shorcan charges a commission on orders that are matched against an existing posted order. These fees are built into the settlement prices of trades so that revenue is generated on trade date.

For the year ended December 31, 2007, we earned \$13.1 million in trading and related revenue from Shorcan.

Post-Trade Clearing and Settlement

CDS clears and settles trades executed in Canada, including on our equity exchanges and fixed income trades effected through Shorcan and CanDeal. In North America, trades of equity and fixed income securities, other than money market instruments, are typically settled three days after the trade date. Improving clearing and settlement through Straight Through Processing or STP continues to be an objective in Canada. STP embodies the complete electronification of the trade cycle, and involves automating each individual step within the trade processing, all related communications to the trade and all tools required to identify and fix errors in the process. STP is viewed as the enabling mechanism to reduce the time it takes to settle a trade.

The STP initiatives in Canada have largely been driven by the Canadian Capital Markets Association ("CCMA"), an industry association. In 2005, the CCMA recommended that the Canadian securities administrators implement an institutional trade matching rule in order to push the industry towards adopting the necessary policies and procedures for matching institutional trades on trade date or T. In response to this, National Instrument 24-101 - *Institutional Trade Matching* ("NI 24-101") became effective on April 1, 2007 (with certain provisions coming into

force on October 1, 2007). NI 24-101 provides for transitional provisions to gradually phase in certain matching requirements. The introduction of NI 24-101, among other things, is expected to drive Canada's STP initiatives.

Our trading systems are able to accommodate NI 24-101 and STP, including the need to achieve matching of institutional trades as prescribed in the instrument (phase in of T and T+1).

Energy Markets – NGX and NetThruPut

NGX¹⁴

On March 1, 2004, we acquired NGX, a Canadian-based energy exchange established in 1994 that provides customers with an electronic platform for trading and clearing/settlement services for natural gas and electricity contracts. NGX participants post orders to a central limit order book for natural gas and electricity contracts involving numerous regional markets primarily in Canada. Orders are matched on a price/time priority basis by the NGX electronic trading system. NGX's trading and clearing operations preserve the anonymity of all participants with NGX constituting the central counterparty to every buy and sell transaction.

In October 2006, we added to our energy business when we acquired Watt-Ex, which owns and operates a system for procurement of electric operating reserves by the Alberta Electric System Operator which is used to balance supply and demand on the Alberta electricity grid.

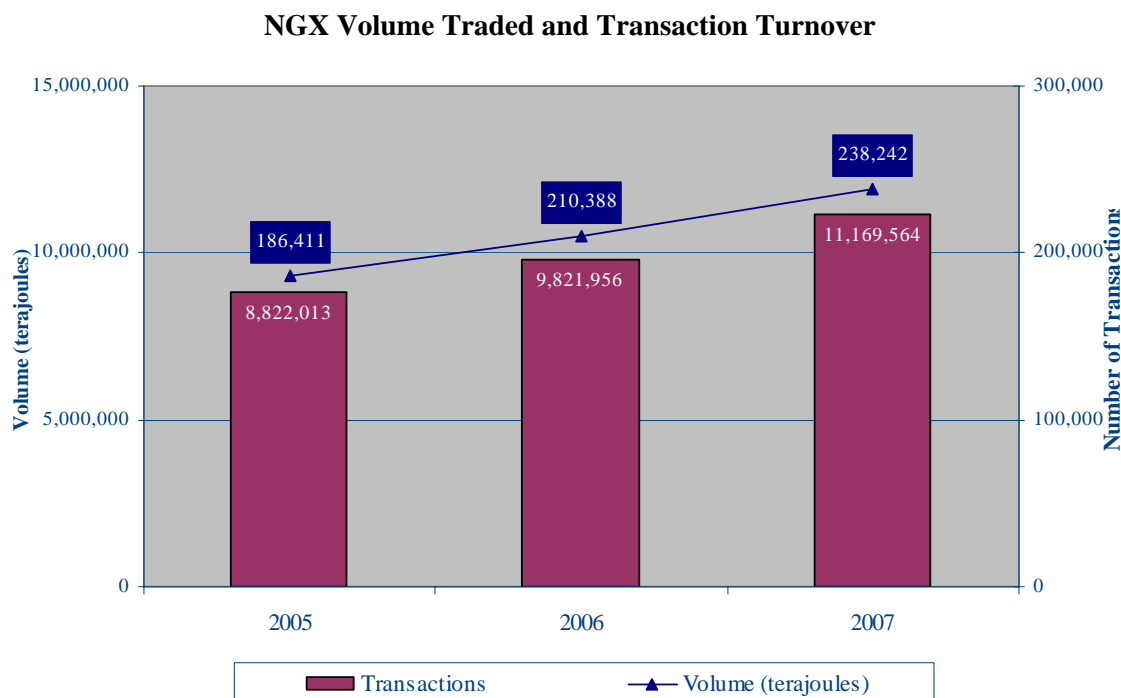
On March 28, 2007, we announced the formation of a transformative technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and ICE. NGX's Canadian energy products were listed on ICE's trading system on February 9, 2008 with cleared U.S. products to be listed in stages throughout 2008, with the first stage occurring March 3, 2008. The alliance brings together the respective strengths of NGX, Canada's leading energy exchange and North America's leading physical clearing and settlement facility in energy, and ICE, a world leading electronic energy and soft commodities marketplace. Under the arrangement, North American physical natural gas and Canadian electricity products will be offered through ICE's electronic commodities trading platform. NGX serves as the clearinghouse for these products and maintains responsibility for exchange trading in certain of these products.

At December 31, 2007, TSX Group's consolidated balance sheet included approximately \$745.4 million each in energy contracts receivable and payable and \$74.9 million representing the fair value of both open energy contracts receivable and payable at December 31, 2007. The open energy contracts receivable and offsetting payable are recorded for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not been made.

As part of its clearing operations, NGX becomes the counterparty to each transaction conducted through its electronic trading platform. To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian chartered bank. We are NGX's guarantor for this credit agreement up to a maximum of US\$100 million. Effective November 1, 2007, to accommodate the anticipated growth in transaction activity, the previously secured guarantee of \$30 million was replaced by the unsecured guarantee of US\$100 million.

¹⁴ The "NGX" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

The following chart represents the volumes traded in terajoules and transaction turnover at NGX, excluding Watt-Ex which operates a procurement system, for the past three years.



Participants

Participants trading on NGX must meet minimum financial requirements and must enter into a Contracting Party's Agreement or CPA. The CPA is the main agreement governing trading and clearing on NGX and sets out the terms and conditions governing all transactions on NGX. As at December 31, 2007, 170 contracting parties had access to NGX.

Revenue

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

NGX's revenue from trading and clearing activities, including revenue from Watt-Ex's procurement services from the time of its acquisition on October 2, 2006, for the years ended December 31, 2005, December 31, 2006 and December 31, 2007 was \$16.8 million, \$19.1 million and \$21.6 million, respectively.

NetThruPut

In September 2007, TSX Group entered into an agreement with Enbridge and Circuit Technology granting us the option to acquire all of the shares of NetThruPut after March 15, 2009. NetThruPut is a Canadian electronic platform and clearing facility for crude oil. We paid \$9.5 million for the right to acquire all the shares of NetThruPut from its shareholders at a price between \$40 million and \$95 million depending on NetThruPut's 2008 net income. The purchase price payable to Circuit will be satisfied by the issuance of our shares. We have obtained

approval from Toronto Stock Exchange to issue up to 1.5 million common shares in connection with the purchase price payable for NetThruPut if we exercise our option to acquire NetThruPut.

Market Data Operations — TSX Datalinx, NGX and Fixed Income Index and Analytics Products

General

Our market data operations are conducted predominantly through TSX Datalinx. We sell our equity trading and quotation data (real-time and historical) as well as other third party capital markets information and corporate information to market participants on a global basis. Timely and comprehensive information about market activity and listed issuers assist POs and investors in their decision-making process and facilitate efficient markets. We continue to enhance our core products and add content to our data feeds from other markets across a range of asset classes. Market data operations with respect to NGX are conducted by NGX.

Real-Time Data¹⁵

Trading activity on our equity exchanges produces a stream of real-time data reflecting bid and ask prices for equities (orders) and executed transactions (trades). This stream of data is packaged by TSX Datalinx into real-time market data products and delivered, directly or indirectly, to end users via more than 100 Canadian and global market data vendors that sell data feeds and desktop information services. These information services allow end users to view the real-time market activity of several marketplaces, as well as to provide supporting reference data, corporate actions, news and foreign exchange rates. These services also enable the end user to transfer the data to applications to manipulate and analyze the data and facilitate automated trading. We also provide market data feeds directly to end users in order to address their requirements for reduced latency (TSX Direct).

Our market data distribution platform offers a flexible and reliable environment over which we distribute a wide range of data simultaneously to a large number of clients. We carry data from other sources including CanDeal and securities traded on CNQ. In 2005, we added a number of new products including real time interbank foreign exchange rates and TSX/CP Equities News. In 2006, we entered into an agreement with TriAct Canada Marketplace LP to distribute their data. This expanded content set has enhanced our delivery of relevant and timely Canadian capital markets information to our global client base. In December 2007, TSX Datalinx announced that it will distribute Instinet's Chi-X Canada ATS order and trade data.

In October 2007, we announced that we will be launching a consolidated market data feed of pre- and post-trade data for equity marketplaces in Canada. The Consolidated Data Feed or CDF will be distributed in a common standard format so that market participants and technology intermediaries can easily and quickly integrate the data into their current applications. This TSX Datalinx offering will reduce the time to market and the costs of building to multiple feed formats for these stakeholders and will help facilitate best execution and trade through obligations.

¹⁵ The "Real-Time Data" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

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. We produce daily and monthly electronic historical data publications for each exchange and a single electronic historical data publication for both exchanges.

Index Products - Equities

We have long supported indices to facilitate measuring the performance of equity markets. Toronto Stock Exchange introduced the first Canadian indices in 1934 and subsequently modified them to reflect a substantial increase in listings. We introduced The Toronto 35 Index in 1987 which was the basis for the world's first exchange-traded fund, TIPS (Toronto 35 Index Participation Units).

In 1998, we collaborated with S&P to bring global recognition to the Canadian markets through the well-known S&P brand. We together introduced several new indices, and we revised and rebranded the S&P/TSX Composite Index in 2002. As of December 31, 2007 there were 258 issues in the S&P/TSX Composite Index, including TSX Group, which was added in December 2003. The S&P/TSX Composite Index (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 strengthening our brand profile. In December 2006, we launched the S&P/TSX Global Gold Index in conjunction with S&P. This index is an international benchmark that tracks the world's leading gold companies.

In August 2007, we announced an agreement between TSX Inc. and S&P to secure exclusive use of S&P/TSX equity indices in connection with options, futures and options on futures, beginning in 2009. In addition, in 2007, we launched in conjunction with S&P, four new indices. The S&P/TSX Preferred Share Index is comprised of preferred shares trading on Toronto Stock Exchange that meet criteria relating to minimum size, liquidity, issuer rating and exchange listing. The S&P/TSX Global Mining Index is comprised of the world's leading mining issuers with holdings and projects all over the world. The S&P/TSX Equity 60 Index is comprised of the S&P/TSX 60 Index constituents excluding income trusts. The S&P/TSX Canadian Dividend Aristocrats Index is designed to measure the performance of S&P Citigroup Broad Market Index (BMI) Canada constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least seven years. The S&P/TSX Canadian Dividend Aristocrats Index captures both sustainable dividend income and capital appreciation potential which are both key factors in investors' total return expectations.

Index and Analytics Products - Fixed Income

In October 2006, we acquired PC-Bond comprising the leading Canadian fixed income indices, PC-Bond analytics applications and related data assets. These indices, renamed DEX Fixed Income Indices in October 2007, are the most widely used fixed income performance benchmarks in Canada. The best known of these indices is the Universe Bond Index (now the DEX Universe Bond Index), which tracks the broad Canadian bond market. In addition to the DEX Universe Bond Index, we now publish a variety of sub-indices for different term and credit sectors, as well as indices for tracking other segments of the market, including high yield bonds, Euro Canadian bonds, maple bonds (Canadian dollar bonds issued by a non-Canadian issuer), yankee bonds, inflation-indexed real return bonds, treasury bills and residential and commercial mortgage-

backed securities. Starting in 1947, Scotia Capital Inc. had been the sole price provider for these indices, which measure the performance of the Canadian fixed income market. Since acquisition of these fixed income indices, we have moved to multi-dealer pricing for the DEX Fixed Income Indices. As of October 1, 2007, ten dealer pricing sources have been added to provide input pricing for the DEX Universe Bond Index.

Distribution

TSX Datalinx content is available directly to clients in a variety of ways: (i) via a low latency data feed known as TSX Direct; (ii) via tsxdatalinx.com; (iii) through a variety of market data vendors; (iv) through telecommunications providers and extranets; and (v) and via our tsx.com website.

Several direct data feed clients have also engaged us to provide managed services. Under this arrangement, we have co-located their data infrastructure with our data centres to reduce latency and provide bandwidth efficiencies.

In 2006, TSX Datalinx re-launched the tsx.com website which provides delayed market data and listed issuer information as well as information about TSX Group and our business. We also introduced online advertising which generates revenue for us. In 2008, we are expanding market data content on tsx.com to including information from U.S. equity markets.

In June 2007, TSX Datalinx announced its plan to expand the availability of market data information for its customers across North America by becoming a market centre on SFTI. SFTI is the NYSE TransactTools communications network dedicated to the financial industry. SFTI is specifically designed to meet the financial industry's need for a highly resilient data communications infrastructure while providing for low latency communications between entities. Through SFTI, customers will have more efficient access to real time market information with extremely low latency.

Customers

TSX Datalinx has agreements with the market data vendors that access Toronto Stock Exchange or TSX Venture Exchange information and provide it to end users. Subscribers to TSX Datalinx's real-time data include financial institutions, investment managers, brokerage firms and individual investors. As of December 31, 2005, 2006 and 2007, there were over 118,000, 139,000 and 160,000 professional and equivalent real-time data subscriptions, respectively. The over 160,000 subscriptions at the end of 2007 represented a record number of market data subscriptions.

Historical data customers include market data vendors, as well as professional and individual end users directly. Market data vendors incorporate this information into their products to support trading and investment decisions. End user clients also access the information directly for use in their internal systems.

S&P/TSX Composite Index information is made available in both the real-time and historical products. In addition, products are created that are based on the S&P/TSX indices and the organizations that create these products pay license fees. These licensed clients include banks, mutual funds, derivatives exchanges and exchange-traded fund sponsors.

NGX

All NGX Contracting Parties have access to real-time market data through NGX's fully electronic trading and clearing system. NGX also provides real-time market data services to another 65 customers (as at December 31, 2007) who subscribe to its viewing service. As part of the ICE alliance, NGX's market data will be provided to ICE who will take over data distribution and will manage the viewing service.

Revenue

Real-time product pricing is structured in a similar manner to that of other major equity exchanges in North America. TSX Datalinx supplies its data primarily to market data vendors; those vendors provide us with the identities of their end consumers, and TSX Datalinx invoices those end consumers, or subscribers, directly. We charge market data vendors a fixed monthly access fee for each feed they access from TSX Datalinx. Subscribers generally pay fixed monthly rates, which differ depending on the number of end users and the depth of information accessed. Some market data vendors offer individual investors access to real-time products and charge them on a fee per quote basis. Sales of real-time data were in the range of 90% of market data revenue in 2005 and 2006 and 84% in 2007. In 2005, 2006 and 2007, market data revenue was approximately \$67.4 million, \$86.9 million and \$110.2 million respectively, of which approximately one-third was derived from market data sales to customers paying in United States dollars in each of 2005, 2006 and 2007.

Historical data products are generally sold on a subscription basis to firms and vendors by way of a data license agreement. Fees vary depending on the type and extent of data use.

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

Changes to Market Data Pricing for 2008¹⁶

In September 2007, we announced changes to the fee structure for market data products. This followed a review of market data fees on other major global exchanges, over 100% growth in our quote message rates, and the significant appreciation of the Canadian dollar against the U.S. dollar during 2007. Based on recent market activity at that time, it was anticipated that total market data revenue would have increased by about four to six percent on an annual basis as a result of these changes. It was anticipated that market data sales in Canadian dollars would have increased by about one to two percent and that market data sales in U.S. dollars would have increased by about eleven to twelve percent (due largely to the depreciation in the U.S. dollar). Actual market data revenue will depend on future sales activity and product mix.

¹⁶ The "Changes to Market Data Pricing for 2008" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

Technology – TSX Technologies

*Operations*¹⁷

Through the development of our internal technology systems, we have gained extensive expertise in the area of exchange technology. Since 2001, we have developed and implemented an information technology plan to ensure that we maintain a modern and streamlined technology infrastructure. We also developed an application framework to facilitate building high performance, real-time, transactional order and message processing and data distribution systems.

We leverage our technology successes and the widely recognized credibility of our staff of IT professionals to provide technology services to external customers in the securities industry.

From 2005 to 2007, our expenditures for technology staff and investments in computer hardware, software development and operations have ranged from approximately \$50 million to \$55 million annually. We have developed some of our software internally, and we have licensed other software from third parties. Our current trading system, for example, was one of the top trading systems used by global exchanges, and we licensed it for a 75-year period (commencing in 1996) from La Société des Bourses Françaises. In 2006, we began developing internally our next generation trading engine, TSX Quantum, aimed to be a state-of-the-art platform and designed to have world-class messaging capabilities and response times. TSX Quantum, which contains patented technology, began a phased roll-out in December 2007 that will continue throughout 2008. The key technology initiative of 2007 and 2008, TSX Quantum will provide our customers with greater speed and capacity at a lower cost, and we believe it will enable us to attract higher volumes and even more liquidity. Based on laboratory results, response times are in the single digit millisecond range. These single digit response times have been validated in actual production trading.

We continue to focus on achieving operational excellence demonstrated by our high system availability levels. We continually focus on improving the quality of our technology, and have obtained a Canadian Institute of Chartered Accountants Section 5025 audit opinion for specific key control areas of our trading enterprise technology.

Customers

Since 2002, we have provided technology and related services to RS, enabling RS to conduct its review and real time monitoring of Toronto Stock Exchange, TSX Venture Exchange and several Canadian ATSS. RS pays fees for these services, which are negotiated on an arm's length basis in accordance with an agreement which also details service levels. We also provide other financial market participants hosting, operations and technical support services for their disaster and development recovery infrastructure. We began providing such services in January 2006. We provide technology and consulting services to such customers.

We will continue to provide select technology services to external customers by drawing on our existing infrastructure and resources, and our staff's expertise in market-related technology.

¹⁷ The "Operations" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

Revenue

Business services revenue from technology and related services in 2005, 2006 and 2007 was \$7.9 million, \$9.4 million and \$10.2 million, respectively.

Institutional Debt Electronic Trading System - CanDeal¹⁸

Consistent with our strategy to achieve a leadership position in Canada in the fixed income market, we own 47% of CanDeal. The other shareholders of CanDeal include its founders who are six of Canada's largest investment dealers and who represent the majority of the institutional debt trading market in Canada. We account for this investment using the equity method. We provide, through TSX Technologies, technology services to CanDeal for a fee. We also distribute CanDeal's data in TSX Datalinx's market data products and share the revenue with CanDeal.

The CanDeal ATS is an institutional investor to multi-dealer electronic trading system and CanDeal's services streamline and automate bond and money market trading by providing marketplace participants with a price feed that displays a multi contributed, commingled bid and offer, price and yield (as indicative pricing, not executable pricing), from the participating dealers for each security. The investment dealer shareholders have committed to provide liquidity on CanDeal by supplying price and quantity information with respect to certain debt securities until October 2009. CanDeal's participating investment dealers has grown from six to eleven of twelve primary dealers. This development reflects CanDeal's intention to expand the pool of liquidity that institutional investors can access through CanDeal.

In June 2005, CanDeal announced a long-term technology and co-marketing agreement with Thomson TradeWeb. This arrangement, among other things, provides CanDeal's customers access to TradeWeb's global network of online fixed income markets and provides CanDeal investment dealers with the opportunity to receive trade flows in CanDeal products from TradeWeb's global client base of buy-side institutions.

CanDeal intends to continue expansion of its product and service offering, to attract more institutional customers, and to continue to provide access beyond Canada through its agreement with Thomson TradeWeb. As of December 31, 2007, CanDeal had 153 clients who traded over \$617 billion in debt securities during 2007 and over \$1 trillion in aggregate volume to date.

Social Policies

Our charitable contributions support our customers, employees and communities through a targeted program which ties into our brand and enhances our reputation as a corporate citizen. In this we foster initiatives which address family and community issues, health and research, the arts, educational endeavours improving literacy, and post-secondary investor education programs which are closely aligned with the capital markets industry. We also have a corporate matching program which supports organizations important to individual employees by matching a portion of their personal gifts.

¹⁸ The "Institutional Debt Electronic Trading System - CanDeal" section contains certain forward-looking statements. Please refer to "Forward-Looking Statements" on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

Our major contributions in 2007 included support of the United Way, Ronald McDonald House, the Paralympic Curling team and the Quebec 2008 Special Olympics Canada National Winter Games, in addition to a number of not-for-profit organizations in communities across Canada.

Through Shorcan's annual charity day, we supported All-A-Board Youth Ventures, Toronto Youth Developments, Covenant House, Big Brothers/Big Sisters as well as a number of other not-for-profit entities.

We made major donations in support of investor education programs in 2007 to the Capital Markets Institute, the DeGroot School of Business, Ivey School of Business, HEC, Concordia's Institute for Governance of Private and Public Organizations, the University of British Columbia and the University of New Brunswick.

Risk Factors

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

We Depend on the Economy of Canada

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

We Face Competition from Other Exchanges, ATSS, OTC Markets and Other Sources and New Technologies

We face competition from other exchanges as well as from ATSS, ECNs and the OTC markets. This competition may intensify in the near future, especially as technological advances create pressure to develop more efficient and less costly trading in global or regional markets. If we cannot maintain and enhance our ability to compete or respond to competitive threats, this will have an adverse impact on our operating results.

We Face Increased Competition from Exchanges

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

The trend for exchanges to form alliances or consolidate and become for-profit and publicly traded is increasing and will result in our competitors becoming stronger. If we are not included

in any alliances, these developments could materially adversely affect our business and operating results.

Technological Advances Have Facilitated the Establishment of New Marketplaces and Trading Mechanisms

Technological advances have lowered barriers to entry and have facilitated the establishment of new marketplaces and trading mechanisms, such as ATSS and ECNs, to electronically trade securities and other financial instruments outside traditional exchanges. ATSS have a framework to operate in Canada under the ATS Rules and may become our significant competitors in the future. For example, in 2007, a group of Canada's leading banks and investment dealers announced their intention to form an ATS to trade Toronto Stock Exchange listed securities which plans to launch in the second half of 2008. Other ATSS currently provide, or have announced their intention to provide, platforms that trade Toronto Stock Exchange listed securities. If these ATSS are successful in attracting significant order flow, our trading revenue could be materially adversely affected.

NGX, CanDeal and Shorcan Face Competition from OTCs and Other Sources

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

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

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

New Technologies Make It Easier to Disseminate Our Information

Technological advances, and in particular the Internet, have made it easier to download and disseminate electronic information. This may cause the value of our information to deteriorate since it is difficult to enforce restrictions on the use of information that is transmitted electronically. We may not be able to maintain or increase market data revenue if we cannot enforce our proprietary rights in the future.

Our Trading Operations Depend Primarily on a Small Number of Clients

During 2007, approximately 59% of our trading revenue on Toronto Stock Exchange and approximately 50% of our trading revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange. During 2007, approximately 36% of our trading revenue on Toronto Stock Exchange and approximately 34% of our trading revenue on TSX Venture Exchange were accounted for by the six largest Canadian banks and investment dealers. Our business, financial condition or operating results could be materially adversely affected if any one

of these POs significantly reduced or stopped trading on our exchanges, or if two or more POs consolidated.

During 2007, approximately 9% of our trading operations revenue was derived from trading in the securities of the ten most actively traded listed issuers on our equity exchanges. If we lost one or more of these issuers, we would not only suffer a decrease in revenue from listing operations, but we would also suffer an even more significant decrease in revenue from trading operations.

We Need to Retain and Attract Qualified Personnel

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

Geopolitical Factors Could Interrupt Our Critical Business Functions

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

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

We May Not Be Successful in Implementing Our Strategy

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

As part of our strategy to sustain growth, we expect to continue to pursue appropriate acquisitions of other companies and technologies. An acquisition will only be successful if we can integrate the acquired businesses' operations, products and personnel; retain key personnel; and expand our financial and management controls and our reporting systems and procedures to accommodate the acquired businesses. If an investment, acquisition or other transaction (including the proposed

business combination with MX) does not fulfill expectations, we may have to write down its value in the future or sell at a loss.

New Business Activities May Adversely Affect Income

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

We Are Subject to Significant Regulatory Constraints

The provincial securities regulators regulate us and our exchanges and regulators in other jurisdictions may regulate our future operations. This regulation may impose barriers or constraints which limit our ability to build an efficient, competitive organization and may also limit our ability to expand foreign and global access. Securities regulators also impose financial and corporate governance restrictions on us and our equity and, after the amalgamation with MX closes, derivatives exchanges. Some of the provincial securities regulators must approve or review our exchanges' listing rules, trading rules, fee structures and features and operations of, or changes to, our systems. These approvals or reviews may increase our costs and delay our plans for implementation. There could also be regulatory changes that impact our customers and that could materially adversely affect our business and operating results.

We Are Subject to Litigation Risks

Some aspects of our business involve risks of litigation. Dissatisfied customers, among others, may make claims with respect to the manner in which we operate. Although we benefit from certain contractual indemnities and limitations on liabilities, these rights may not be sufficient. In addition, with the introduction of civil liability for misrepresentations in our continuous disclosure documents and statements and the failure to make timely disclosures of material changes in Ontario and certain other jurisdictions, dissatisfied shareholders can more easily make claims against us. If a lawsuit or claim is resolved against us, it could materially adversely affect our reputation, business, financial condition and operating results.

We Depend on Market Activity that is Outside of Our Control

Our revenue is highly dependent upon the level of activity on our exchanges, including: the volume of securities traded; the number and market capitalization of listed issuers; the number of new listings; the number of active traders and brokerage firms in the market; and the number of subscribers to market data.

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

- the overall economic conditions in Canada and the United States in particular, and in the world in general (especially growth levels and political stability);
- the condition of the resource sector;

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

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

Our Exchanges Depend on the Development and Acceptance of New Products

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

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

NGX is the central counterparty to each transaction conducted through its electronic platform. By providing a clearing and settlement facility, NGX is subject to the risk of a counterparty defaulting simultaneously with an extreme market price movement. NGX manages this risk by applying standard rules and regulations, and using a conservative margining regime based on globally-accepted margin concepts. This margining regime involves valuing the market stress of client portfolios in real-time and requiring participants to deposit liquid collateral in excess of those valuations. NGX conducts market stress scenarios regularly to test the ongoing integrity of its clearing operation. NGX also relies on established policies, instructions, rules and regulations as well as procedures specifically designed to actively manage and mitigate risks.

To backstop its clearing operations, NGX has a credit agreement in place with a Canadian chartered bank. We are NGX's guarantor for this credit agreement up to a maximum of US\$100 million. In addition, NGX has covenanted under the agreement to maintain a minimum of \$9 million of tangible net assets. If NGX suffers a loss on its clearing operations, it could lose its

entire net worth. The bank could also realize up to a maximum of US\$100 million on our unsecured guarantee, to the extent required to cover the loss.

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

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

We are extremely dependent on our information technology systems. Our trading is conducted exclusively on an electronic basis. We have disaster recovery and contingency plans as well as back-up procedures to manage, mitigate and minimize the risk of an interruption or failure. We also test and conduct exercises of our disaster recovery plans for trading on Toronto Stock Exchange and TSX Venture Exchange, and include customers in that process. However, depending on an actual failure, those plans may not be adequate as it is difficult to foresee every possible scenario and therefore we cannot entirely eliminate the risk of a system failure or interruption. We have experienced occasional failures and delays in the past, and we could experience future failures and delays.

Our current technological architecture may not effectively or efficiently support our changing business requirements. The system hardware was upgraded in 2004. Two hardware upgrades and two software performance releases were implemented in 2005 in response to increases in order message volumes and transactions. During 2006, we completed much of the work on TSXPress, which included three major trading system enhancements to reduce overall average response time and optimize executed speeds. In June 2007, we replaced core trading engine hardware with the next generation of new HP Integrity NonStop servers that use the Intel Itanium 2 processor.

We will continue to make additional expenditures to further enhance and upgrade our systems. We will need to continuously improve our information technology systems so that we can handle increases and changes in trading activity and to respond to customer demand for improved performance. This will require ongoing expenditures which may require us to expend significant amounts in the future. In 2006, we began development of the next generation of our trading engine, TSX Quantum. The key technology initiative of 2007 and 2008, TSX Quantum is expected to provide our customers with greater speed and capacity which we believe will enable us to attract higher volumes and even more liquidity. TSX Quantum began a phased roll out in December 2007 which will continue throughout 2008. If TSX Quantum fails to perform in accordance with expectations, cannot be rolled out on schedule or does not result in the expected higher trading volumes and liquidity, our business, financial condition and operating results may be materially adversely affected.

If our systems are significantly compromised or disrupted or if we suffer repeated failures, this could interrupt our trading services; cause delays in settlement; cause us to lose data; corrupt our trading operations, data and records; or disrupt our business operations. This could undermine confidence in our exchanges and materially adversely affect our reputation or operating results, and may lead to customer claims, litigation and regulatory sanctions.

Our Cost Structure is Largely Fixed

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

We Depend on Third Party Suppliers

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

We Depend on Adequate Numbers of Customers

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

We Depend on and Are Restricted by Our License Agreements

Some of our products, including our trading and data systems and our index products, are based on license agreements with third parties, which in some cases expire within the next few years. We may not be able to renew these agreements on favourable terms or at all. Any future license agreement may provide opportunities for us, but it may also impose restrictions on us. If we fail to renew license agreements on favourable terms or at all, it may materially adversely affect our business.

We May Be Unable to Protect Our Intellectual Property

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

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

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

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

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

Under the *Securities Act* (Ontario) and related regulations and orders, no person or company may own or exercise control or direction over more than ten percent of any class or series of our voting shares, without obtaining the prior approval of the Ontario Securities Commission and, after the amalgamation with MX closes, Quebec's Autorité des marchés financiers. Each of the Ontario Securities Commission and, after the amalgamation with MX closes, the Autorité des marchés financiers will have complete discretion to grant its approval and may also change the ten percent threshold in the future. A shareholder (or shareholders acting together) who contravenes these provisions may have its shares redeemed and have dividend and voting entitlements on its shares suspended. These restrictions may discourage trading in and may limit the market for our shares, may discourage potential acquisition and strategic alliance proposals, and may prevent transactions in which our shareholders could receive a premium for their shares.

DESCRIPTION OF SHARE CAPITAL OF THE CORPORATION

On November 12, 2002, immediately before we closed our initial public offering, TSX Inc. and its affiliates completed a corporate reorganization under a court approved plan of arrangement. As part of the reorganization, we acquired all of the outstanding shares of TSX Inc. and became the holding company for the TSX group of companies and operating divisions. We also issued shares to the former shareholders of TSX Inc. in exchange for their shares of TSX Inc.

Our authorized capital consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. Currently only common shares of TSX Group are issued and outstanding. No preference shares have been issued.

Common Shares

Each of our common shares is entitled to one vote at all meetings of our shareholders, except for meetings where only holders of another class or series of our shares are entitled to vote separately as a class or series. Each common share is also entitled to receive dividends if, as and when declared by the Board of Directors. If the Board of Directors declares and pays dividends, it must do so in equal amounts per share on all common shares (and subject to certain priority rights of the preference shares, if any). Common shareholders are entitled to participate in any distribution of our net assets if we liquidate, dissolve or wind-up (but subject to certain priority rights of preference shareholders, if any). The common shares do not have any pre-emptive, redemption, purchase or conversion rights except for the compulsory provisions described below related to enforcing the restrictions on ownership of our voting shares.

Preference Shares

The Board of Directors may issue preference shares at any time and in one or more series. If the Board of Directors issues preference shares, it will, before they are issued, fix the number, consideration per share, designation of, and rights and restrictions for the preference shares of each series (subject to the special rights and restrictions attached to all preference shares). Each series of preference shares will rank equally with all other series of preference shares for the payment of dividends and return of capital if we liquidate, dissolve or wind-up. The preference shares have a priority right to receive dividends and any return of capital before the common shares and any other junior shares. We cannot amend the preference shares' special rights and restrictions as a class without obtaining any approval required by law, and the approval of at least two-thirds of the votes cast at a meeting of preference shareholders called and held for that purpose. To date, we have not issued any preference shares.

Statutory Restrictions on Ownership of Our Voting Shares

Section 21.11 of the *Securities Act* (Ontario), as amended by regulation, and an order of the Ontario Securities Commission under section 21.11(4) of the *Securities Act* (Ontario), states that no person or company (or combination of persons or companies acting jointly or in concert) may beneficially own or exercise control or direction over more than ten percent of any class or series of our voting shares without the prior approval of the Ontario Securities Commission (the "Statutory share ownership restrictions"). The Ontario Securities Commission can change the Statutory share ownership restrictions (including the ownership percentage threshold) in the future.

Share Ownership Restrictions in Our Articles

Our articles contain restrictions on voting share ownership (the "TSX Group share restrictions") which are substantively identical to the Statutory share ownership restrictions. Our common shares are currently our only outstanding voting shares. We will automatically change or remove these restrictions if the Statutory share ownership restrictions are changed or removed.

Our articles contain provisions to enforce the TSX Group share restrictions, including our ability to suspend voting rights, forfeit dividends, prohibit share transfers, require a sale of shares or redeem and suspend other shareholder rights. The Board of Directors may at any time require holders of, or subscribers for, voting shares and certain other persons to make declarations and provide related information with respect to ownership, direction, or control of voting shares and certain other matters relevant to this restriction. The Board of Directors may also require holders or subscribers to produce documents, provide responses to written questions, and attend in person to answer questions concerning any declaration. We are prohibited from accepting any subscription or issuing or registering a transfer of voting shares if it would result in a violation of the TSX Group share restrictions.

Share Ownership Restriction in Connection with the Combination with MX¹⁹

TSX Group has agreed pursuant to the Combination Agreement (see “Combination with MX under the section “Strategies and Outlook”) to provide certain written undertakings to Quebec’s Autorité des marchés financiers in support of the recognition order of MX. Pursuant to one such undertaking, from the effective date of these amalgamations, TSX Group is subject to the restriction that no person or company and no combination of persons or companies acting jointly or in concert may beneficially own or exercise control or direction over more than ten percent of any class or series of TSX Group’s voting shares without the prior approval of the Autorité des marchés financiers.

TSX Group has also agreed to provide a written undertaking to the Autorité des marchés financiers with respect to a change in ownership of MX. Pursuant to this undertaking, from the effective date of the amalgamations, TSX Group will not complete or authorize a transaction that would result in any person or company, or any combination of persons or companies acting jointly or in concert, beneficially owning or exercising control or direction over more than ten percent of any class or series of voting shares of MX, without obtaining the prior authorization of the Autorité des marchés financiers.

Strategic Investor Policy²⁰

We have established a policy that sets out criteria that we will follow to determine whether we will support a potential investor’s application for approval from the Ontario Securities Commission to own more than ten percent of our voting shares. Under this policy, we will take into consideration all factors that we consider relevant including: the potential investor’s ability to promote our growth and development; any synergies we identify as likely to result from the investment; any intention to maintain a balance of competing interests of our voting shareholders; involvement of the potential investor in our business; the potential investor’s knowledge or expertise in capital markets or in areas otherwise relevant to our operations; and our interest in ensuring the continued integrity of the Canadian capital market. The Ontario Securities Commission and, once the transaction closes (see “Combination with MX” under the heading “Strategies and Outlook”) Quebec’s Autorité des marchés financiers will have the ultimate discretion to approve such an application regardless of whether or not we support it.

Normal Course Issuer Bid

On July 25, 2007, we announced our intention to engage in a normal course issuer bid (“NCIB”) to repurchase up to 6,841,051 of our common shares representing ten percent of the public float on July 24, 2007. In 2007 we repurchased 2,399,862 of our common shares at an aggregate cost of approximately \$107.6 million. These purchases, carried out through the facilities of Toronto Stock Exchange and made in accordance with its requirements, will terminate on August 6, 2008 or such earlier date as we complete our purchases. Effective December 10, 2007, we terminated

¹⁹ The “Share Ownership Restriction in Connection with the Combination with MX” section contains certain forward-looking statements. Please refer to “Forward-Looking Statements” on page 68 for a discussion of assumptions, risks and uncertainties related to such statements

²⁰ The “Strategic Investor Policy” section contains certain forward-looking statements. Please refer to “Forward-Looking Statements” on page 68 for a discussion of assumptions, risks and uncertainties related to such statements.

our pre-defined plan with our appointed broker that permitted us to repurchase our common shares at times when we would not normally be active in the market.

DIVIDENDS

We paid a quarterly dividend of \$0.38 on each outstanding common share on February 28, 2008 to shareholders of record at the close of business on February 14, 2008.

In 2007, we paid dividends totalling \$1.32 on each outstanding common share. In 2006, we paid dividends totalling \$1.32 on each outstanding common share, and in 2005, we paid dividends totalling \$0.90 on each outstanding common share.

We are not aware of any restriction that could prevent us from paying dividends, except as outlined above under the heading “We May Not be Able to Meet Cash Requirements because of Our Holding Company Structure and Restrictions on Paying Dividends”.

The Board of Directors has adopted a dividend policy that is based on the following factors:

- a long-term intention to provide shareholders with regular and growing dividends, within the constraints arising from changes in our prevailing and projected earnings;
- prevailing market dividend yields, including those of comparable publicly traded stock exchanges and other Canadian financial institutions; and
- the need to retain capital to support our stability and growth.

This dividend policy is reviewed periodically by the Board of Directors. The Board of Directors has the sole discretion to declare and to adjust or eliminate dividends based on the above factors or other considerations.

MARKET FOR SECURITIES

Our common shares are listed on Toronto Stock Exchange under the symbol “X.” The following table sets out the high and low sale prices per common share and the volume of common shares traded for the periods indicated, as reported on Toronto Stock Exchange.

Fiscal Year 2007	High (\$)	Low (\$)	Volume
January	52.70	45.18	6,796,917
February	53.49	48.10	7,295,177
March	51.17	47.30	4,029,346
April	50.70	47.20	4,871,415
May	47.83	40.00	18,080,975
June	45.00	41.35	7,127,708
July	45.82	41.15	10,134,877
August	44.88	38.30	7,669,397
September	48.20	44.01	5,821,087
October	50.94	45.11	5,201,160
November	53.93	47.43	8,487,387
December	57.25	50.65	11,714,900

DIRECTORS AND OFFICERS

Directors

Directors are elected annually. A director's term expires at the close of the next annual meeting of shareholders or until his or her successor is earlier elected or appointed. The tables below sets out, for each director, his or her place of residence, date first elected as a director, other principal directorships and principal occupations for the previous five years. Unless otherwise noted, each director became a director of TSX Group on November 12, 2002 when TSX Group completed a corporate reorganization under a court approved plan of arrangement. Prior to that date, each director then serving was a member of the board of TSX Inc., the predecessor company to TSX Group.

<p>Wayne C. Fox Chair of TSX Group Oakville, Ontario</p> <p>Director since April 29, 1997</p>	<p>Mr. Fox is the Chair of TSX Group and a Corporate Director. Until September 2005, he was Vice-Chair and Chief Risk Officer, Treasury, Balance Sheet and Risk Management, Canadian Imperial Bank of Commerce (chartered bank), a position he held since September 2001. In the previous five years, Mr. Fox held several increasingly senior positions in CIBC and in several CIBC affiliates. In addition, he was a member of the Steering Committee on Regulatory Capital, Institute of International Finance Inc. and on the Board of Governors of McMaster University and Junior Achievement of Central Ontario. In 2006, Mr. Fox became an accredited director through the Directors College program at McMaster University. Mr. Fox also serves on the board of World Federation of Exchanges, CanadaHelps.org Inc. and is Governor Emeritus of Appleby College. Mr. Fox is also a member of the Accounting Standards Oversight Counsel.</p>
<p>Tullio Cedraschi Montreal, Quebec</p> <p>Director since September 25, 2001</p>	<p>Mr. Cedraschi was President and Chief Executive Officer of CN Investment Division (investment operations) until his retirement on January 31, 2008, a position he had held for more than five years. Mr. Cedraschi serves on the company boards of Freehold Resources Limited and Helix Investments (Canada) Inc. He is also a Governor Emeritus of McGill University and a Governor of the National Theatre School.</p>
<p>Raymond Chan Calgary, Alberta</p> <p>Director since July 26, 2006</p>	<p>Mr. Chan has been Chief Executive Officer and a Director of Baytex Energy Trust (energy income trust) since September 2003 following the reorganization of Baytex Energy Ltd. Prior thereto, Mr. Chan was Senior Vice-President and Chief Financial Officer and a Director of Baytex Energy Ltd. since October 1998. Mr. Chan is a chartered accountant and has held senior executive positions in the Canadian oil and gas industry since 1982. Mr. Chan also serves on the boards of Defiant Resources Corporation and the Alberta Children's Hospital Foundation.</p>

<p>Raymond Garneau Montreal, Quebec</p> <p>Director since November 25, 2003</p>	<p>Mr. Garneau is a Corporate Director. Until May 2005, he was Chairman of the Board of Industrial Alliance Insurance and Financial Services Inc. (life insurance and financial services company), a position he held since 2000, and its wholly-owned subsidiaries: The National Life Assurance Company of Canada, Industrial Alliance Pacific Insurance and Financial Services, Industrial Alliance Auto and Home Insurance and Industrial Alliance Trust Company. From 1996 to 2000, he was Chairman of the Board and CEO of Industrial Alliance Insurance and Financial Services Inc. Mr. Garneau is a director of La Fondation Jean-Louis-Lévesque and the C.D. Howe Foundation and is President of the Montreal Cancer Institute.</p>
<p>John A. Hagg Calgary, Alberta</p> <p>Director since May 29, 2001</p>	<p>Mr. Hagg is a Corporate Director and an independent businessman. He serves on the board of Tristone Capital Global Inc., Global Railway Industries Ltd., The Fraser Institute and Alberta Mentor Foundation for Youth. Mr. Hagg is also Chairman of the Board of Strad Energy Services Ltd. and a member of the Advisory Board of Northern Plains Capital LLP. Prior to December 2001, he was Chairman of Northstar Energy Corporation.</p>
<p>Harry A. Jaako West Vancouver, British Columbia</p> <p>Director since August 1, 2002</p>	<p>Mr. Jaako is President and a Director and Principal of Discovery Capital Management Corp. (DCMC) and is also President and a Director of British Columbia Discovery Fund (VCC) Inc., a British Columbia venture capital fund managed by DCMC. He has held these director and officer positions for more than five years, during which time and prior thereto he was also the Chairman, Co-Chief Executive Officer and a Principal of Discovery Capital Corporation (a publicly-traded venture capital company), the former parent company of DCMC. Incidental to the venture capital business of DCMC and its former parent company, Mr. Jaako also serves as Chairman and Director of Paradigm Environmental Technologies Inc., and as a Director of Texada Software Inc., Tri-Link Technologies Inc., and Vigil Health Solutions Inc. Mr. Jaako is also the Honorary Consul for Estonia in Alberta and British Columbia.</p>
<p>J. Spencer Lanthier Toronto, Ontario</p> <p>Director since February 8, 2000</p>	<p>Mr. Lanthier is a Corporate Director who also serves on the boards of Torstar Corporation, Ellis-Don Inc., Gerdau Ameristeel Corporation, Rona Inc. and Zarlink Semiconductor Inc. Mr. Lanthier is also Chairman of the Board of Wellspring and a member of the Advisory Committee of Birch Hill Equity Partners III, LP. When he retired in 1999, Mr. Lanthier was a partner of KPMG Canada and from 1993 until 1999 he was Chairman and Chief Executive of KPMG Canada.</p>

Jean Martel
Montreal, Quebec

Director since October 26, 1999

Mr. Martel is a partner of Lavery, de Billy L.L.P., a Quebec based law firm where he has been practising securities, financial and regulatory law in Montreal since 1999. From 1995 to 1999, he was Chairman and President and CEO of the Commission des valeurs mobilières du Québec, the Quebec securities regulator, and from 1988 to 1994, he acted as Assistant Deputy Minister of Finance of Quebec, with overall responsibilities for financial institutions and financial sector policy in that province. He serves on the Board of Directors of the Business Development Bank of Canada, Market Regulation Services Inc., the Office Franco-Québécois pour la Jeunesse and many of their committees. He also chairs the Independent Review Committee of the Investment Funds of the Quebec Bar.

Owen McCreery
Thornhill, Ontario

Director since July 9, 2002

Mr. McCreery is a Consultant (consulting services) and a Corporate Director. Mr. McCreery has been employed in various organizations as an accountant, a financial analyst, a portfolio manager and a partner/director. Mr. McCreery joined Beutel Goodman & Co. Ltd. in 1973 where he held various positions, including Financial Analyst/Portfolio Manager. He subsequently became President of Beutel Goodman & Co. Ltd. in 1994, a position he held until his retirement in 1999.

John P. Mulvihill
Toronto, Ontario

Director since June 12, 1996

Mr. Mulvihill is Chairman, Mulvihill Capital Management Inc. (investment counsel), a position he has held for more than five years. Mr. Mulvihill serves on the board of University Health Network as Vice Chairman and is a Director of 15 exchange-traded funds listed on Toronto Stock Exchange (Core Canadian Dividend, Government Strip Bond Trust, Pro-AMS U.S., Pro-AMS 100 Plus (Cdn), Pro-AMS 100 Plus (US), Pro-AMS RSP Split Share, Premium Canadian, Premium 60 Plus, Premium Global Plus, Premium Canadian Bank, Premium Split Share, Premium Global Telecom, World Financial Split Corp., Top 10 Canadian Financial Trust and Top 10 Split Trust).

Kathleen M. O'Neill Toronto, Ontario Director since April 26, 2005	Ms. O'Neill is a Corporate Director. Prior to January 2005, she was an Executive Vice President, BMO Bank of Montreal. Prior to joining BMO Bank of Montreal in 1994, Ms. O'Neill was with PricewaterhouseCoopers for 19 years including eight years as a tax partner. Ms. O'Neill is a fellow of the Institute of Chartered Accountants of Ontario. In 2005, Ms. O'Neill became an accredited director through the Institute of Corporate Directors/Rotman School of Management Directors Education Program. She is a member of the Board of Directors of MDS Inc, Finning International Inc. and Canadian Tire Bank. She is Chair of the Board of St. Joseph's Health Centre Foundation, past Chair of the Board of St. Joseph's Health Centre in Toronto and is active on several other non-profit boards.
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Gerri B. Sinclair Vancouver, British Columbia Director since April 26, 2005	Ms. Sinclair is the Executive Director, Centre for Digital Media at Great Northern Way Campus (academic institution), a position she has held since November 2006. Ms. Sinclair is also a Strategic Consultant (consulting services) to government and industry, specializing in the areas of telecommunication and emerging technologies. From 2002 to 2004 she was the General Manager of MSN.ca. From 2001 to 2002, Ms. Sinclair was President's Technology Council. Ms. Sinclair also serves on the board of Ballard Power Systems Inc.
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Board Charter

In early 2004, the Board of Directors adopted a formal charter. The charter recognizes the primary responsibility of the Board of Directors to provide governance and stewardship and sets out the Board of Directors' responsibilities:

- appointing and supervising management (including setting roles and responsibilities for the Chair of the Board of Directors and the Chief Executive Officer);
- strategic planning and risk management;
- financial reporting and management;
- shareholder communication;
- corporate governance; and
- adopting and monitoring compliance with codes of conduct.

The complete text of the charter of the Board of Directors and other related information is available on our website at www.tsx.com.

Committees of the Board of Directors

The Board of Directors currently has four standing committees: a governance committee, a finance and audit committee, a public venture market committee and a human resources committee. Each of the committees has a charter which contains detailed information about the committee. Each of the standing committees' charters is posted on our website at www.tsx.com. A summary of each committee's responsibilities is set out below.

Governance Committee

The governance committee is responsible for developing our approach to corporate governance issues and advising the Board of Directors in filling vacancies. In addition, it periodically reviews the size, composition and compensation of the Board of Directors; the effectiveness of the Board, its individual members and committees; and appropriate committee structures, charters, composition and membership. This committee reviews the Chief Executive Officer's goals and objectives each year and provides an appraisal of the Chief Executive Officer's performance for the most recently completed year. This committee is also responsible for succession planning for the Chief Executive Officer.

The Board of Directors has adopted a comprehensive Timely Disclosure, Confidentiality and Insider Trading Policy (the "Policy") which applies to all Directors and employees. The governance committee monitors compliance with the Policy. Under that Policy, we have established a Disclosure Committee that is responsible for updating the Policy regularly; monitoring the effectiveness of and compliance with the Policy; educating our Directors, officers and employees about the Policy; reviewing and authorizing written, electronic and oral disclosure by us; and monitoring our website.

Committee Members

John P. Mulvihill (Chair), Tullio Cedraschi, Wayne C. Fox, Raymond Garneau, J. Spencer Lanthier and Kathleen M. O'Neill.

Finance and Audit Committee

The finance and audit committee assists the Board of Directors to fulfil its responsibilities to oversee and supervise financial, audit and accounting matters. The committee supervises the adequacy of our internal controls and financial reporting practices and procedures and the quality and integrity of our audited and unaudited financial statements, including through discussions with our external auditors. The committee reviews our business plan and operating and capital budgets and management's reports on pension plan oversight. The committee is responsible for ensuring efficient and effective assessment of risk management throughout TSX Group.

As required under National Instrument 52-110 - *Audit Committees*, the committee:

- is responsible for overseeing the work of the external auditor in connection with the audit of the annual financial statements and the review of the interim financial statements and any other audit, review or attest functions the external auditor performs for TSX Group;
- must pre-approve all non-audit services to be provided to TSX Group or its subsidiaries by the external auditor;

- must review TSX Group’s financial statements and related management’s discussion and analysis, and annual and interim earnings press releases before they are publicly disclosed;
- must be satisfied that adequate procedures are in place and must periodically assess the adequacy of those procedures for the review of TSX Group’s public disclosure of financial information extracted or derived from our financial statements, other than the public disclosures referred to above;
- must establish procedures for the receipt, retention and treatment of complaints received by TSX Group regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith; and
- review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

Committee Members

J. Spencer Lanthier (Chair), Raymond T. Chan, Harry A. Jaako, Jean Martel, Owen McCreery and Kathleen M. O’Neill.

Charter

The full text of the finance and audit committee’s charter is included as Appendix A to this Annual Information Form.

Composition of the Committee and Relevant Education and Experience of its Members

The following are the members of the finance and audit committee, each of whom is a Director and is independent under Section 1.4 of National Instrument 52-110—*Audit Committees*. The members of the audit committee are each financially literate under Section 1.6 of National Instrument 52-110—*Audit Committees* and bring significant skill and experience to their responsibilities including professional experience in accounting, business and finance. The specific education and experience of each member that is relevant to the performance of his or her responsibilities as a member of the committee is set out below:

J. Spencer Lanthier (Chair)	Mr. Lanthier is a chartered accountant and served as a partner of KPMG Canada LLP from 1972 until his retirement in 1999 and from 1993 until 1999 he was Chairman and Chief Executive of KPMG Canada.
Raymond T. Chan	Mr. Chan is a chartered accountant and is the Chief Executive Officer and a director of Baytex Energy Trust. Over the past 25 years, he has served as a Chief Financial Officer or Chief Executive Officer of various public oil and gas companies.

Harry A. Jaako	<p>Mr. Jaako is President and Director and Principal of Discovery Capital Management Corp. (“DCMC”) (a venture capital firm) and is also President and Director of British Columbia Discovery Fund (VCC) Inc., a British Columbia venture capital fund managed by DCMC. As a venture capital professional, Mr. Jaako has directed investments in over 30 companies during the past 11 years, and has been responsible for monitoring the financial reporting of many of these investments. He has also, over the past 19 years, served as a senior executive and/or director of numerous reporting and non-reporting issuers and been involved with all aspects of their financial reporting in such executive or board capacities. Throughout his career, Mr. Jaako has also served in an advisory capacity to securities regulators and self-regulatory organizations related to corporate finance.</p>
Owen McCreery	<p>Mr. McCreery holds a Bachelor of Commerce degree, an MBA and obtained his Chartered Financial Analyst designation in 1977. Mr. McCreery has been employed in various organizations as an accountant, a financial analyst, a portfolio manager and a partner/director, and most recently served as President of Beutel Goodman & Co. Ltd. from 1994 until his retirement in 1999.</p>
Jean Martel	<p>Mr. Martel is a lawyer practicing in the areas of securities, corporate finance, financial institutions, financial services and capital markets infrastructure. Mr. Martel served as Assistant Deputy Minister of Finance of Quebec from 1988 to 1994, in charge of policy and law-making for financial institutions, market intermediaries, financial services and labour-sponsored investment fund corporations. From 1981 to 1988, he headed the legal department of the Ministry of Finance of Quebec, concentrating on financing operations and securities issues. Mr. Martel also served as Chairman and President and CEO of the Commission des valeurs mobilières du Quebec from 1995 to 1999.</p>
Kathleen M. O’Neill	<p>Ms. O’Neill is a chartered accountant and a fellow of the Institute of Chartered Accountants of Ontario. She has also been accredited through the Institute of Corporate Directors/Rotman School of Management Directors Education Program. Prior to January 2005, she was Executive Vice President of BMO Bank of Montreal. Prior to joining BMO Bank of Montreal in 1994, Ms. O’Neill was with PricewaterhouseCoopers for 19 years including eight years as a tax partner.</p>

Pre-Approval Policies and Procedures

As set out in the committee's charter, the committee is responsible for pre-approving any non-audit services to be provided to TSX Group or its subsidiaries by its external auditor, with reference to compatibility of the service with the external auditor's independence.

External Auditor Service Fees (by category)

The aggregate fees billed by KPMG LLP, TSX Group's auditor, related to the years ended December 31, 2006 and 2007 for professional services are set out below:

Services Rendered	Fees billed by KPMG	
	Fiscal 2006	Fiscal 2007
Audit Fees ⁽¹⁾	\$420,500	\$466,000
Audit Related Fees ⁽²⁾	\$ 53,000	\$ 55,000
All Other Fees ⁽³⁾	\$ 14,375	-

- (1) For the audit of our financial statements, including review of our quarterly financial statements and for services normally provided by the auditor in connection with statutory and regulatory filings.
- (2) For assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported in (1), including the audit of the pension plan for our employees.
- (3) For products and services other than the fees reported in (1) to (2), including internal audit control advisory services.

Public Venture Market Committee

The public venture market committee advises and makes recommendations to the Board of Directors on all policy issues and matters that are likely to have a significant impact on the public venture capital market in Canada and our role in relation to those matters.

Committee Members

Harry A. Jaako (Chair), John A. Hagg, Jean Martel, and Gerri B. Sinclair.

Human Resources Committee

The human resources committee ensures that we have high calibre executive management in place and a total compensation plan that is aligned with our performance, as well as competitive, motivating and rewarding for participants. The human resources committee reviews and makes recommendations to the Board of Directors for the appointment of our executive officers, and the establishment of, and any material changes to, executive compensation programs (including the general compensation philosophy and guidelines, incentive plan design and other remuneration and any adjustments to that compensation (salary, incentives, benefits or other perquisites)), including that of the Chief Executive Officer. The committee approves and reports to the Board of Directors on management succession plans (other than succession plans relating to the Chief Executive Officer, which are the responsibility of the governance committee). It is also responsible for overseeing our employee benefits plans, including the design and administrative management of our pension plans.

Committee Members

Tullio Cedraschi (Chair), Wayne C. Fox, Raymond Garneau, John A. Hagg, and Gerri B. Sinclair.

Executive Officers

On January 7, 2008, we announced the resignation of Richard Nesbitt as Chief Executive Officer of TSX Group. Later on the same day, we announced the appointment of Mr. Rik Parkhill, Executive Vice President of TSX Group and President of TSX Markets, and Mr. Michael Ptasznik, Chief Financial Officer of TSX Group, as interim Co-Chief Executive Officers of TSX Group, effective immediately. Mr. Nesbitt remained with TSX Group in an advisory capacity and as a member of TSX Group's board of directors until February 27, 2008. The governance committee of TSX Group is in the process of identifying a permanent successor to Mr. Nesbitt.

As at the date of this Annual Information Form, the following are the executive officers of TSX Group, their titles and their municipalities of residence. Unless otherwise noted, each executive officer assumed his or her current title with TSX Group on November 12, 2002 when TSX Group completed a corporate reorganization under a court approved plan of arrangement.

Name and Municipality of Residence	Position	Principal Occupation During the Five Preceding Years
Wayne C. Fox Oakville, Ontario	Chair of the Board, TSX Group	Mr. Fox is a Corporate Director. Since May 29, 2001, Mr. Fox has been the Chair of the Board of TSX Group or its predecessor. From September 2001 to September 1, 2005, he was the Vice-Chairman and Chief Risk Officer, Treasury, Balance Sheet and Risk Management, Canadian Imperial Bank of Commerce. Prior to September 2001, he held several increasingly senior positions in CIBC and in several CIBC affiliates.
Rik Parkhill Toronto, Ontario	Interim Co-Chief Executive Officer and Executive Vice President, TSX Group and President, TSX Markets	Mr. Parkhill was appointed Interim Co-Chief Executive Officer on January 7, 2008. He became Executive Vice President, TSX Group and President, TSX Markets on January 25, 2005, a position he continues to hold. Prior to that, from December 2001 to January 2005, Mr. Parkhill was Senior Vice President, Trading TSX Markets. Prior to joining TSX Group, he was Executive Vice President, Research Capital Corporation from January 1995 to November 2001.

Name and Municipality of Residence	Position	Principal Occupation During the Five Preceding Years
Michael Ptasznik Thornhill, Ontario	Interim Co-Chief Executive Officer and Chief Financial Officer, TSX Group	Mr. Ptasznik was appointed Interim Co-Chief Executive Officer on January 7, 2008. He became Senior Vice President, TSX Group on January 25, 2005 and Chief Financial Officer of TSX Inc. in July 2002, a position he continues to hold. Prior to that, from September 2000 to July 2002, he was Vice President, Finance and Administration and Treasurer, TSX Inc. From October 1996 to September 2000, Mr. Ptasznik was Director, Finance and Administration, The Toronto Stock Exchange (a predecessor of the Corporation). Prior to joining TSX Group, he held a number of finance positions at Procter & Gamble Canada.
Kevan Cowan Calgary, Alberta	President, TSX Venture Exchange and Senior Vice President, Listings, TSX Group	Mr. Cowan became President, TSX Venture Exchange on April 30, 2007. Mr. Cowan became Senior Vice President, Listings, TSX Group on April 30, 2007. Prior to that he was Vice President, Listings, TSX Group from April 2004 to April 2007. He was appointed Senior Vice President, TSX Venture Exchange Inc. in August 2001. Prior to that, from August 1997 to October 1999 he was internal legal counsel for TSX Venture Exchange's over-the-counter market and after October 1999 he took on a broader role in corporate finance.
Brenda Hoffman Maple, Ontario	Chief Information Officer and Senior Vice President, Information, TSX Group	Ms. Hoffman became Chief Information Officer and Senior Vice President, TSX Group on April 30, 2007. Ms. Hoffman was Vice President Information & Trading Technologies, Development, TSX Technologies from January 2001 to April 2007. Prior to joining TSX Group, she was Director at Worldwide Competency Centre for e-Markets and e-Brokerage Solution at ISM, a division of IBM Global Services.

Name and Municipality of Residence	Position	Principal Occupation During the Five Preceding Years
Peter Krenkel Calgary, Alberta	President, Natural Gas Exchange Inc., and Senior Vice President, TSX Group	Mr. Krenkel became Senior Vice President, TSX Group on April 27, 2004 and President of NGX upon its inception in 1994, a position he continues to hold, including an eight-month period in 2001 and 2002 when he was also the Head of the UK Power Exchange in London, a then-affiliated company. From 1998 through 2000, Mr. Krenkel was also the acting President of NRG Information Systems. Prior to joining NGX, from 1989 to 1993, he was President of Canadian Hydrocarbons Marketing Inc., and the Vice-President of Operations at ICG Resources Ltd. from 1984 to 1989.
James P. Magee Toronto, Ontario	President and CEO, Shorcan, and Senior Vice President, Fixed Income, TSX Group	Mr. Magee became Senior Vice President, Fixed Income, TSX Group on December 1, 2006 and has been President and CEO of Shorcan since June 1978.
Richard Nadeau Montreal, Quebec	Senior Vice President, TSX Group and Toronto Stock Exchange	Mr. Nadeau joined TSX Group as Senior Vice President, TSX Group and Toronto Stock Exchange on March 13, 2006. Prior to joining TSX Group, Mr. Nadeau was Vice President, Corporate Finance Division - Eastern Canada at Bank of Montreal from July 2000 to March 1, 2006.
Sharon C. Pel Toronto, Ontario	Senior Vice President, Legal and Business Affairs, TSX Group	Ms. Pel became Senior Vice President, Legal and Business Affairs on February 24, 2004. Prior to that, from July 2003 to February 2004, Ms. Pel was Vice President, Corporate Development, General Counsel and Corporate Secretary of TSX Group. Prior to joining TSX Group she practiced corporate and securities law at Torys LLP for 21 years including 13 years as a partner.
Eric Sinclair Toronto, Ontario	Senior Vice President, TSX Group and Senior Vice President, TSX Datalinx	Mr. Sinclair became Senior Vice President, TSX Group on February 1, 2006. Prior to that he became Vice President, TSX Group and Senior Vice President, TSX Datalinx, a position he continues to hold, in February 2003. From May 1999 to December 2002, he was Executive Vice President, Global Sales for the Wealth Management Division of Sanchez Computer Associates Inc.

Shareholdings of Directors and Executive Officers

To our knowledge, as at February 28, 2008, the directors and executive officers of TSX Group as a group, beneficially owned, directly or indirectly, or exercised control or direction over less than one percent of our outstanding common shares and no director or executive officer of TSX Group beneficially owned or controlled voting securities of any of our subsidiaries.

Corporate Cease Trade Orders or Bankruptcies

There have been no bankruptcies, receiverships or similar proceedings against us or any of our subsidiaries, or any voluntary bankruptcies, receiverships or similar proceedings by us or any of our subsidiaries, within the five most recently completed financial years or current financial year.

To our knowledge in the last ten years, no director or executive officer of TSX Group is or has been a director or executive officer of an issuer that, while that person was acting in that capacity, (i) was the subject of a cease trade order or similar order, or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except for the following:

Mr. Jaako was a non-management director of Xinex Networks Inc. In 1998, Xinex's securities were the subject of a cease trade order for a period exceeding 30 consecutive days. In addition, in 1998, Xinex had a receiver appointed to hold and dispose of its assets and, in 1999, it was adjudged bankrupt.

Penalties or Sanctions

To our knowledge, no director or executive officer of TSX Group, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To our knowledge, in the last ten years, no director or executive officer of TSX Group has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Conflicts of Interest

To our knowledge, no director or executive officer of TSX Group has an existing or potential material conflict of interest with us or any of our subsidiaries.

Employees

The TSX group of companies had a total of 603 employees as at December 31, 2007, compared with a total of 548 employees as at December 31, 2006, and 510 employees as at December 31, 2005.

LEGAL PROCEEDINGS

From time to time in connection with our operations and arising in the ordinary course of business, we are named as a defendant in actions for damages or costs sustained by plaintiffs, or as a respondent in court or other proceedings challenging our regulatory actions, decisions or jurisdiction. We consider that the aggregate liability resulting from these proceedings will not be material to our financial position or results of operations.

AMS Homecare Inc. filed a statement of claim with The Supreme Court of British Columbia on March 11, 2005 claiming unspecified damages for TSX Venture Exchange's delay in approving AMS Homecare's reverse takeover of Shoprider Canada Mobility between August 2000 and February of 2002 and certain subsequent transactions. The claim is still current, and we believe that it is without merit and are vigorously defending it.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

We have provided services in the ordinary course of business to some of our POs. As at the date of this Annual Information Form, we do not have any members of our Board of Directors who are employees of our POs. In prior years, some of our POs had employees who were members of our Board of Directors.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common shares is CIBC Mellon Trust Company at its principal offices in Vancouver, Calgary, Toronto and Montreal.

MATERIAL CONTRACTS

The following are the only material contracts, other than the contracts entered into the ordinary course of business, which have been entered into after January 1, 2002 and during the year ended December 31, 2007 and are still in effect:

- Option Agreement for the Purchase and Sale of Shares between Enbridge and Circuit Technology granting us the option to acquire NetThruPut dated September 6, 2007;
- Combination Agreement between us and MX dated December 10, 2007 regarding our acquisition through a wholly-owned subsidiary of all the outstanding common shares of MX;

- Amendment to the Combination Agreement between us and MX dated January 10, 2008, relating to a change in the acquisition structure; and
- Amended and Restated Amalgamation Agreement between us, three of our wholly-owned subsidiaries and MX dated January 10, 2008, relating to the Amendment to the Combination Agreement.

Copies of these documents have been filed on SEDAR and are available at www.sedar.com.

EXPERTS

Our auditor is KPMG LLP, who has prepared the Auditors' Report to the Shareholders in respect of our audited annual consolidated financial statements. KPMG LLP is independent with respect to TSX Group within the meaning of the Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information about us, including directors' and officers' remuneration and indebtedness, principal holders of our securities, options to purchase securities and interests of insiders in material transactions (where applicable), and our corporate governance approach and procedures, may be found in our Management Information Circular for our most recent annual meeting of shareholders that involved the election of directors. We also provide additional financial information in our audited comparative consolidated financial statements for the year ended December 31, 2007 and in the related 2007 Management's Discussion and Analysis ("MD&A").

We will provide to any person, upon request to our Investor Relations Department at The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2 (or phone (416) 947-4277 or 1 (888) 873-8392; fax (416) 947-7427; or email shareholder@tsx.com), a copy of this Annual Information Form and any documents we incorporate by reference, a copy of our audited comparative consolidated financial statements for the year ended December 31, 2007 together with the accompanying auditors' report and the related 2007 MD&A, a copy of any interim financial statements and related interim MD&A subsequent to the financial statements for the year ended December 31, 2007. If you are not our shareholder, we may require you to pay a reasonable charge for a copy of any of these documents. Additional information about us, including copies of these documents, may be found on our website at www.tsx.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains "forward looking information" (as defined in applicable Canadian securities legislation) that is based on expectations, estimates and projections as of the date of this Annual Information Form. Often, but not always, such forward looking information can be identified by the use of forward looking words such as "plans", "expects", "is expected", "budget", "scheduled", "targeted", "estimates", "forecasts", "intends", "anticipates", "believes", or variations or the negatives of such words and phrases or statements that certain actions, events

or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved or not be taken, occur or be achieved. Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of TSX Group Inc. (“TSX Group”) to be materially different from any future results, performance or achievements expressed or implied by the forward looking information in this Annual Information Form.

Examples of such forward looking information in this Annual Information Form include, but are not limited to, (A) factors relating to the amalgamation with Montréal Exchange Inc. (“MX”) and the results expected to be achieved from the successful completion of the amalgamation, including: (1) the enhanced ability of TMX Group, as a combined entity, to compete globally; (2) the strengthened and more diversified revenue base of TSX Group; (3) the creation of opportunities to achieve cost and revenue synergies; (4) the acceleration of growth strategies; and (5) the potential for further expansion; all of which are subject to significant risks and uncertainties (including those related to the successful completion of the transactions contemplated by the Combination Agreement, as defined under the heading “Combination with MX” in the “Strategies and Outlook” section, and the amalgamation agreement with MX) including (i) the ability to obtain the regulatory approvals on the proposed terms and schedule; (ii) the risk that the businesses of MX and TSX Group will not be integrated successfully; (iii) the risk that the cost savings, growth prospects and any other synergies expected to result from the amalgamation may not be fully realized or may take longer to realize than expected; and (iv) the possibility that the Combination Agreement or amalgamation agreement may be terminated and/or that the amalgamation may not proceed as expected or at all; and (B) factors relating to stock, commodities and derivatives exchanges and the business, financial position, operations, prospects, strategies and outlook of TSX Group which are subject to significant risks and uncertainties, including competition from other exchanges or marketplaces, including alternative trading systems, new technologies and other sources, on a national or international basis; dependence on the economy of Canada; failure to retain and attract qualified personnel; geopolitical factors which could cause business interruption; dependence on information technology; failure to implement our strategies; changes in regulation; risks of litigation; failure to develop or gain acceptance of new products; adverse effect of new business activities; dependence of trading operations on a small number of clients; the risks associated with Natural Gas Exchange Inc.’s clearing operations; cost structures being largely fixed; dependence on market activity that cannot be controlled; any interruption by key third party suppliers; too few customers accessing our exchanges; restrictions by and dependence on license agreements; our inability to protect our intellectual property; our inability to meet cash requirements and restrictions on paying dividends; and restrictions on our share ownership. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward looking information contained in this Annual Information Form.

Such forward looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the amalgamation or otherwise about the ability of MX and TSX Group to successfully compete against global exchanges by creating through such an amalgamation an enterprise of increased scale; the accuracy, timing and ability to realize the projected synergies in respect of expected cash flows, cost savings and profitability which will be dependent on, but not limited to, such factors as optimizing technology and data centres, reducing corporate costs and rationalizing premises (cost synergies are presented in this Annual Information Form to provide one strategic rationale to support the benefits of a combination with MX and these estimated cost synergies should not be relied on for any other purpose); the timely completion of the steps required to be taken for the amalgamation of MX and TSX Group pursuant to the terms of the Combination Agreement; the

regulatory approvals being successfully obtained; business and economic conditions generally; exchange rates (including estimates of the U.S. dollar — Canadian dollar exchange rate), the level of trading and activity on markets, and particularly the level of trading in MX and TSX Group's key products; the continued availability of financing on appropriate terms for future projects; productivity at MX or TSX Group, as well as that of MX's or TSX Group's competitors; market competition; research & development activities; the successful introduction of new derivatives and equity products; tax benefits/charges; the impact on MX and TSX Group of various regulations and initiatives; MX's or TSX Group's ongoing relations with their employees; and the extent of any labour, equipment or other disruptions at any of their operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward looking information, except as required by applicable securities law. This forward looking information should not be relied upon as representing our views as of any date subsequent to the date of this Annual Information Form. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking information. These factors are not intended to represent a complete list of the factors that could affect us or the amalgamation of MX and TSX Group. For more information, see the section entitled "Risk Factors" starting on page 44 of this Annual Information Form.

NON-GAAP FINANCIAL MEASURES

In April 2007, TSX Group began to bill Toronto Stock Exchange customers for initial and additional listing fees. Prior to this date, these fees were paid upon the listing or reserving of securities which is still the practice on TSX Venture Exchange. With the adoption of a new system, there is now a lag between when securities are issued or reserved and when these listing fees are paid for Toronto Stock Exchange listed issuers. In order to reflect this change, we have adopted the terms issuer services fees billed, initial listing fees billed and additional listing fees billed. These terms replace "listing fees received", "initial listing fees received" and "additional listing fees received", which have been used in previous financial reporting. The composition of these measures, however, is unchanged.

Certain measures used in this Annual Information Form, specifically issuer services fees billed, initial listing fees billed and additional listing fees billed do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. We present these measures as an indication of how initial and additional listing activity and the fees billed for listing or reserving securities impact the financial performance and cash flows of our business. Management uses these measures to assess the effectiveness of our strategy to serve our listed issuers and grow the listings portion of our business.

STOCK SPLIT

All references in this Annual Information Form to dividends paid on each outstanding common share reflect the impact of the two-for-one stock split which was effective on May 17, 2005.

TRADE-MARKS

ATX, Canadian Venture Exchange, CATS, FOX, NEX, NGX, PC-Bond, TIPS, Toronto 35 Index, Toronto Stock Exchange, TSE 300 Composite Index, TSX, TSX Datalinx, TSX Firm Order eXecution, TSX Group, TSX Markets, TSX Venture Exchange, TSXconnect and TSXV are registered trade-marks of TSX Inc.

Capital Pool Company, CARS, CDEX, CPC, DEX, DEX Fixed Income Indices, DEX Universe Bond Index, Equities News, Natural Gas Exchange, Public Venture Capital Campaign, TMX, TMX Group, TSX Alternative Trade eXecution, TSX Compliance Alerts Reporting System, TSX Direct, TSX Market on Close, TSX MOC, TSX Quantum, TSX Technologies and TSXPress are trade-marks of TSX Inc.

S&P, as part of the composite mark S&P/TSX, refers to a trade-mark of The McGraw-Hill Companies, Inc. and is used under license.

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**APPENDIX A
TO ANNUAL INFORMATION FORM OF TSX GROUP INC.
MARCH 6, 2008**

**TSX GROUP INC.
(the “Corporation”)
FINANCE & AUDIT COMMITTEE
CHARTER**

1. General

The Board of Directors of the Corporation (the “Board”) has established a Finance and Audit Committee (the “Committee”) to take steps on its behalf as are necessary to assist the Board in fulfilling its oversight responsibilities regarding:

- (a) the integrity of the Corporation’s financial statements;
- (b) the internal control systems of the Corporation;
- (c) the external audit process;
- (d) the internal audit and assurance process;
- (e) risk management;
- (f) investment opportunities and the raising of funds by the Corporation;
- (g) the administration, financial reporting and investment activities of the pension plan(s);
- (h) the Corporation’s compliance with legal and regulatory requirements, and
- (i) any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Members

The Board will in each year appoint a minimum of four (4) directors as members of the Committee. All members of the Committee will be independent directors as required by law and all recognition orders and exemption orders issued in respect of the Corporation by applicable securities regulatory authorities.

All members of the Committee shall be financially literate. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

The Chief Executive Officer (“CEO”) of the Corporation and, to the extent the Chair of the Board is not otherwise a member of the Committee, the Chair, and all other directors who are not members of the Committee may be invited to attend all meetings of the Committee in an ex-officio capacity and shall not vote. The CEO shall not attend in-camera sessions.

3. Duties

The Committee shall have the following duties:

(a) **Financial Reporting and Disclosure**

- (i) Audited Annual Financial Statements: Review the audited annual financial statements, all related MD&A, and earnings press releases for submission to the Board for approval.
- (ii) Quarterly Review: Following their review by the external auditor, review the quarterly financial statements, the related management discussion and analysis (“MD&A”), and earnings press releases for submission to the Board for approval.
- (iii) Significant Accounting Principles and Disclosure Issues: Review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Corporation’s financial position and the results of its operations in accordance with Canadian GAAP.
- (iv) Compliance: Confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with.
- (v) Legal Events: Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Corporation’s financial statements, and the manner in which these have been disclosed in the financial statements.
- (vi) Off-Balance-Sheet Transactions: Discuss with management the effect of any off-balance-sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation’s financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.
- (vii) Other Disclosures: Satisfy itself that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information, other than the public disclosure of the information referred to in sections 1 and 2 above, and periodically assess the adequacy of those procedures.

(b) **Oversight of Internal Controls**

- (i) Review and Assessment: Review and assess the adequacy and effectiveness of the Corporation's system of internal control and management information systems through discussions with management, the Chief Internal Auditor ("CIA"), and the external auditor.
- (ii) Oversight: Oversee system of internal control, by:
 - (A) Monitoring and reviewing policies and procedures for internal accounting, internal audit, financial control and management information;
 - (B) Consulting with the external auditor regarding the adequacy of the Corporation's internal controls;
 - (C) Reviewing with management its philosophy with respect to internal controls and, on a regular basis, all significant control-related findings together with management's response; and
 - (D) Obtaining from management adequate assurances that all statutory payments and withholdings have been made.
- (iii) Fraud: Oversee investigations of alleged fraud and illegality relating to the Corporation's finances.
- (iv) Complaints: Review with management that appropriate procedures exist for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.

(c) **External Audit**

- (i) Appointment or Replacement: Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.
- (ii) Compensation: Review with management, and make recommendations to the Board, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Corporation, and the extent of internal audit and other support provided by the Corporation to the external auditor.
- (iii) Reporting Relationships: The external auditor will report directly to the Committee.
- (iv) Performance: Review with management, on a regular basis, the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external auditor.

- (v) Transition: Review management's plans for an orderly transition to a new external auditor, if required.
- (vi) Audit Plan: Review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, frauds or other illegal acts.
- (vii) Audit Plan Changes: Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.
- (viii) Review of Results: Review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
- (ix) Disagreements with Management: Resolve any disagreements between management and the external auditor regarding financial reporting.
- (x) Material Written Communications: Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
- (xi) Interim Financial Statements: Engage the external auditor to review all interim financial statements and review, in the absence of management, the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A.
- (xii) Other audit matters: Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.
- (xiii) Meeting with External Auditor: Meet with the external auditor in the absence of management at least quarterly to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
- (xiv) Correspondence: Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies.
- (xv) Independence: At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Corporation, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board a policy of

- rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.
- (xvi) Non-Audit/Audit Services: Pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditor, with reference to compatibility of the service with the external auditor's independence.
 - (xvii) Hiring Policies: Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

(d) **Internal Audit and the Provision of Assurance**

- (i) Chief Internal Auditor: Review and approve the appointment, replacement or dismissal of the CIA. The CIA reports to the Chief Executive Officer ("CEO") administratively and to the Committee functionally.
- (ii) Assurance Activities: Review with management and the CIA the mandate, staffing, plans, activities, and results of the Corporation's assurance providers to gain reasonable assurance that their activities are appropriately comprehensive, effective and coordinated with the external auditor.
- (iii) Assurance Findings: Discuss the impact of any significant assurance findings, together with the appropriateness of management's response, on the adequacy and effectiveness of the Corporation's system of internal control.
- (iv) Meeting: Meet with the CIA in the absence of management at least annually to discuss and review specific issues as appropriate as well as any significant matters that the CIA may wish to bring to the Committee for its consideration, including a discussion of any restrictions or limitations placed on the CIA with respect to scope of work or access to required information.

(e) **Risk Management**

- (i) Adequacy of Policies and Procedures: Review and assess the adequacy of the Corporation's risk management policies and procedures with regard to identification of the Corporation's principal risks annually, and review (at least semi-annually) updates on these risks from the Director, Risk Management. Review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board.

(f) **Financial Planning and Investments**

- (i) Business Plan: Review and recommend the Business Plan, including the annual Operating and Capital Budgets for submission to the Board for approval. Review periodic financial forecasts.
- (ii) Investment Opportunities: Review and assess investment opportunities of a value exceeding management's authority, in accordance with procedures established by the Board from time to time.
- (iii) Guidelines and Policies: Review and approve guidelines and policies for the investing of cash and marketable securities and review reports from management on the results of such investments against established benchmarks.
- (iv) Additional Funds for Investment: Review and assess management's plans with respect to raising additional funds whether through debt or capital, in accordance with procedures established by the Board from time to time.

(g) **Pension Plan**

- (i) Oversight: Review and assess management's reports on pension plan oversight including:
 - (A) Review management controls and processes with respect to the administration of investment activities, financial reporting and funding of the plan(s).
 - (B) Confirm the following appointments for the management of the plan(s), subject to exceptions where the appointment authority is assigned to another party as per plan documents:
 - Auditor
 - Trustee
 - Fund Manager
 - (C) Review the actuarial assumptions used for the valuation, including the rate of return on investments and the discount rate used to arrive at the funding requirements.
 - (D) Review and approve the plan(s) investment objectives and guidelines annually and amend if necessary.
 - (E) Review the investment performance of the funds and the investment managers, and their compliance with the investment objectives and guidelines and applicable legislation.
 - (F) Review and approve the annual audited financial statements of the plan(s).

(h) **Compliance**

- (i) Filings with Regulatory Authorities: Review with management the Corporation's relationship with regulators, and the timeliness and accuracy of Corporation filings with regulatory authorities.
- (ii) Employee Code of Conduct: Confirm that adequate and effective systems are in place to enforce compliance with the Employee Code of Conduct. Ensure the Employee Code of Conduct is disclosed in the Corporation's annual report or information circular at least every three years or following a material amendment. Alternatively, confirm with management that an up-to-date version of the Employee Code of Conduct is disclosed on the Corporation's website.

(i) **Communication**

- (i) Communication Channels: Establish and maintain direct communication channels with management, the CIA, the external auditor and the Board to discuss and review specific issues as appropriate.
- (ii) Coordination with Management: The Committee will coordinate with management on audit and financial matters, and will:
 - (A) Meet privately with management to discuss any areas of concern to the Committee or management; and
 - (B) Review expenses incurred by the Chair of the Board and CEO of the Corporation. Ensure that the CEO reviews all expenses incurred by direct executive reports of the CEO.

(j) **Related Party Transactions**

- (i) Related Party Transactions: Review with management all related party transactions and the development of policies and procedures related to those transactions.

(k) **Board Relationship and Reporting**

- (i) Adequacy of Charter: Review and assess the adequacy of the Committee Charter annually and submit such amendments as the Committee proposes to the Governance Committee.
- (ii) Disclosure: Oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Corporation's Annual Information Form and all other applicable disclosure documents.
- (iii) Reporting: Report regularly to the Board on Committee activities, issues and related recommendations.

4. Chair

The Board will in each year appoint the Chair of the Committee. The Chair shall have accounting or related financial expertise. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

5. Meetings

The Committee shall meet at the request of its Chair, but in any event it will meet at least four times a year. Notices calling meetings shall be sent to all Committee members, to the CEO of the Corporation, to the Chair of the Board and to all other directors. The external auditor or any member of the Committee may call a meeting of the Committee.

6. Quorum

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

7. Removal and Vacancy

A member may resign from the Committee, and may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

8. Experts and Advisors

The Committee may retain or appoint, at the Corporation's expense, such experts and advisors as it deems necessary to carry out its duties, and to set and pay their compensation. The Committee shall provide notice to the Governance Committee of its actions in this regard.

9. Secretary and Minutes

The Chief Financial Officer of the Corporation, or such other person as may be appointed by the Chair of the Committee, will act as Secretary of the Committee. The minutes of the Committee will be in writing and duly entered into the books of the Corporation. The minutes of the Committee will be circulated to all members of the Board.