

Interim Consolidated Financial Statements of

TSX GROUP INC.

Quarters ended March 31, 2008 and 2007

(In thousands of dollars)

(Unaudited)

TSX GROUP INC.

Interim Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	March 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash	\$ 63,674	\$ 53,398
Marketable securities (note 6)	285,323	249,399
Accounts receivable	58,343	48,438
Energy contracts receivable (note 6)	779,774	745,378
Fair value of open energy contracts (note 6)	160,166	74,907
Prepaid expenses	6,360	6,561
Income taxes recoverable	1,606	—
Future tax asset	24,469	22,840
	1,379,715	1,200,921
Premises and equipment	20,030	21,324
Future tax asset	130,377	131,613
Other assets	26,671	25,869
Investment in affiliate	11,862	11,731
Intangible assets	66,460	66,578
Goodwill	65,883	65,883
	\$ 1,700,998	\$ 1,523,919
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,456	\$ 48,175
Energy contracts payable (note 6)	779,774	745,378
Fair value of open energy contracts (note 6)	160,166	74,907
Deferred revenue	64,047	6,484
Deferred revenue-initial and additional listing fees	63,915	61,820
Obligation under capital lease	48	152
Income taxes payable	—	9,724
	1,110,406	946,640
Accrued employee benefits liabilities	12,294	12,113
Obligation under capital lease	60	71
Other liabilities	22,061	30,331
Deferred revenue-initial and additional listing fees	370,534	362,854
	1,515,355	1,352,009
Shareholders' equity:		
Share capital	386,526	379,370
Share option plan (note 3)	4,079	5,060
Deficit	(204,962)	(212,520)
	185,643	171,910
	\$ 1,700,998	\$ 1,523,919

See accompanying notes to interim consolidated financial statements.

TSX GROUP INC.

Interim Consolidated Statements of Income
(In thousands of dollars, except per share amounts)
(Unaudited)

	Three months ended	
	2008	March 31, 2007
Revenue:		
Issuer services	\$ 37,639	\$ 30,148
Trading and related	42,025	42,115
Market data	29,120	26,591
Business services and other	3,569	2,248
	<u>112,353</u>	<u>101,102</u>
Expenses:		
Compensation and benefits	23,411	25,543
Information and trading systems	7,158	6,601
General and administration	10,243	11,083
Amortization	4,194	3,741
	<u>45,006</u>	<u>46,968</u>
Income from operations	67,347	54,134
Income from investment in affiliate	131	41
Investment income	4,446	3,987
Loss on termination of joint venture (note 9)	(15,152)	—
Income before income taxes	56,772	58,162
Income taxes	24,026	21,714
Net income	<u>\$ 32,746</u>	<u>\$ 36,448</u>
Earnings per share (note 4):		
Basic	\$ 0.49	\$ 0.53
Diluted	\$ 0.49	\$ 0.53

See accompanying notes to interim consolidated financial statements.

TSX GROUP INC.

Interim Consolidated Statements of Changes in Shareholders' Equity
(In thousands of dollars)
(Unaudited)

	Three months ended	
	2008	March 31, 2007
Common shares:		
Balance, beginning of period	\$ 379,370	\$ 387,501
Proceeds on options exercised	5,729	3,071
Cost of exercised options	1,427	850
Balance, end of period	386,526	391,422
Share option plan:		
Balance, beginning of period	5,060	3,942
Cost of exercised options	(1,427)	(850)
Cost of share option plan	446	626
Balance, end of period	4,079	3,718
Deficit:		
Balance, beginning of period	(212,520)	(164,488)
Transitional adjustment	-	621
Net income	32,746	36,448
Dividends on common shares	(25,188)	(26,072)
Balance, end of period	(204,962)	(153,491)
Shareholders' equity, end of period	\$ 185,643	\$ 241,649

See accompanying notes to interim consolidated financial statements.

TSX GROUP INC.

Interim Consolidated Statements of Cash Flows
(In thousands of dollars)
(Unaudited)

	Three months ended	
	2008	March 31, 2007
Cash flows from (used in) operating activities:		
Net income	\$ 32,746	\$ 36,448
Adjustments to determine net cash flows:		
Amortization	4,194	3,741
Unrealized (gain) loss on marketable securities	(802)	510
Income from investment in affiliate	(131)	(41)
Cost of share option plan	446	626
Future tax asset	(393)	(4,094)
Energy contracts receivable	(34,396)	201,260
Accounts receivable and prepaid expenses	(9,704)	(10,331)
Other assets	(802)	429
Accounts payable and accrued liabilities	(5,719)	(11,709)
Energy contracts payable	34,396	(201,260)
Long-term accrued and other liabilities	(8,089)	1,370
Deferred revenue	67,338	72,453
Income taxes payable, net	(11,330)	(20,148)
	<u>67,754</u>	<u>69,254</u>
Cash flows from (used in) financing activities:		
Reduction in obligation under capital lease	(141)	(227)
Proceeds on exercised options	5,729	3,071
Dividends on common shares	(25,188)	(26,072)
	<u>(19,600)</u>	<u>(23,228)</u>
Cash flows from (used in) investing activities:		
Additions to intangible assets	(1,397)	-
Additions to premises and equipment	(1,359)	(1,014)
Marketable securities	(35,122)	(33,312)
	<u>(37,878)</u>	<u>(34,326)</u>
Increase in cash	10,276	11,700
Cash, beginning of period	53,398	37,018
Cash, end of period	<u>\$ 63,674</u>	<u>\$ 48,718</u>
Supplemental cash flow information:		
Interest paid	\$ 263	\$ 228
Interest received	3,612	4,184
Income taxes paid	35,956	46,527

See accompanying notes to interim consolidated financial statements.

TSX GROUP INC.

Notes to Interim Consolidated Financial Statements
(In thousands of dollars, except per share amounts)

Three months ended March 31, 2008 and 2007
(Unaudited)

The unaudited interim consolidated financial statements of TSX Group Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

These financial statements follow the same accounting policies and their methods of application as the Company's consolidated financial statements for the year ended December 31, 2007 except as described in note 1 below. The Company's interim consolidated financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and accordingly, should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended December 31, 2007.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, TSX Inc. ("TSX"), Natural Gas Exchange Inc. ("NGX"), Shorcan Brokers Limited ("Shorcan"), The Equicom Group Inc. ("Equicom"), the proportionate consolidation of CDEX Inc. ("CDEX"), and the wholly-owned subsidiaries of TSX, TSX Venture Exchange Inc. ("TSX Venture") and NGX.

(b) Capital maintenance and financial instruments:

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1535 "Capital Disclosures" which establishes standards for disclosing an entity's objectives, policies and processes for managing capital, Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation".

The adoption of these new recommendations had no significant impact on the Company's financial accounting policies, however additional financial disclosure related to the nature and risks arising from financial instruments have been included in notes 6, 7 and 8.

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Notes to Interim Consolidated Financial Statements
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2. Segmented information:

The Company operates in two reportable segments. In the Capital Markets segment, the Company owns and operates Canada's two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange, Shorcan, a fixed income inter-dealer broker, and Equicom, an investor relations and corporate communications services provider. The Energy Markets segment is engaged in trading and clearing natural gas and electricity contracts through NGX.

Three months ended March 31, 2008

	Capital Markets	Energy Markets	Total
Total Revenue	\$ 105,706	\$ 6,647	\$ 112,353
Net Income	31,071	1,675	32,746
Goodwill	44,604	21,279	65,883
Total Assets	704,820	996,178	1,700,998

Three months ended March 31, 2007

	Capital Markets	Energy Markets	Total
Total Revenue	\$ 96,152	\$ 4,950	\$ 101,102
Net Income	35,840	608	36,448
Goodwill	38,587	21,279	59,866
Total Assets	690,852	791,997	1,482,849

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3. Share option plan:

The Company established a share option plan in 2002, the year of its initial public offering. All employees of the Company and those of its designated subsidiaries at or above the director level are eligible to be granted share options under the share option plan. According to the terms of the plan, under no circumstances may any one person's share options and all other share compensation arrangements exceed 5% of the outstanding common shares issued of the Company. 4,153,154 common shares of the Company remain reserved for issuance upon exercise of share options granted under this plan, representing approximately 6% of the outstanding common shares of the Company.

The fair value of each share option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2008: dividend yield of 2.9 percent; expected volatility of 23.6 percent; risk-free interest rate of 4.1 percent and expected life of 7 years.

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

Share options:

	Three months ended March 31, 2008		Three months ended March 31, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	973,522	\$ 31.64	1,096,650	\$ 25.17
Granted	166,693	45.23	207,471	53.04
Forfeited	(62,441)	51.43	(2,628)	38.10
Exercised	(268,796)	21.31	(187,364)	16.39
Outstanding, end of period	808,978	\$ 36.34	1,114,129	\$ 31.80

At March 31, 2008, 486,570 options were fully vested and exercisable at strike prices in the range of \$10.53 to \$53.04.

For the three months ended March 31, 2008, the Company recognized compensation cost of \$446 (three months ended March 31, 2007 - \$626) in respect of its share option plan.

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Notes to Interim Consolidated Financial Statements
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4. Earnings per share:

	Three months ended March 31,	
	2008	2007
Net income	\$ 32,746	\$ 36,448
Weighted average number of common shares outstanding	66,294,636	68,516,276
Basic earnings per share	\$ 0.49	\$ 0.53
Diluted weighted average number of common shares outstanding	66,828,979	69,083,472
Diluted earnings per share	\$ 0.49	\$ 0.53

5. Employee future benefits:

Total retirement benefit cost for the three months ended March 31, 2008 was \$1,387 (three months ended March 31, 2007 - \$1,888).

6. Financial Instruments:

The Company has classified the significant impacts of its financial instruments as follows:

(a) Marketable securities:

The investment portfolio includes pooled fund investments managed by an external investment fund manager. Market values for securities held by the pooled funds are determined by reference to quoted market prices. There is no contracted maturity date for the investments.

The Company has designated its marketable securities as held-for-trading. At March 31, 2008, these investments have been measured at fair value and unrealized gains of \$802 during the three months ended March 31, 2008 have been reflected in net income in the consolidated financial statements (three months ended March 31, 2007 – unrealized losses of \$510).

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6. Financial Instruments (continued):

(b) Swaps:

TSX has entered into total return swaps ("TRS's") which synthetically replicate the economics of TSX purchasing the Company's shares as a partial fair value hedge to the share appreciation rights of restricted share units and deferred share units that are awarded to directors and employees of the Company and its designated subsidiaries. TSX marks to market the fair value of the TRS's as an adjustment to income, and simultaneously marks to market the liability to holders of the share units as an adjustment to income. The fair value of the TRS's is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five days of the month compared with the Company's share price at the date of entering into the TRS's. The fair value of the TRS's and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The following tables represent the TRS's which are outstanding at:

March 31, 2008:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #10	\$ 664	\$ -	\$ 664	\$ -	\$ (98)	\$ (98)
Equity Swap Contract #13	-	854	854	-	(200)	(200)
Equity Swap Contract #14	5,310	-	5,310	-	(968)	(968)
Equity Swap Contract #15	2,453	-	2,453	-	(168)	(168)
Equity Swap Contract #16	10,548	-	10,548	-	(722)	(722)
Equity Swap Contract #17	-	407	407	16	-	16
	\$ 18,975	\$ 1,261	\$ 20,236	\$ 16	\$ (2,156)	\$ (2,140)

March 31, 2007:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #5	\$ 695	\$ -	\$ 695	\$ 537	\$ -	\$ 537
Equity Swap Contract #7	12,388	-	12,388	1,645	-	1,645
Equity Swap Contract #8	621	-	621	31	-	31
Equity Swap Contract #10	-	664	664	32	-	32
Equity Swap Contract #11	4,268	-	4,268	-	(61)	(61)
Equity Swap Contract #12	620	-	620	20	-	20
Equity Swap Contract #13	-	854	854	-	(49)	(49)
	\$ 18,592	\$ 1,518	\$ 20,110	\$ 2,265	\$ (110)	\$ 2,155

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6. Financial Instruments (continued):

(b) Swaps (continued):

The unrealized losses reflected in net income during the three month period ended March 31, 2008 were \$5,640 (three month period ended March 31, 2007 – unrealized gains \$1,340).

(c) NGX energy contracts:

NGX energy contracts receivable and payable positions are recognized for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not yet been made.

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

7. Risk Management:

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or a contracting party to an exchange transaction between participants (“Contracting Party” or “Counterparty”) to a financial instrument fails to meet its contractual obligations, and arises principally from investments in marketable securities, swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan and NGX.

(i) Investments in marketable securities

The Company manages its exposure to credit risk arising from investments in marketable securities by limiting the investment in short-term bond and mortgage funds to a maximum of 90% of the investment portfolio and a minimum 10% in money market funds. Corporate bonds must have a minimum credit rating of BBB by Dominion Bond Rating Services. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. The Company does not

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7. Risk Management (continued):

(a) Credit risk (continued):

(i) Investments in marketable securities (continued)

have any investments in non-bank asset-backed commercial paper. At March 31, 2008 the investment portfolio was comprised of 34% in short-term bond and mortgage funds and 66% in money market funds (March 31, 2007 - 45% : 55%).

(ii) Total Return Swaps

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

(iii) Accounts receivable

The Company's exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of its customers, many of whom are listed issuers or financial institutions. There is no concentration of credit risk attributable to transactions with a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing or trading privileges.

(iv) Clearing and/or brokerage operations

The Company is exposed to credit risk in the event that customers or Contracting Parties fail to settle on the contracted settlement date.

Shorcan's exposure is limited by the nature of the customers being primarily broker dealers, banks and other financial institutions. Shorcan also has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

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

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7. Risk Management (continued):

(a) Outstanding energy contracts receivable;

(b) "Variation Margin", comprised of the aggregate "mark-to-market" exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and

(c) "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of Contracting Party exposure at March 31, 2008, NGX held cash collateral deposits of \$323,017 (March 31, 2007 - \$255,950) and letters of credit of \$2,588,728 (March 31, 2007 - \$1,800,460).

(v) Guarantees

NGX also maintains an unsecured clearing backstop fund of U.S. \$100,000. The Company is the guarantor of this fund.

(b) Market risk:

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

(i) Foreign currency risk

The Company is exposed to foreign currency risk on sales and accounts receivable denominated in U.S. dollars. At March 31, 2008, accounts receivable include \$11,624 (March 31, 2007 - \$7,651), which are exposed to changes in the U.S. – Canadian dollar exchange rate.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its money market and short-term bond and mortgage fund investments. An external investment fund manager has been engaged by the Company to manage the asset mix and the risks associated with these investments. At March 31, 2008 the Company held \$285,323 in these funds (March 31, 2007 - \$318,611).

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Notes to Interim Consolidated Financial Statements
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Three months ended March 31, 2008 and 2007
(Unaudited)

7. Risk Management (continued):

(b) Market risk (continued):

(iii) Equity price risk

The Company is exposed to equity price risk arising from its utilization of TRS's. The fair value of the TRS's is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five days of the month compared with the Company's share price at the date of entering into the TRS's. The change in the fair value of the TRS's is offset by the change in the obligation to restricted share units and deferred share units holders.

(iv) Other market price risk

The Company is exposed to other market price risk from the activities of both Shorcan and NGX if a Contracting Party fails to take or deliver either securities or energy products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan's risk is limited by its status as an agent, the fact that it does not purchase or sell securities for its own account, the short period of time between trade date and settlement date, the quality of the Contracting Parties and the defaulting Contracting Party's liability for any difference between the amounts received upon sale of the securities and the amount paid to acquire the securities.

NGX's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each Contracting Party. In the event of a default by a Contracting party, NGX has the right to terminate and liquidate the Contracting Party's open positions, including the netting of all positive and negative exposures associated with the Contracting Party and drawing down their collateral.

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7. Risk Management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital (note 8) and on April 18, 2008, the Company entered into a credit agreement (the "credit facility") to finance the cash consideration of the acquisition of all of the outstanding common shares of the Montreal Exchange with a three year term facility of \$430,000. The Company has also entered into a revolving facility of \$50,000. The credit facility is unsecured and includes covenants that will require the Company to maintain: (i) a maximum debt to adjusted EBITDA ratio of 3.5:1, (ii) a minimum consolidated net worth based on a contracted formula and (iii) a debt incurrence test of not more than 3:1. The credit facility may be drawn on in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. On April 30, 2008, the Company drew down the \$430,000 credit facility.

8. Capital maintenance:

In accordance with Section 1535 "Capital Disclosures", the Company's primary objectives in managing capital include:

- (i) Providing sufficient capital to maintain operations and market confidence and to meet capital maintenance requirements imposed on its subsidiaries:

- (a) In respect of TSX by the Ontario Securities Commission ("OSC") to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:

- (i) a current ratio not less than 1.1:1;

- (ii) a debt to cash flow ratio not greater than 4:1; and

- (iii) a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1

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8. Capital maintenance (continued):

(b) In respect of TSX Venture by various provincial securities commissions to maintain adequate financial resources;

(c) In respect of NGX to:

(i) maintain adequate financial resources by the Alberta Securities Commission; and

(ii) maintain a current ratio of no less than 1:1 and a tangible net worth of not less than \$9,000 by a major Canadian chartered bank

(d) In respect of Shorcan by the Investment Dealers Association of Canada which requires Shorcan to maintain a minimum level of shareholder's equity of \$500;

The Company has complied with these externally imposed capital requirements;

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

(iii) Returning capital to shareholders through dividends paid to shareholders and purchasing shares for cancellation pursuant to normal course issuer bids.

9. Acquisitions:

On December 10, 2007, the Company and Montreal Exchange ("MX") entered into a combination agreement pursuant to which the Company will indirectly acquire all of MX's outstanding common shares for a total consideration consisting of up to 15,346,000 common shares of the Company and up to \$428,200 in cash. The total purchase price, based on preliminary estimates, is estimated to be \$1.25 billion. The Company intends to finance the cash consideration with a three year term facility of \$430,000 (note 7). All MX outstanding share options will be cancelled under the terms of the combination agreement and will be exchanged for approximately 175,305 of the Company's share options. The transaction is expected to close on May 1, 2008. All necessary shareholder and regulatory approvals have been obtained.

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9. Acquisitions (continued):

In connection with the agreement to combine the Company with MX, the Company provided International Securities Exchange, Inc. ("ISE") with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement, which was created to operate DEXTM a new derivatives exchange. If the parties were unable to agree to an alternative business arrangement, originally by January 10, 2008 and subsequently extended to March 31, 2008 through an amending agreement, the Company would be required to pay ISE \$15,000, plus interest. The Company and ISE did not conclude an alternative business arrangement by March 31, 2008. As a result, the Company acquired 100% ownership of CDEX and paid ISE \$15,000, plus interest, on April 1, 2008. The required payment and interest has been accrued in the Company's consolidated financial statements.

10. Comparative figures:

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