GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

THIRD QUARTER 2011

GUARDIAN CAPITAL
GROUP LIMITED

TO OUR SHAREHOLDERS:

We present the Company's operating results for the three months and the nine months ended September 30, 2011.

For the periods ended September 30 *($ in thousands, except per share amounts)*	**Three Months** **2011**	 2010	**Nine Months** **2011**	 2010
Net revenue	**$18,930**	$ 16,051	**$ 54,053**	$ 47,808
Operating earnings	**4,344**	3,303	**11,809**	9,507
Net gains (losses) on securities	**(1,090)**	854	**(784)**	519
Net earnings attributable to shareholders	**3,457**	4,050	**10,910**	10,304
Cash flow from operations before change in non-cash working capital items	**5,236**	5,886	**13,896**	13,930
Per Share				
Basic net earnings	**$ 0.11**	$ 0.12	**$ 0.34**	$ 0.31
Diluted net earnings	**0.10**	0.12	**0.33**	0.31
Basic cash flow from operations before change in non-cash working capital items	**$ 0.16**	$ 0.18	**$ 0.43**	$ 0.42
Diluted cash flow from operations before change in non-cash working capital items	**0.16**	0.18	**0.42**	0.42

These are the Company's third interim financial statements presented in accordance with International Financial Reporting Standards (IFRS). Accordingly, these financial statements contain significant disclosures which are in addition to those contained in past interim financial statements, and all financial information for past periods from January 1, 2010 has been restated in accordance with IFRS.

Assets under management were $15.2 billion as at September 30, 2011, compared to $16.3 billion as at December 31, 2010 and $15.3 billion as at September 30, 2010. Assets under administration were $8.4 billion as at September 30, 2011, compared to $7.8 billion as at December 31, 2010, and $7.4 billion as at September 30, 2010.

Net earnings attributable to shareholders for the quarter were $3.5 million or $0.10 per share, diluted, compared to $4.1 million or $0.12 per share, diluted, in the third quarter of 2010. This reduction resulted from the recording of net losses from securities in the current year, compared with net gains which were recorded in 2010.

Cash flow from operations, before changes in non-cash working capital, for the quarter was $5.2 million or $0.16 per share, diluted, reduced from the $5.9 million from the third quarter of 2010. For the nine months ended September 30, 2011, cash flow from operations was $13.9 million or $0.42 per share, diluted, unchanged from the nine months ended September 30, 2010.

The fair value of the Company's holdings of securities as at September 30, 2011 was $385.0 million, or $11.82 per share, diluted, compared with $383.6 million, or $11.57 per share, diluted, at December 31, 2010.

The Company recently announced, with great sadness, the passing on October 17, 2011 of its Chairman of the Board, James W. McCutcheon. Mr. McCutcheon had been a director of the Company since 1997 and Lead Director from May, 2009 until his recent appointment as Chairman of the Board. To fill the vacancies caused by Mr. McCutcheon's death, on November 11, 2011, Mr. James Anas, was appointed Chairman of the Board of Directors, and Mr. George Mavroudis was appointed a member of the Board of Directors.

[signed "George Mavroudis"]

George Mavroudis
President and Chief Executive Officer

November 11, 2011

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	September 30 2011	December 31 2010	January 1 2010
ASSETS			
Current assets			
Cash	$ 5,496	$ 5,194	$ 8,227
Interest-bearing deposits with banks	3,376	12,356	10,469
Accounts receivable and other	16,411	15,823	17,631
Loans receivable	6,582	6,462	3,961
Receivables from clients and broker	30,175	27,676	21,591
Prepaid expenses	795	1,142	1,133
	63,835	68,653	63,012
Securities holdings (note 4)	385,076	383,604	363,559
Other assets			
Deferred tax assets	3,217	2,679	3,243
Intangible assets	14,832	5,521	6,069
Equipment	2,286	1,870	1,953
Goodwill	11,382	5,249	5,249
Other	648	--	--
	32,365	15,319	16,514
Total Assets	$ 480,276	$ 467,576	$ 443,085
LIABILITIES			
Current liabilities			
Bank loans and borrowings (note 5)	$ 48,566	$ 46,500	$ 46,097
Client deposits	3,167	11,984	10,488
Accounts payable and other	21,268	16,366	14,861
Payable to clients	30,175	27,676	21,591
Due on securities sold short	--	664	804
	103,176	103,190	93,841
Other liabilities			
Deferred tax liabilities	33,720	31,494	31,490
Total Liabilities	136,896	134,684	125,331
EQUITY			
Shareholders' equity			
Capital stock (note 6)	22,934	22,934	24,132
Treasury stock (note 6)	(15,063)	(11,443)	(13,783)
Contributed surplus	7,199	6,549	5,972
Retained earnings	193,779	185,379	186,526
Accumulated other comprehensive income	122,869	128,437	114,821
	331,718	331,856	317,668
Non-controlling interests	11,662	1,036	86
Total Equity	343,380	332,892	317,754
Total Liabilities and Equity	$ 480,276	$ 467,576	$ 443,085

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the periods ended September 30 *($ in thousands, except per share amounts)*	Three Months **2011**	 2010	Nine Months **2011**	 2010
Revenue				
Gross commission revenue	**$ 16,219**	$ 14,112	**$ 48,457**	$ 44,200
Commissions paid to advisors	**(12,040)**	(11,701)	**(38,685)**	(36,697)
	4,179	2,411	**9,772**	7,503
Management fee income, net (note 7)	**9,344**	8,445	**28,364**	24,785
Administrative services income	**1,196**	1,349	**3,559**	4,110
Dividend and interest income (note 8)	**4,230**	3,846	**12,377**	11,410
Net revenue	**18,949**	16,051	**54,072**	47,808
Expenses				
Employee compensation and benefits	**9,379**	7,726	**26,578**	24,064
Amortization	**831**	667	**2,092**	1,966
Interest	**355**	352	**1,122**	922
Other expenses	**4,040**	4,003	**12,471**	11,349
	14,605	12,748	**42,263**	38,301
Operating earnings	**4,344**	3,303	**11,809**	9,507
Net gains (losses) on securities (note 9)	**(1,090)**	854	**(784)**	519
Earnings before income taxes	**3,254**	4,157	**11,025**	10,026
Income tax expense (recovery)	**195**	9	**532**	(309)
Net earnings	**$ 3,059**	$ 4,148	**$ 10,493**	$ 10,335
Net earnings (loss) attributable to:				
Shareholders	**$ 3,457**	$ 4,050	**$ 10,910**	$ 10,304
Non-controlling interests	**(398)**	98	**(417)**	31
Net earnings	**$ 3,059**	$ 4,148	**$ 10,493**	$ 10,335
Net earnings per Class A and Common share:				
Basic	**$ 0.11**	$ 0.12	**$ 0.34**	$ 0.31
Diluted	**0.10**	0.12	**0.33**	0.31

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods ended September 30 *($ in thousands)*	Three Months **2011**	 2010	Nine Months **2011**	 2010
Net earnings	**$ 3,059**	$ 4,148	**$ 10,493**	$ 10,335
Other comprehensive income				
Available for sale securities:				
Net change in fair value	**(26,344)**	17,356	**(8,666)**	22,312
Income tax expense (reversal) on net change	**(1,846)**	(1,206)	**430**	(2,435)
	(24,498)	16,150	**(9,096)**	19,877
Transfer to income of unrealized (gains) losses upon disposal	**(68)**	(29)	**446**	(671)
Reversal of income taxes	**--**	--	**11**	136
	(68)	(29)	**457**	(535)
Change in foreign currency translation adjustment on foreign subsidiary	**5,520**	(1,981)	**3,071**	(1,397)
Other comprehensive income (loss)	**(19,046)**	14,140	**(5,568)**	17,945
Comprehensive income (loss)	**$ (15,987)**	$ 18,288	**$ 4,925**	$ 28,280
Comprehensive income (loss) attributable to:				
Shareholders	**$ (15,589)**	$ 18,190	**$ 5,342**	$ 28,249
Non-controlling interests	**(398)**	98	**(417)**	31
Comprehensive income (loss)	**$ (15,987)**	$ 18,288	**$ 4,925**	$ 28,280

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2011**	2010	**2011**	2010
Equity, beginning of period	**$ 348,809**	$ 313,758	**$ 332,892**	$ 317,754
Shareholders' equity, beginning of period	**344,374**	312,984	**331,856**	317,668
Capital stock (note 6b)				
Balance, beginning of period	**22,934**	23,315	**22,934**	24,132
Acquired and cancelled (note 6c)	**--**	(84)	**--**	(901)
Capital stock, end of period	**22,934**	23,231	**22,934**	23,231
Treasury stock (note 6d)				
Balance, beginning of period	**(15,063)**	(14,104)	**(11,443)**	(13,783)
Shares acquired	**--**	--	**(3,620)**	(350)
Shares disposed of	**--**	978	**--**	1,007
Treasury stock, end of period	**(15,063)**	(13,126)	**(15,063)**	13,126
Contributed surplus				
Balance, beginning of period	**6,958**	6,375	**6,549**	5,972
Stock-based compensation expense recorded	**241**	170	**650**	602
Equity-based entitlements redeemed	**--**	--	**--**	(29)
Contributed surplus, end of period	**7,199**	6,545	**7,199**	6,545
Retained earnings				
Balance, beginning of period	**187,630**	178,772	**185,379**	186,526
Net earnings attributable to shareholders	**3,457**	4,050	**10,910**	10,304
Dividends paid	**--**	--	**(5,202)**	(4,949)
Excess of purchase price over issue price of Company's capital stock acquired (note 6c)	**--**	(828)	**--**	(8,187)
Excess of purchase price over carrying value of non-controlling interest in subsidiary acquired	**--**	--	**--**	(1,700)
Excess of fair value over carrying value of interest in subsidiary transferred to non-controlling interests (note 15)	**2,692**	--	**2,692**	--
Retained earnings, end of period	**193,779**	181,994	**193,779**	181,994
Accumulated other comprehensive income				
Unrealized gains on available for sale securities, net of income taxes				
Balance, beginning of period	**148,516**	118,042	**132,589**	114,821
Net change during period	**(24,566)**	16,121	**(8,639)**	19,342
Balance, end of period	**123,950**	134,163	**123,950**	134,163
Foreign currency translation adjustment on a self-sustaining foreign subsidiary				
Balance, beginning of period	**(6,601)**	584	**(4,152)**	--
Change during the period	**5,520**	(1,981)	**3,071**	(1,397)
Balance, end of period	**(1,081)**	(1,397)	**(1,081)**	(1,397)
Accumulated other comprehensive income, end of period	**122,869**	132,766	**122,869**	132,766
Shareholders' equity, end of period	**331,718**	331,410	**331,718**	331,410
Non-controlling interests				
Balance, beginning of period	**4,435**	774	**1,036**	86
Net (loss) attributable to non-controlling interests	**(398)**	98	**(417)**	31
Net subscriptions to mutual fund subsidiaries	**4,190**	63	**7,608**	818
Increase in non-controlling interests due to an acquisition of a subsidiary (note 15)	**3,435**	--	**3,435**	--
Non-controlling interests, end of period	**11,662**	935	**11,662**	935
Equity, end of period	**$ 343,380**	$ 332,345	**$ 343,380**	$ 332,345

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2011**	2010	**2011**	2010
Operating Activities				
Net earnings	**$ 3,059**	$ 4,148	**$ 10,493**	$ 10,335
Adjustments for:				
Income taxes (paid) recovered	**(161)**	1,748	**(636)**	1,857
Income tax expense (recovery)	**195**	9	**532**	(309)
Net loss (gain) on securities	**1,090**	(856)	**784**	(521)
Amortization of intangible assets	**675**	523	**1,736**	1,570
Amortization of equipment	**156**	144	**356**	396
Administrative services income	**(19)**	--	**(19)**	--
Stock-based compensation	**241**	170	**650**	602
	5,236	5,886	**13,896**	13,930
Net change in non-cash working capital items (note 10)	**6,046**	1,063	**1,119**	324
Net cash from operating activities	**11,282**	6,949	**15,015**	14,254
Investing activities				
Acquisition of securities	**(58,413)**	(17,431)	**(108,954)**	(77,889)
Proceeds from sale of securities	**52,582**	15,131	**99,273**	75,558
Acquisition of intangible assets	**(395)**	(249)	**(1,437)**	(1,090)
Acquisition of equipment	**(97)**	(225)	**(263)**	(427)
Disposition of intangible assets	**--**	--	**--**	49
Acquisition of subsidiary (note 15)	**(4,271)**	--	**(4,271)**	--
Net cash (used in) investing activities	**(10,594)**	(2,774)	**(15,652)**	(3,799)
Financing activities				
Acquisition of capital stock	**--**	(912)	**--**	(9,088)
Dividends paid	**--**	--	**(5,202)**	(4,949)
Disposition (acquisition) of treasury stock	**--**	(978)	**(3,620)**	(657)
Proceeds (repayment) of bank loan	**(33)**	978	**3,487**	657
Net subscriptions from non-controlling interests	**4,190**	63	**7,608**	818
Acquisition of non-controlled interest in subsidiary	**--**	--	**--**	(1,700)
Net cash from (used in) financing activities	**4,157**	(849)	**2,273**	(14,919)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	**201**	(45)	**121**	3
Net change in cash, net of bank indebtedness	**5,046**	3,281	**1,757**	(4,461)
Cash, net of bank indebtedness, beginning of period	**(3,152)**	(1,829)	**137**	5,913
Cash, net of bank indebtedness, end of period	**$ 1,894**	$ 1,452	**$ 1,894**	$ 1,452
Represented by				
Cash			**$ 5,496**	$ 5,283
Bank indebtedness			**(3,602)**	(3,831)
			$ 1,894	$ 1,452

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

These unaudited interim consolidated financial statements include the accounts of Guardian Capital Group Limited and its subsidiaries and other controlled entities (the "Company"), including special purpose entities which the Company is considered to control, and the Company's proportionate share of the assets, liabilities, revenue and expenses of a joint venture. The Company is incorporated under the laws of the Province of Ontario. The Company provides investment management and financial advisory services to a wide range of clients in Canada and abroad, and maintains and manages a proprietary investment portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance
These consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies which the Company expects to adopt in its financial statements for the year ending December 31, 2011.

As these interim financial statements are the Company's third financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS and which were not included in the Company's most recent financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in these financial statements.

These interim statements should be read in conjunction with the Company's 2010 annual financial statements, as well as the significant accounting policies disclosed in the Company's first quarter 2011 interim financial statements. An explanation of how the transition to IFRS has affected the Company's previously reported financial position and results of operations is provided in note 13 to these financial statements.

These financial statements were authorized for issuance by the Board of Directors of the Company on November 11, 2011.

(b) Basis of presentation
These consolidated financial statements have been prepared on a going concern basis and the historical cost basis, except for certain financial instruments that have been measured at fair value.

These financial statements are presented in Canadian dollars, which is the Company's functional currency. In these notes, all dollar amounts and numbers of shares are stated in thousands. Per share amounts and option exercise prices are stated in dollars and cents.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, and amendments to existing standards, have been issued by IASB, which will be effective for the Company's consolidated financial statements at certain future dates. The following is a description of these new standards and amendments, with indications of how they may affect the Company's consolidated financial statements.

(a) Financial instruments
The initial installments of IFRS 9, *Financial Instruments*, ("IFRS 9") were issued by IASB in November, 2009 and October, 2010. These installments represent the first phase in IASB's planned phased replacement of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") with an improved standard for financial instruments that is principle-based and less complex.

The main changes to the requirements of IAS 39 that may have an effect on the Company's consolidated financial statements are as follows:

- All financial assets that are currently within the scope of IAS 39 will be classified as either amortized cost or fair value. The Available for Sale and Loans & Receivables categories will no longer exist.
- The above classification will be based on an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Reclassifications between amortized cost and fair value will be prohibited, unless there is a change in the entity's business model.
- Changes in the fair value of financial assets classified at fair value are recorded in net earnings, except that an entity may choose to designate certain equity securities at fair value to be recorded in other comprehensive income. If this option is chosen, all subsequent changes in those securities must be recorded in other comprehensive income, and no transfer to net earnings of gains or losses on disposal will be permitted. Dividend income on those securities would continue to be recorded in net earnings.

The next phases in IASB's project is expected to address the impairment of financial assets measured at amortized cost, and hedge accounting.

IFRS 9 is expected to be effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements, particularly with regard to the recording of its securities holdings.

(b) Related party disclosures

On November 4, 2009, IASB issued a revised version of IAS 24, *Related Party Disclosures* ("IAS 24"). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. The revisions to IAS 24 have simplified the definition of a related party and removed certain of the disclosures currently required. The revised standard will be effective for annual periods beginning on or after January 1, 2011. The Company is currently evaluating the impact of IAS 24 on the disclosures in its 2011 and subsequent consolidated annual financial statements.

(c) Consolidated financial statements

IFRS 10, *Consolidated Financial Statements* ("IFRS 10") was issued by IASB on May 12, 2011, replacing the current consolidation standards in IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") and SIC 12, *Consolidation – Special Purpose Entities* ("SIC 12"). IFRS 10 will introduce a single consolidation model applicable to all investees and indicate that an investor must consolidate an investee when the investor has the ability to influence decisions affecting returns of the investee, has exposure to variability in those returns and there is a linkage between the two. IFRS 10 also will introduce the concepts of principal versus agent and *de facto* control, which may have an affect on the consolidation of the Company's investments in mutual funds. IFRS 10 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

(d) Joint arrangements

IFRS 11, *Joint Arrangements* ("IFRS 11") was issued by IASB on May 12, 2011 replacing IAS 31, *Interests in Joint Ventures* ("IAS 31"). IFRS 11 defines joint arrangements in largely the same manner as under IAS 31, but it sub-categorizes them into either joint operations or joint ventures, and establishes the appropriate accounting method for each type of joint arrangement. The primary difference between IFRS 11 and IAS 31 is that IFRS 11 requires that joint ventures be accounted for using the equity method, whereas IAS 31 allowed management a choice between the equity method and proportionate consolidation. IFRS 11 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

(e) Disclosure of interests in other entities

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12") was issued by IASB on May 12, 2011, and combines in a single standard the disclosure requirements for interests in subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. IFRS 12 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on the disclosures in its consolidated financial statements.

(f) Fair value measurement

IFRS 13, *Fair Value Measurement* ("IFRS 13") was issued by IASB on May 12, 2011. IFRS 13 establishes a framework for measuring fair value and sets out related disclosure requirements when fair value measurement is required or permitted under other standards. IFRS 13 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on the fair value measurements in its consolidated financial statements.

4. SECURITIES HOLDINGS

An analysis of the Company's securities holdings is as follows:

As at September 30, 2011 and December 31, 2010	2011	2010
Available for sale securities		
Short-term securities (a)	$ 11,992	$ 11,675
Mutual funds	43,378	49,652
Equity securities	307,138	305,306
	362,508	366,633
Held for trading securities		
Equity securities (b)	20,524	14,927
Total securities at fair value (c)	383,032	381,560
Securities at amortized cost (d)		
Promissory notes	2,044	2,044
Total securities holdings	$ 385,076	$ 383,604

(a) Short-term securities shown above include securities of non-controlled mutual funds that hold short-term securities, as well as directly held short-term securities that are continually reinvested by the Company and therefore are included in securities holdings.

(b) Held for trading equity securities consist of securities held by consolidated mutual funds which meet the criteria for this classification. Changes in fair value are included in net gains on securities.

(c) The Company's securities holdings and due on securities sold short have been categorized based upon a fair value hierarchy, as follows:

As at September 30, 2011 and December 31, 2010	Level 1 2011	Level 1 2010	Level 2 2011	Level 2 2010	Level 3 2011	Level 3 2010	Total 2011	Total 2010
Securities at fair value	$ 379,185	$ 377,608	$ --	$ --	$ 3,847	$ 3,952	$ 383,032	$ 381,560
Due on securities sold short	--	(664)	--	--	--	--	--	(664)
Net	$ 379,185	$ 376,944	$ --	$ --	$ 3,847	$ 3,952	$ 383,032	$ 380,896

An analysis of the movement in level 3 securities is as follows:

For the periods ended September 30	Three Months 2011	Three Months 2010	Nine Months 2011	Nine Months 2010
Level 3 securities, beginning of period	$ 3,788	$ 1,850	$ 3,952	$ 1,384
Increase (decrease) in value	59	390	(105)	856
Level 3 securities, end of period	$ 3,847	$ 2,240	$ 3,847	$ 2,240

(d) As at September 30, 2011, repayment of the balance of these notes is due in blended quarterly installments of principal and interest, calculated at 10.25% per annum. The following is the estimated fair value of these notes:

As at September 30, 2011 and December 31, 2010	2011	2010
Promissory notes - fair value	$ 4,312	$ 4,243

5. BANK LOANS AND BORROWINGS

As at September 30, 2011 and December 31, 2010	2011	2010
Bank indebtedness (a)	$ 3,602	$ 5,057
Bank loan (b)	14,964	11,443
Bankers' acceptances payable (c)	30,000	30,000
Total	$ 48,566	$ 46,500

(a) Bank indebtedness
Bank indebtedness consists of overdraft borrowing under a line of credit from a major Canadian chartered bank, which is available to a maximum of $11,000, due on demand, secured by a General Security Agreement and securities valued at $46,768 at September 30, 2011 (December 31, 2010 - $45,984), and bearing interest at the bank prime rate plus 0.25%.

(b) Bank loan
Through an Employee Profit Sharing Plan Trust (the "EPSP Trust"), the Company has a bank demand loan from a major chartered bank, which bears interest at the bank prime rate plus 0.25%, and is secured by the deposit as collateral of the treasury stock held by the EPSP Trust valued at $18,173 at September 30, 2011 (December 31, 2010 - $12,926), and other securities valued at $8,594 at September 30, 2011 (December 31, 2010 - $8,450).

(c) Bankers' acceptances payable
The company has outstanding notes payable under bankers' acceptances, which are guaranteed by a major Canadian chartered bank. The balance at September 30, 2011 is due at various dates over a period of 61 days. Under this borrowing facility, bankers' acceptances may be issued for periods from 30 to 270 days, at rates negotiated in the bankers' acceptance market. The borrowing facility is secured by a General Security Agreement.

6. CAPITAL STOCK

(a) Authorized

i) Unlimited preferred shares, without par value, may be issued in an unlimited number of series, the designation, rights, privileges, conditions and other provisions of which are to be determined by the Board of Directors.
ii) Unlimited Class A non-voting shares without par value, convertible into common shares on a one-for-one basis, under certain terms and conditions, the highlights of which are as follows: if any person other than an insider of the Company acquires ownership, control or direction over in excess of 50% of the common shares, or makes an offer to all common shareholders to buy common shares, the Class A shares may be converted into common shares, unless holders of over 50% of the outstanding common shares do not accept the offer, or an equivalent offer is made to the holders of Class A shares.

iii) Unlimited common shares, without par value, convertible on a one-for-one basis into Class A non-voting shares.

(b) Issued and Outstanding

	2011		2010	
For the three months ended September 30	Shares	Amount	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	29,013	$ 21,698	29,283	$ 22,022
Acquired and cancelled	--	--	(111)	(84)
Converted from common shares	147	36	--	--
Outstanding, end of period	29,160	21,734	29,172	21,938
ii) Common shares				
Outstanding, beginning of period	5,118	1,236	5,353	1,293
Converted to class A shares	(147)	(36)	--	--
Outstanding, end of period	4,971	1,200	5,353	1,293
Total issued and outstanding	34,131	$ 22,934	34,525	$ 23,231

	2011		2010	
For the nine months ended September 30	Shares	Amount	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	28,815	$ 21,650	30,180	$ 22,794
Acquired and cancelled	--	--	(1,192)	(901)
Converted from common shares	345	84	184	45
Outstanding, end of period	29,160	21,734	29,172	21,938
ii) Common shares				
Outstanding, beginning of period	5,316	1,284	5,537	1,338
Converted to class A shares	(345)	(84)	(184)	(45)
Outstanding, end of period	4,971	1,200	5,353	1,293
Total issued and outstanding	34,131	$ 22,934	34,525	$ 23,231

(c) Issuer Bid

Under its Normal Course Issuer Bid, no shares were purchased by the Company during the nine months ended September 30, 2011. During the nine months ended September 30, 2010, the Company acquired 1,192 of its Class A shares for $9,088, of which $8,187, the excess of the purchase price over the issue price, was charged directly to retained earnings.

(d) Treasury Stock

The Company purchases and holds shares in its capital stock through the EPSP Trust, which are accounted for as treasury stock. These shares are deposited as collateral against a bank loan, which is used to finance the purchase of the shares. A summary of the changes in the Company's treasury stock is as follows:

	2011		2010	
For the three months ended September 30	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**1,852**	**$ 15,063**	1,819	$ 14,104
Shares disposed of	**--**	**--**	(189)	(978)
Balance, end of period	**1,852**	**$ 15,063**	1,630	$ 13,126

	2011		2010	
For the nine months ended September 30	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**1,479**	**$ 11,443**	1,785	$ 13,783
Shares acquired	**373**	**3,620**	43	350
Shares disposed of	**--**	**--**	(198)	(1,007)
Balance, end of period	**1,852**	**$ 15,063**	1,630	$ 13,126

As at September 30, 2011, the treasury stock was composed of 63 common shares (2010 – 63) and 1,789 class A shares (2010 – 1,567).

(e) EPSP Trust – Stock-based entitlements

The stock-based entitlements provided by the Company to certain senior employees through the EPSP Trust are in the form of either an option-like entitlement or an equity-based entitlement, as described below.

i) Option-like entitlements

The option-like entitlements allow the employees to purchase shares from the EPSP Trust at prices equal to the amount of the bank loan per share pertaining to those shares, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the option-like entitlements is as follows:

	2011		2010	
For the three months ended September 30	**Number of Shares**	**Weighted Average Purchase Price**	Number of Shares	Weighted Average Purchase Price
Option-like entitlements, beginning of period	**1,301**	**$ 8.68**	1,299	$ 8.18
Entitlements exercised	**--**	**--**	(189)	5.15
Option-like entitlements, end of period	**1,301**	**$ 8.68**	1,110	$ 8.70

For the nine months ended September 30	2011 Number of Shares	2011 Weighted Average Purchase Price	2010 Number of Shares	2010 Weighted Average Purchase Price
Option-like entitlements, beginning of period	**954**	**$ 8.32**	1,299	$ 8.18
Entitlements provided	**347**	**9.69**	--	--
Entitlements exercised	**--**	**--**	(189)	5.15
Option-like entitlements, end of period	**1,301**	**$ 8.68**	1,110	$ 8.70

Because these entitlements have option-like characteristics, they are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised.

As at September 30, 2011, there were outstanding option-like entitlements for 63 common shares (2010 – 63) and 1,238 class A shares (2010 – 1,047).

Option-like entitlements provided during the nine months ended September 30, 2011 had a fair value of $1,384. No option-like entitlements were provided during the periods ended September 30, 2010.

ii) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions. When such purchases by employees occur, the Company pays to the EPSP Trust the amount of the bank loan attributable to the shares purchased. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the number of shares under equity-based entitlements is as follows:

For the periods ended September 30	Three Months 2011	Three Months 2010	Nine Months 2011	Nine Months 2010
Entitlements, beginning of period	**551**	520	**525**	486
Entitlements provided	**--**	--	**26**	43
Entitlements exercised	**--**	--	**--**	(9)
Entitlements, end of period	**551**	520	**551**	520

Equity-based entitlements are valued at the fair market value of the shares purchased by the EPSP Trust on the date of the provision of the entitlement. This value is recorded by the Company as compensation cost over the vesting period, and is credited to contributed surplus. On exercise of an entitlement, treasury stock and contributed surplus are reduced for the value of the entitlement exercised.

Equity-based entitlements provided during the nine months ended September 30, 2011 had a fair value of $266 (2010 - $350).

(f) Stock Option Plan

A summary of the changes in the Company's outstanding stock options is as follows:

For the three months ended September 30	2011		2010	
Options	Class A Shares	Weighted Average Exercise Price	Class A Shares	Weighted Average Exercise Price
Outstanding, beginning and end of period	**36**	**$ 10.50**	36	$ 10.50

For the nine months ended September 30	2011		2010	
Options	**Class A Shares**	**Weighted Average Exercise Price**	Class A Shares	Weighted Average Exercise Price
Outstanding, beginning of period	**36**	**$ 10.50**	506	$ 11.69
Expired	**--**	**$ --**	(470)	$ 11.79
Outstanding, end of period	**36**	**$ 10.50**	36	$ 10.50

(g) Weighted average shares outstanding

For the periods ended September 30	Three Months		Nine Months	
	2011	2010	**2011**	2010
Weighted average number of Class A and Common shares outstanding:				
Basic	**32,280**	32,915	**32,398**	32,974
Effect of outstanding dilutive instruments	**713**	481	**673**	487
Diluted	**32,993**	33,396	**33,071**	33,461

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $1,496 and $682 for the nine months and three months ended September 30, 2011 (2010 - $1,263 and $404).

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended September 30	Three Months		Nine Months	
	2011	2010	**2011**	2010
Dividend income	**$ 3,865**	$ 3,712	**$ 11,427**	$ 11,073
Interest income	**365**	134	**950**	337
Total Dividend and interest income	**$ 4,230**	$ 3,846	**$ 12,377**	$ 11,410

9. NET GAINS (LOSSES) ON SECURITIES

Net gains (losses) on securities are composed of the following:

For the periods ended September 30	Three Months		Nine Months	
	2011	2010	**2011**	2010
Held for trading securities (a)	**$ (1,395)**	$ 802	**$ (1,646)**	$ 410
Available for sale securities	**305**	52	**862**	90
Securities at amortized cost	**--**	--	**--**	19
Net gains (losses) on securities	**$ (1,090)**	$ 854	**$ (784)**	$ 519

(a) Net gains (losses) on held for trading securities include net gains on securities both owned and sold short by consolidated mutual funds.

10. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the periods ended September 30	Three Months		Nine Months	
	2011	2010	**2011**	2010
Decrease in interest-bearing deposits with banks	**$ 967**	$ (785)	**$ 8,877**	$ 677
(Increase) decrease in accounts receivable and other	**5,585**	932	**311**	2,633
Decrease (increase) in loans receivable	**(288)**	(16)	**228**	(822)
(Increase) decrease in receivables from clients and broker	**(3,414)**	(3,888)	**(2,498)**	(127)
Decrease in prepaid expenses	**144**	(54)	**358**	347
(Decrease) in client deposits	**(1,066)**	559	**(8,710)**	(500)
Increase (decrease) in accounts payable and other	**704**	427	**55**	(2,011)
Increase (decrease) in payable to clients	**3,414**	3,888	**2,498**	127
Net change	**$ 6,046**	$ 1,063	**$ 1,119**	$ 324

11. BUSINESS SEGMENTS

The Company operates in the following three main segments: a) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients; b) the financial advisory segment which relates to the earning of sales commissions and administrative services revenue from assets under administration; and c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate development activities. The allocation of costs to individual segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures. The following tables disclose certain information about these segments:

For the three months ended September 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Gross Commission revenue	**$ --**	$ --	**$ 16,219**	$ 14,112	**$ --**	$ --	**$ 16,219**	$ 14,112
Commissions paid to advisors	**--**	--	**(12,040)**	(11,701)	**--**	--	**(12,040)**	(11,701)
	--	--	**4,179**	2,411	**--**	--	**4,179**	2,411
Management fee income, net	**9,344**	8,445	**--**	--	**--**	--	**9,344**	8,445
Administrative services income	**200**	230	**994**	1,119	**2**	--	**1,196**	1,349
Dividend and interest income	**143**	60	**123**	68	**3,964**	3,718	**4,230**	3,846
Net revenue	**9,687**	8,735	**5,296**	3,598	**3,966**	3,718	**18,949**	16,051
Expenses								
Employee compensation and benefits	**4,708**	4,406	**2,822**	1,878	**1,849**	1,442	**9,379**	7,726
Amortization	**101**	43	**716**	573	**14**	51	**831**	667
Interest	**49**	40	**30**	11	**276**	301	**355**	352
Other net expenses	**2,663**	2,500	**2,461**	2,055	**(1,084)**	(552)	**4,040**	4,003
	7,521	6,989	**6,029**	4,517	**1,055**	1,242	**14,605**	12,748
Operating earnings (loss)	**2,166**	1,746	**(733)**	(919)	**2,911**	2,476	**4,344**	3,303
Net (loss) on securities	**--**	--	**--**	--	**(1,090)**	854	**(1,090)**	854
Earnings before income taxes	**2,166**	1,746	**(733)**	(919)	**1,821**	3,330	**3,254**	4,157
Income tax expense (recovery)	**511**	448	**(97)**	(222)	**(219)**	(217)	**195**	9
Net earnings	**$ 1,655**	$ 1,298	**$ (636)**	$ (697)	**$ 2,040**	$ 3,547	**$ 3,059**	$ 4,148
Net earnings attributable to:								
Shareholders	**1,655**	1,298	**(680)**	(697)	**2,482**	3,449	**3,457**	4,050
Non-controlling interests	**--**	--	**44**	--	**(442)**	98	**(398)**	98
Net earnings	**$ 1,655**	$ 1,298	**$ (636)**	$ (697)	**$ 2,040**	$ 3,547	**$ 3,059**	$ 4,148
Capital expenditures on segment assets:								
Intangible assets	**$ 104**	$ 113	**$ 291**	$ 122	**$ --**	$ 14	**$ 395**	$ 249
Equipment	**25**	14	**35**	22	**37**	189	**97**	225

For the nine months ended September 30	Investment Management 2011	Investment Management 2010	Financial Advisory 2011	Financial Advisory 2010	Corporate Activities and Investments 2011	Corporate Activities and Investments 2010	Consolidated 2011	Consolidated 2010
Gross Commission revenue	$ --	$ --	$ 48,457	$ 44,200	$ --	$ --	$ 48,457	$ 44,200
Commissions paid to advisors	--	--	(38,685)	(36,697)	--	--	(38,685)	(36,697)
	--	--	9,772	7,503	--	--	9,772	7,503
Management fee income, net	28,364	24,785	--	--	--	--	28,364	24,785
Administrative services income	566	768	2,986	3,342	7	--	3,559	4,110
Dividend and interest income	397	166	356	161	11,624	11,083	12,377	11,410
Net revenue	29,327	25,719	13,114	11,006	11,631	11,083	54,072	47,808
Expenses								
Employee compensation and benefits	13,952	13,247	6,923	5,734	5,703	5,083	26,578	24,064
Amortization	200	128	1,849	1,689	43	149	2,092	1,966
Interest	141	109	51	29	930	784	1,122	922
Other net expenses	8,318	7,248	7,062	5,711	(2,909)	(1,610)	12,471	11,349
	22,611	20,732	15,885	13,163	3,767	4,406	42,263	38,301
Operating earnings (loss)	6,716	4,987	(2,771)	(2,157)	7,864	6,677	11,809	9,507
Net gain on securities	--	--	--	--	(784)	519	(784)	519
Earnings before income taxes	6,716	4,987	(2,771)	(2,157)	7,080	7,196	11,025	10,026
Income tax expense (recovery)	1,604	1,308	(559)	(516)	(513)	(1,101)	532	(309)
Net earnings	$ 5,112	$ 3,679	$ (2,212)	$ (1,641)	$ 7,593	$ 8,297	$ 10,493	$ 10,335
Net earnings attributable to:								
Shareholders	5,112	3,679	(2,256)	(1,641)	8,054	8,266	10,910	10,304
Non-controlling interests	--	--	44	--	(461)	31	(417)	31
Net earnings	$ 5,112	$ 3,679	$ (2,212)	$ (1,641)	$ 7,593	$ 8,297	$ 10,493	$ 10,335
Capital expenditures on segment assets:								
Intangible assets	$ 321	$ 138	$ 1,116	$ 938	$ --	$ 14	$ 1,437	$ 1,090
Equipment	46	59	80	108	137	260	263	427
As at September 30, 2011 and December 31, 2010								
Segment assets and liabilities:								
Assets	$ 24,735	$ 30,924	$ 71,717	$ 50,819	$ 383,824	$ 385,833	$ 480,276	$467,576
Liabilities	18,292	18,294	39,228	33,406	79,376	82,984	136,896	134,684

The following tables disclose certain information about the Company's activities, segmented geographically:

For the three months ended September 30	Canada 2011	Canada 2010	Rest of the World 2011	Rest of the World 2010	Consolidated 2011	Consolidated 2010
Net revenue	$ 17,707	$ 15,079	$ 1,223	$ 972	$ 18,930	$ 16,051
For the nine months ended September 30						
Net revenue	$ 50,459	$ 44,908	$ 3,594	$ 2,900	$ 54,053	$ 47,808
As at September 30, 2011 and December 31, 2010						
Non-current assets						
Intangible assets	$ 14,803	$ 5,491	$ 29	$ 30	$ 14,832	$ 5,521
Equipment	1,766	1,353	520	517	2,286	1,870
Goodwill	11,382	5,249	--	--	11,382	5,249

12. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis, on pages 27 and 28 of the Company's Third Quarter 2011 Interim Report. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

(i) Currency Risk
The Company's main direct exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $69,515 US ($72,866 Canadian) at fair value as at September 30, 2011. Changes in the value of these investments caused by changes in the US dollar exchange rate are reflected in the Consolidated Statement of Comprehensive Income in the period in which the change occurs. A strengthening of the Canadian dollar against the US dollar by 10%, with all other factors remaining unchanged, would result in a loss of $6,952 Canadian being recorded in other comprehensive income in the Consolidated Statement of Comprehensive Income. A weakening of the Canadian dollar against the US dollar would have an equal but opposite effect.

(ii) Interest Rate Risk
The Company is exposed to interest rate risk in its international banking operations, through the assets interest-bearing deposits with banks of $3,376 and loans receivable of $6,582 and the client deposits liability of $3,167. This risk is managed through the matching of interest rates and maturities on these balances.

(iii) Price Risk
The Company is exposed to price risk with its securities holdings, and the amounts due on securities sold short, when applicable. Unrealized changes in the values of its securities holdings are recorded as unrealized gains or losses in the Consolidated Statements of Comprehensive Income (for available for sale securities) and as gains or losses in the Consolidated Statements of Operations (for held for trading securities and securities sold short). This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The long and short securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and, as shown in the chart below, by geographical region. The chart also indicates the realized or unrealized gain or loss which would be recorded as a result of a 10% change in the market prices in each region:

As at September 30, 2011 and December 31, 2010	2011		2010	
	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	**Unrealized gain or loss from 10% market change in region**	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	Unrealized gain or loss from 10% market change in region
Canada	**$ 30,863**	**±$ 3,086**	$ 32,271	±$ 3,227
United States	**10,440**	**± 1,044**	8,943	± 894
Rest of the World	**51,760**	**± 5,176**	54,576	± 5,458
Total	**$ 93,063**	**±$ 9,306**	$ 95,790	±$ 9,579

(b) Concentration Risk

The Company is exposed to concentration risk associated with the $289,970 investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of $28,997 being recorded in the Consolidated Statement of Comprehensive Income.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at September 30, 2011 and December 31, 2010	2011	2010
Cash	$ 5,496	$ 5,194
Interest-bearing deposits with banks	3,376	12,356
Accounts receivable and other	30,175	15,823
Loans receivable	6,582	6,462
Receivable from clients and broker	16,411	27,676
Securities at amortized cost – promissory notes	2,044	2,044
Loan guarantees	482	482
Total, before collateral and credit enhancements	$ 64,566	$ 70,037

The Company considers its credit risk to be low. The interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The credit exposure on receivables from clients and loans receivable is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary, and by the offshore bank subsidiary, respectively. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The operations and results of the issuer of the promissory notes are closely monitored, and the interest rate on the notes reflects the issuer's credit quality. Offsetting the credit exposure on the loan guarantees are marketable securities pledged by the borrowers, the market values of which the Company actively monitors on a continuous basis.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages this financial risk by maintaining a portfolio of securities holdings, and by arranging for sufficient borrowing facilities with major Canadian banks.

13. TRANSITION TO IFRS

The Company adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Company will ultimately prepare its opening balance sheet as at January 1, 2010 and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet as at January 1, 2010 and financial statements for 2010 and 2011 may differ from these financial statements.

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described as follows:

(i) Business combinations – The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 *Business Combinations* retrospectively to past business combinations. Accordingly, The Company has not restated business combinations that took place prior to the transition date.

(ii) Stock-based payment transactions – The Company has elected to not apply IFRS 2, *Share-based payments* to equity instruments issued on or before November 7, 2002 or those which vested before the transition date.

(iii) Equipment and intangible assets – The Company has elected to use the Canadian GAAP carrying values as the deemed costs for all equipment and intangible assets for its transition date balance sheet under IFRS.

(iv) Cumulative foreign currency translation – The Company has elected to set the cumulative foreign currency translation differences to zero and reclassify to retained earnings the balances under Canadian GAAP at the date of transition.

(b) Mandatory exemption from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain mandatory exemptions from full retrospective application of IFRS. The mandatory exemptions applied from full retrospective application of IFRS are described as follows:

(i) Estimates – Hindsight was not used to create or revise estimates and, accordingly, the estimates made by the Company under Canadian GAAP are consistent with their application under IFRS.

(ii) The Company prospectively applied the requirements of IAS 27, *Consolidated and Separate Financial Statements,* regarding losses in a subsidiary attributable to non-controlling interests in excess of the non-controlling interest's equity.

(c) Reconciliation of equity

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS:

As at	*See notes – Pages 18 and 19*	December 31, 2010	September 30, 2010	January 1, 2010
Shareholders' equity and total equity				
Balance under Canadian GAAP		$ 330,588	$ 332,149	$ 317,784
Differences increasing (decreasing) reported shareholders' equity:				
Accumulated currency translation adjustment	*(i)*	--	--	--
Changes in substantively enacted tax rates	*(ii)*	--	--	--
Fair value of securities	*(iv)*	3,633	1,915	1,026
Reclassification of securities	*(v)*	614	129	--
Intra-group transactions	*(vi)*	(1,052)	(896)	(896)
Employee compensation and benefits	*(vii)*	(227)	(187)	(246)
Acquisition of non-controlled interest in a subsidiary	*(viii)*	(1,700)	(1,700)	--
		1,268	(739)	(116)
Shareholders' equity under IFRS		331,856	331,410	317,668
Non-controlling interests				
Balance under Canadian GAAP		--	--	--
Differences increasing (decreasing) reported non-controlling interests:				
Reclassification from liabilities	*(iii)*	1,036	935	86
Non-controlling interests under IFRS		1,036	935	86
Total equity under IFRS		$ 332,892	$ 332,345	$ 317,754

(d) Reconciliation of net earnings

The following is a reconciliation of the Company's net earnings reported in accordance with Canadian GAAP to those reported under IFRS for the year ended December 31, 2010 and periods ended September 30, 2010:

For the periods	*See notes – Pages 18 and 19*	Year ended December 31, 2010	Three months ended September 30, 2010	Nine months ended September 30, 2010
Net earnings under Canadian GAAP		$ 15,075	$ 3,323	$ 9,562
Differences increasing (decreasing) reported net earnings:				
Reclassification of non-controlling interests from liabilities	*(iii)*	27	(3)	11
Reclassification of securities	*(v)*	1,734	793	503
Employee compensation and benefits	*(vii)*	255	35	259
		2,016	825	773
Net earnings under IFRS		$ 17,091	$ 4,148	$ 10,335

(e) Reconciliation of comprehensive income

The following is a reconciliation of the Company's comprehensive income reported in accordance with Canadian GAAP to that reported under IFRS for the year ended December 31, 2010 and periods ended September 30, 2010:

For the periods	*See notes Pages 18 and 19*	Year ended December 31, 2010	Three months ended September 30, 2010	Nine months ended September 30, 2010
Comprehensive income under Canadian GAAP		$ 27,123	$ 17,743	$ 26,972
Differences increasing (decreasing) reported comprehensive income:				
Differences in net earnings		2,016	825	773
Fair value of securities	*(iv)*	2,607	393	889
Reclassification of securities	*(v)*	(1,039)	(673)	(354)
		3,584	545	1,308
Comprehensive income under IFRS		$ 30,707	$ 18,288	$ 28,280

(f) Notes to the explanation of the transition to IFRS

(i) Accumulated currency translation adjustment

The Company elected, in accordance with the provisions of IFRS 1, to reset its accumulated foreign currency translation adjustment to zero on January 1, 2010, and to transfer the debit balance at that date to retained earnings. This transition adjustment resulted in no net change to the Company's equity.

(ii) Changes in substantively enacted tax rates

Under IFRS, the tax effects of items recognized outside net earnings (in comprehensive income) are recorded outside net earnings. This differs from Canadian GAAP, which allowed the tax effects of certain items recognized outside net earnings to be recognized within net earnings. When substantively enacted tax rates decreased in 2007 and 2009, the Company recognized tax expense reductions within net earnings in respect of items which were recognized outside net earnings. The transfer of these amounts from retained earnings to accumulated other comprehensive income upon transition to IFRS resulted in no net change to the Company's equity.

(iii) Reclassification of non-controlling interests from liabilities

Under IFRS, non-controlling interests in subsidiaries are presented in the statements of financial position within the equity section. In addition, the net earnings and comprehensive income of the Company are divided between the amounts attributed to the shareholders of the Company and to the non-controlling interests. This differs from Canadian GAAP, where non-controlling interests are shown as a liability in the statement of financial position, and as an expense in the statement of operations and the statement of comprehensive income. The reclassification of non-controlling interests under IFRS resulted in a non-controlling interests component in the company's equity.

(iv) Fair value of securities

Under IFRS, available for sale securities, including securities which do not have a quoted market price in an active market, must be carried at fair value, unless the fair value of such security cannot be reliably measured, in which case it may be carried at cost. This differs from Canadian GAAP, in that available for sale securities which did not have a quoted market price in an active market were carried at cost, less any writedown for impairment. The recording of the fair value of certain securities without a quoted market price under IFRS increased the Company's equity,

(v) Reclassification of securities

On transition to IFRS, effective January 1, 2010, the Company has reclassified certain securities held in controlled mutual funds from available for sale to held for trading, where they are treated as "fair value through net earnings". This reclassification, which must be applied on a retrospective basis, has the effect that the Company will record all subsequent changes in fair value of the securities held in these controlled mutual funds through net earnings rather than through other comprehensive income. In addition, on transition to IFRS, the Company has reclassified certain securities without a quoted market value from available for sale to loans and receivables. This reclassification, which must be applied on a retrospective basis, has the effect that the Company will value these securities at amortized cost rather than actual cost, with subsequent changes being recorded through other comprehensive income. In the fourth quarter of 2010, the Company determined that a previously written-down debt security's recoverable amount exceeded the current carrying value. As a result, this excess was recorded as a gain on securities. The reclassification of these securities under IFRS affected the Company's equity, net earnings and other comprehensive income.

(vi) Intra-group transactions
Under IFRS, the effects of intra-group transaction are eliminated, except for the tax effects of the transactions, because the tax effects create real assets or liabilities from the point of view of the Company. Under Canadian GAAP, the effects of intra-group transactions were eliminated in their entirety, including tax consequences. Certain intra-group transactions were carried out prior to January 1, 2010, and others in the fourth quarter of 2010. The cumulative adjustments from recognizing the tax effects of these intra-group transactions decreased the Company's equity.

(vii) Employee compensation and benefits

(a) Stock-based compensation
Under IFRS, stock-based compensation awards with graded vesting are considered to be a series of individual awards, and each award must be expensed separately over its vesting term. This differs from Canadian GAAP, which allowed awards with graded vesting to be pooled and expensed as one award on a straight-line basis over the vesting period of the pool. Adjusting for the accelerated recording of stock-based compensation awards under IFRS resulted in changes in net earnings and shareholders' equity.

(b) Accumulated paid absences
From time to time, employees of the Company have accumulated paid absences (vacations) which, by their terms, are not "vested". Under IFRS, the Company must accrue all such accumulated paid absences. This differs from Canadian GAAP, which did not require an accrual for unvested accumulated paid absences. Adjusting for the recognition of the liability for accumulated paid absences under IFRS resulted in changes in net earnings and shareholders' equity.

(viii) Acquisition of non-controlled interests in a subsidiary
Under IFRS, if an entity acquires the remaining non-controlled interest in a subsidiary, the transaction is accounted for as an equity transaction between shareholders. To the extent that the consideration paid exceeds the carrying value of the non-controlling interests acquired, such an amount is charged directly to the equity accounts of the shareholders of the Company. This differs from Canadian GAAP, where the acquisition of non-controlling interests in a subsidiary was accounted for as a business combination and could result in the recording of additional goodwill. During the second quarter of 2010, the Company purchased the remaining non-controlling interest in the Company's financial advisory subsidiary. Under Canadian GAAP, this amount was recorded as an addition to goodwill, but under IFRS, it has been recorded as a reduction in retained earnings.

14. FINANCIAL STATEMENT REVIEW

These interim financial statements have not been reviewed by the Company's auditors.

15. ACQUISITION OF SUBSIDIARY

On July 1, 2011, the Company acquired a 67% interest in IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency (an "MGA"), formed through the amalgamation of the company's MGA subsidiary, Worldsource Insurance Network Inc. ("WIN") and IDC Financial Inc. ("IDC"). In addition to transferring 33% of the ownership of WIN to the vendors, the Company paid $8,542, 50% on closing and 50% due over a period of one year after closing.

The 67% ownership of IDC WIN is expected to increase the operating leverage of, and create a national presence for, the Company's MGA business.

Goodwill, which is not expected to be deductible for income tax purposes, represents expectations that IDC WIN will be able to maximize the value of the contracts with major insurance carriers, and that synergies will be able to be achieved, to maximize the profitability of the combined entity.

The accounting for the consideration paid for the acquisition is as follows:

Fair value of consideration paid		
Cash on closing	$	**4,271**
Cash to be paid over a period of one year after closing		**4,271**
Ownership of WIN transferred		**3,310**
Total consideration paid		**11,852**
Fair value of identifiable net assets acquired:		
Intangible assets, rights to future revenue		**9,608**
Accounts receivable and other		**1,485**
Equipment		**483**
Accounts payable and other liabilities		**(1,005)**
Bank loans and borrowings		**(33)**
Deferred tax liability		**(2,002)**
		8,536
Less: Fair value of identifiable net assets retained by non-controlling interests		**(2,817)**
Net value of net assets acquired		**5,719**
Goodwill	$	**6,133**

The accounting for the consideration paid is subject to refinement as we complete the valuation of the assets acquired and liabilities assumed.

The non-controlling interests in IDC WIN are measured at their proportionate share of the fair value of the net identifiable assets of the acquired business. In addition, the carrying value of the 33% interest in WIN which was transferred to the vendors was credited to non-controlling interests. As a result, non-controlling interests in the Company's subsidiaries changed as follows:

Ownership interest in fair value of IDC retained by non-controlling interests	$	**2,817**
Ownership interest in carrying value of WIN transferred to non-controlling interests		**618**
Increase in non-controlling interests due to the acquisition of IDC	$	**3,435**

As a result of this transaction, the Company's retained earnings were increased as follows:

Fair value of ownership interest in WIN transferred to non-controlling interests	$	**3,310**
Less: Carrying value of ownership interests transferred		**(618)**
Excess of fair value over carrying value, credited to retained earnings	$	**2,692**

Since its acquisition, IDC has contributed net revenue of $1,500 and net earnings of $139 to the Company's results. If the acquisition had occurred on January 1, 2011, management estimates that IDC would have earned net revenue of $4,500 and net earnings of $370 and, as a result, the Company's reported net revenue and net earnings for the nine months ended September 30, 2011 would have been approximately $57,053 and $10,724 respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same if the acquisition had occurred on January 1, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows pertains to the financial position of Guardian Capital Group Limited and its subsidiaries and consolidated entities ("Guardian") for the three months and nine months ended September 30, 2011 and the comparative periods in the year 2010, as well as to certain prior annual and quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2010 Annual Report and the first and second quarter 2011 Interim Reports. This discussion and analysis has been prepared as of November 11, 2011.

On January 1, 2011, Guardian adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the three months and nine months ended September 30, 2011, including required comparative information, have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards,* and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). Previously, Guardian prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had an impact on Guardian's operations, strategic decisions and cash flow. Information on the IFRS adjustments is provided in the Notes to Consolidated Financial Statements for the period ended September 30, 2011.

Additional information relating to Guardian and its business, including Guardian's Annual Information Form, is available on "SEDAR" at www.sedar.com.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Guardian may, from time to time, make "forward-looking statements" in annual and quarterly reports, and in other documents prepared for shareholders or filed with securities regulators. These statements, characterized by such words as "goal", "outlook", "intends", "expects", "plan", "prospects", "are confident", "believe" and "anticipate", are intended to reflect Guardian's objectives, plans, expectations, estimates, beliefs and intentions.

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be place on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: investment management; financial advisory; and corporate activities and investments. As at September 30, 2011, Guardian had $15.2 billion in assets under management and $8.4 billion of financial advisory assets under administration. Guardian's assets include a diversified portfolio of securities which, together with its investment in Bank of Montreal shares, had a fair value of approximately $385 million at the end of the quarter.

MATERIAL EVENTS

Changes to Board and Executives

Guardian recently announced, with regret, the death on October 17, 2011 of Guardian's Chairman of the Board, Mr. James W. McCutcheon. Mr. McCutcheon had been a director of Guardian since 1997 and Lead Director of the Guardian Board of Directors from May, 2009 until his recent appointment as Chairman of the Board after the death of the Chairman and Chief Executive Officer, Mr. John Christodoulou. To fill the vacancies caused by Mr. McCutcheon's death on November 11, 2011, Mr. George Mavroudis was appointed a member of the Board of Directors and Mr. James Anas was appointed Chairman of the Board of Directors.

Acquisition of Managing General Agency

Effective July 1, 2011, Guardian acquired a 67% ownership in IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency ("MGA") formed through the amalgamation of Guardian's existing MGA, Worldsource Insurance Agency Inc. ("WIN") and IDC Financial Inc. ("IDC"), to form one of the largest MGAs in Canada. As part of the transaction, in addition to transferring ownership of 33% of WIN to IDC's shareholders, Guardian purchased shares of IDC WIN for approximately $8.5 million, 50% paid on closing and 50% payable over a period of one year. As a result of this transaction, Guardian's life insurance assets under administration ("AUA") have increased by approximately $0.9 billion, and Guardian's MGA business became national in scope, with significant strength in British Columbia and Ontario. IDC WIN has provided significant gross revenue and positive operating earnings in the quarter ended September 30, 2011.

USE OF NON-IFRS MEASURES

Guardian's management uses certain measures to evaluate and assess the performance of its business. One of the measures that Guardian uses is not in accordance with IFRS. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be strictly comparable to similar measures presented by other companies. However, Guardian's management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this measure in analyzing Guardian's results.

Guardian's management measures the performance of Guardian's business by using "Cash flow from operations before changes in non-cash working capital items", which is disclosed in the chart under "Consolidated Financial Results", below. This non-IFRS measure is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities, and many companies similar to Guardian use this measure in a similar manner. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow. The following is a reconciliation of the non-IFRS measure to the IFRS measure:

For the periods ended September 30	**Three Months**		**Nine Months**	
($ in thousands)	**2011**	2010	**2011**	2010
Net cash from operating activities, as reported	**$ 11,282**	$ 6,949	**$ 15,015**	$ 14,254
Net change in non-cash working capital items	**(6,046)**	(1,063)	**(1,119)**	(324)
Cash flow from operations before changes in non-cash working capital items	**$ 5,236**	$ 5,886	**$ 13,896**	$ 13,930

CONSOLIDATED FINANCIAL RESULTS

The comparative financial results of Guardian on a consolidated basis are summarized in the following table.

For the periods ended September 30	**Three Months**		**Nine Months**	
($ in thousands, except per share amounts)	**2011**	2010	**2011**	2010
Net revenue	**$ 18,949**	$ 16,051	**$ 54,072**	$ 47,808
Expenses	**14,605**	12,748	**42,263**	38,301
Operating earnings	**4,344**	3,303	**11,809**	9,507
Net gains (losses) on securities	**(1,090)**	854	**(784)**	519
Earnings before income taxes	**3,254**	4,157	**11,025**	10,026
Income tax expense (recovery)	**195**	9	**532**	(309)
Net earnings	**$ 3,059**	$ 4,148	**$ 10,493**	$ 10,335
Net earnings attributable to shareholders	**$ 3,457**	$ 4,050	**$ 10,910**	$ 10,304
Cash flow from operations before changes in non-cash working capital items	**$ 5,236**	$ 5,886	**$ 13,896**	$ 13,930
Diluted per share amounts				
Net earnings	**$ 0.10**	$ 0.12	**$ 0.33**	$ 0.31
Cash flow from operations before changes in non-cash working capital items	**$ 0.16**	$ 0.18	**$ 0.42**	$ 0.42

As at *($ in millions, except per share amounts)*	2011 September 30	June 30	2010 December 31	September 30
Assets under management	**$ 15,162**	$ 16,159	$ 16,266	$ 15,319
Assets under administration	**$ 8,386**	$ 8,042	$ 7,783	$ 7,418
Value of corporate holders of securities	**$ 385**	$ 403	$ 383	$ 387
Value of corporate holdings of securities per share, diluted	**$ 11.82**	$ 12.23	$ 11.57	$ 11.59

REVENUES AND EXPENSES

Investment Management Revenue

The largest source of revenue at Guardian is management fees received from clients, which vary as a result of changes in the values of assets managed, and variations in the rates of management fees charged. The following is a summary of the assets under management and supervision:

As at *($ in millions)*	2011 September 30	June 30	2010 December 31	September 30
Institutional	**$ 13,735**	$14,708	$ 14,910	$ 14,004
Private Wealth	**1,316**	1,321	1,229	1,183
International	**111**	130	127	132
Total	**$ 15,162**	$16,159	$ 16,266	$ 15,319

Total assets under management ("AUM") at Guardian were $15.2 billion at the end of the third quarter of 2011, reduced from the $16.3 billion at December 31, 2010, and 15.3 billion at September 30, 2010. The significant reduction in the third quarter of 2011 was caused by the reductions in the capital markets, with the S&P/TSX Index down almost 13% in the quarter, offset by a small amount of net new monies received from new and existing clients. Private Wealth AUM have remained steady, despite the recent capital market reductions, as new monies received from clients have largely offset the effects of the markets. International AUM were affected significantly by the reductions in international capital markets.

The management fees for the third quarter of 2011 were $9.3 million, net of referral fee payments, a decrease of approximately 3% from the $9.6 million in the second quarter, and 11% above the $8.4 million a year earlier, as a result of the gradually increasing rates of management fees caused by the change in the mix of clients.

Institutional management fees earned in the third quarter amounted to $7.1 million, compared with $7.3 million in the second quarter and $6.6 million a year earlier, an 8% increase over the prior year. Net Private Wealth management fees earned in the quarter amounted to $1.6 million, unchanged from the second quarter and compared to $1.3 million a year earlier, an increase of 23 % over the prior year. Management fees earned from international clients were $0.6 million in the third quarter of 2011, compared to $0.7 million in the second quarter and $0.6 million a year earlier.

Financial Advisory Revenue

Net sales commission revenue earned from the financial advisory business, which is generated from the sale of mutual funds, securities and insurance, as well as from continuing fees related to assets under administration, were approximately $4.2 million in the third quarter of 2011, a 56% increase over the $2.7 million in the second quarter and 75% greater than the prior year. The increase in the quarter is largely due to the inclusion in the results of IDC, which was acquired on July 1, 2011 and provided almost $1.4 million of financial advisory revenue in the quarter.

Administrative Services Income

Administrative services income, composed of registered plan and other fees earned in the financial advisory area, and trust and corporate administration fees earned in the international area, amounted to $1.2 million for the third quarter, slightly higher than the second quarter but reduced marginally from 2010. These fees are less directly impacted by fluctuations in the financial markets than Guardian's other sources of revenue.

Dividend and Interest Income

The following is a summary of Guardian's dividend and interest income:

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2011**	2010	**2011**	2010
Dividend income	**$ 3,865**	$ 3,712	**$ 11,427**	$ 11,073
Interest income	**365**	134	**950**	337
Total	**$ 4,230**	$ 3,846	**12,377**	11,410

Dividend and interest income increased over the past year, due to Guardian's increased investments in consolidated mutual funds, and an annual dividend received from a direct investment. In addition, interest income was higher as a result of an increase in the level of lending in Guardian's banking subsidiary, the effect of higher interest rates on the interest earnings in the securities dealer subsidiary, and the interest being earned on the investment in a promissory note.

Net Gains on Securities

The following is a summary of Guardian's net gains on securities:

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2011**	2010	**2011**	2010
Net (losses) in consolidated mutual funds	**$ (1,395)**	$ 802	**$ (1,646)**	$ 410
Net gains (losses) on securities directly held	**305**	52	**862**	109
Net gains (losses)	**$ (1,090)**	$ 854	**$ (784)**	$ 519

The net losses from investments in consolidated mutual funds result from continuing changing market prices of the securities held in those funds.

Expenses

Guardian's operating expenses were $14.6 million in the third quarter of 2011, compared with $14.2 million in the second quarter and $12.7 million in 2010. Employee compensation cost increased 21% compared with the third quarter of 2010 and 7% compared to the second quarter, due to the inclusion of the costs from the MGA business acquired on July 1, 2011 and planned changes in staff levels and variable compensation costs. The increase in amortization in the third quarter of 2011 was largely a result of the amortization of the intangible assets acquired as part of the MGA business. The increase in interest expense reflects increases in borrowings and rates of borrowing costs.

NET EARNINGS AND CASH FLOW FROM OPERATIONS

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2011**	2010	**2011**	2010
Net earnings attributable to shareholders	**$ 3,457**	$ 4,050	**$ 10,910**	$ 10,304
Earnings per share, diluted	**$ 0.10**	$ 0.12	**$ 0.33**	$ 0.31
Cash flow from operations before changes in non-cash working capital	**$ 5,236**	$ 5,886	**$ 13,896**	$ 13,930
Cash flow from operations before changes in non-cash working capital per share, diluted	**$ 0.16**	$ 0.18	**$ 0.42**	$ 0.42

Net earnings for the third quarter of 2011 were $3.5 million, compared to $2.9 million in the second quarter and $4.1 million a year earlier. Cash flow from operations for the quarter amounted to $5.2 million, compared to $4.0 million in the second quarter and $5.9 million for 2010. The increase in earnings in the third quarter of 2011 compared to the second quarter was substantially caused by the $1.5 million increase in net commission earned in the Financial Advisory business, offset by higher operating costs in the quarter, both largely a result of the acquisition of IDC on July 1, 2011, and increased losses on securities of $0.6 million in consolidated mutual funds. The current differences between earnings per share and cash flow per share arise primarily due to the impact of amortization expenses and stock-based compensation, as well as the exclusion of gains or losses on sales of securities from the calculation of cash flow from operations.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract Associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. It has also allowed Guardian to maintain the appropriate levels of working capital in each of its areas of operations. The strong cash flow enables Guardian to meet all of its financial commitments, to finance the expansion of its businesses and to purchase the capital assets necessary for the development of those businesses. Guardian's total bank borrowings at September 30, 2011 amounted to $48.6 million, compared with $47.0 million at September 30, 2010. The total credit available, at attractive terms, under the three borrowing arrangements amounts to $66 million. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's holdings of securities as at September 30, 2011 had a fair value of $385 million, or $11.82 per share, diluted, compared with $383.6 million, or $11.57 per share, diluted, as at December 31, 2010, and $387 million, or $11.59 per share, diluted, at September 30, 2010. The following is a summary of Guardian's securities holdings:

CORPORATE HOLDINGS OF SECURITIES

As at September 30 *($ in thousands, except per share amounts)*	**2011**	2010
Securities at fair value:		
Short-term securities	**$ 11,992**	$ 15,005
Mutual funds	**44,812**	47,734
Bank of Montreal shares	**289,970**	295,029
Other equity securities	**36,258**	27,087
Total securities at fair value	**383,032**	384,855
Promissory notes at amortized cost	**2,044**	1,765
Total securities holdings	**$ 385,076**	$ 386,620
Total securities holdings per share, diluted	**$ 11.82**	$ 11.59

Guardian's holdings of securities are managed independently of our clients' assets, except for those of our assets that are invested in Guardian's mutual or pooled funds, or mutual funds for which Guardian is an advisor.

CONTRACTUAL OBLIGATIONS

Guardian has contractual commitments for the payment of certain obligations over a period of time. A summary of those commitments, including a summary of the periods during which they are payable, is shown in the following table.

		Payments due by period			
As at September 30, 2011 *($ in thousands)*	**Total**	**Less than One year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$ 48,566	$ 48,566	$ --	$ --	$ --
Client deposits	3,167	3,167	--	--	--
Accounts payable and other	21,268	21,268	--	--	--
Payable to clients	30,175	30,175	--	--	--
Operating lease obligations	3,229	1,395	1,560	274	--
Total contractual obligations	$ 106,405	$ 104,571	$ 1,560	$ 274	$ --

Guardian's contractual commitments are supported by its strong financial position, including its securities holdings, referred to above under the heading "Liquidity and Capital Resources". The Payable to Clients, in Guardian's securities dealer subsidiary, is offset by the Receivable from Clients and Broker, and the Client Deposits, in the offshore banking subsidiary, are supported by the Interest-Bearing Deposits with Banks and Loans Receivable.

SUMMARY OF QUARTERLY RESULTS

The following chart summarizes Guardian's financial results for the past eight quarters.

Quarters ended *($ in thousands)*	**Sep 30, 2011**	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010 (1)	Sep 30, 2010 (1)	Jun 30, 2010 (1)	Mar 31, 2010 (1)	Dec 31, 2009 (1)(2)
Net revenue	**$ 18,930**	$ 17,500	$ 17,623	$ 17,305	$ 16,051	$ 16,089	$ 15,668	$ 16,052
Operating earnings	**4,344**	3,316	4,149	3,854	3,303	3,175	3,029	3,001
Net gains (losses) on securities	**(1,090)**	(478)	784	2,876	854	(1,329)	994	1,793
Net earnings attributable to shareholders	**3,457**	2,855	4,598	6,679	4,050	2,121	4,133	6,934
Shareholders' equity	**331,718**	344,374	351,999	331,856	331,410	312,984	333,291	317,784
(in $)								
Per average Class A and Common Share								
Net earnings								
- Basic	**0.11**	0.09	$ 0.14	$ 0.20	$ 0.12	$ 0.06	$ 0.12	$ 0.20
- Diluted	**0.10**	0.09	0.14	0.20	0.12	0.06	0.12	0.20
Shareholders' equity								
- Basic	**10.40**	10.67	$ 10.85	$ 10.16	$ 10.07	$ 9.54	$ 10.16	$ 9.37
- Diluted	**10.18**	10.45	10.63	10.01	9.93	9.39	10.01	9.19

(1) Certain reclassifications of 2009 and 2010 amounts have been made, to facilitate comparison with 2011 quarterly amounts.
(2) 2009 results are presented in accordance with Canadian GAAP.

Management fees earned in the investment management segment are generally not subject to seasonal fluctuations. There is a degree of seasonality in the financial advisory segment, with some concentration of commission revenue in the first quarter of each year, relating to the traditional "RSP season". Included in management fees for the fourth quarter of 2009 were performance fees of approximately $1.0 million to which we became entitled at that time. No significant performance fees have been recorded subsequently.

After the declines in markets and economic activity during the latter part of 2008 and the first part of 2009, which had a significant dampening effect on Guardian's revenues, earnings and shareholders' equity, the eight quarters summarized above reflect a period of consolidation, resulting in improving net revenue and operating earnings. The net revenue, operating earnings and net earnings in the third quarter of 2011 include the results of IDC, which was purchased at the beginning of that quarter.

The net earnings for the fourth quarter of 2009 reflect the reduction in future taxes resulting from reduced Ontario income taxes substantively enacted in December, 2009. This reduction amounted to $2.0 million ($0.06 per share, diluted).

Since gains and losses are recorded on disposal of available for sale securities when realized, and on changes in the value of held for trading securities, and such amounts can vary from quarter to quarter, the amounts included in net gains or losses from securities each quarter have fluctuated, as shown in the quarterly results above. The quarterly changes in shareholders' equity shown above are largely caused by the changes in the market value of Guardian's securities portfolio

CRITICAL ACCOUNTING ESTIMATES

Guardian periodically assesses its assets for any impairment in their value. If it is determined that there has been a material impairment in the value of an asset which is other than temporary, the difference between current fair value and the original cost less any previous writedowns is included in Guardian's operating results. Included in this assessment are intangible assets and securities. Under this policy, in 2009, intangible assets amounting to $0.9 million, consisting of a computer software license, were written off, and are included in amortization in the fourth quarter 2009 results. For securities, such amounts are included in the category of "Net Gains (Losses) on Securities". Under this policy, writedowns of securities of $180,000 occurred during 2009. Guardian reviewed its assets at June 30, 2010, and concluded that $31,000 of writedowns were necessary at that time. Subsequent reviews have not resulted in any additional writedowns.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 12 to the Consolidated Financial Statements, contained in Guardian's third quarter 2011 Interim Report, for additional information on risk management.

Market Risk

Market fluctuations can have a significant effect on the value of both clients' portfolios and our earnings, since management fees are generally based on market values. Additionally, market fluctuations have a significant impact on the amounts being invested by the clients of our financial advisory businesses, increasing or reducing our commission revenues. We manage the risk of market fluctuations by having a diversified client base with different investment needs and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other. Guardian's holdings of securities are managed independently of clients' assets, except for those of our assets that are invested in Guardian's mutual or pooled funds, or mutual funds for which Guardian is an advisor.

Portfolio Value and Concentration Risks

Guardian's corporate holdings of securities are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. With the exception of the investment of $290 million in the Bank of Montreal shares, which is a significant portion of Guardian's securities holdings, the holdings are diversified, from both an asset class and a geographical perspective. Guardian has accepted the concentration risk associated with its holding of Bank of Montreal shares, as the bank is a diversified company, with a history of dividend payments.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk, or from individuals, which are secured by marketable securities. During the 2008 and 2009 economic situation, the Company reviewed the financial strength of all of its counterparties, and appropriately reduced its exposure to certain counterparties.

Interest Rate Risk

Guardian manages interest rate risk in its international banking operations, through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from various segments of the business, and by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total $66 million through three credit facilities. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this discussion and analysis. The combination of the cash flows from operations and the borrowing facilities provides sufficient cash resources to manage its liquidity risk.

Regulatory Change Risk

Changes to government regulations, including those related to income taxes, can have an effect on Guardian's business. Examples are the changes in future income tax rates, which have had significant effects on Guardian's income tax expense, and net earnings, in 2006, 2007 and 2009. Because there has been a downward trend in income tax rates, the effects on earnings have been positive, but negative effects could result if tax rates increase in the future.

Another risk is competition. Our ability to compete is enhanced by the high quality of our management team, the substantial depth in personnel and resources and a strong balance sheet, which provides us with the flexibility to make the changes necessary to be competitive. In addition, we manage competition risk by tailoring our product offerings to changing market conditions and client needs.

ADOPTION OF IFRS

Guardian adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. The adoption of IFRS has not had a material impact on Guardian's operations, strategic decisions and cash flow. Guardian's most significant accounting policies under IFRS are provided in note 2 to Guardian's first quarter 2011 Interim Consolidated Financial Statements. Note 13 to Guardian's third quarter 2011 Interim Consolidated Financial Statements presents reconciliations between Guardian's 2010 GAAP results and the 2010 IFRS results, including explanations of the adjustments resulting from the transition to IFRS.

Variations in equity

Certain of the differences between GAAP and IFRS identified in the explanations referred to above cause potentially significant differences between components of equity on Guardian's balance sheet, but do not cause differences in total equity. However, in circumstances under which Guardian acquires an additional non-controlled interest in a subsidiary at a price greater than the current carrying value of the interest acquired, the amount paid will be recorded under IFRS as a charge to retained earnings, rather than as goodwill, thereby reducing equity by that amount. Guardian is not able to predict if these circumstances will occur in the future, nor the amounts involved should they occur.

Variations in net earnings

Certain of the differences between GAAP and IFRS may cause variations in reported net earnings in the future, as follows:

a) There will be differences in the recording of employee compensation and benefits, because of the IFRS requirements for the recording of stock-based compensation and accumulated paid absences, but these differences are not anticipated to be material.

b) The requirements for the recording of changes in fair value of securities held by consolidated mutual funds under IFRS through net earnings, rather than through comprehensive income, may result in the recording of either gains or losses on securities more often, and this is anticipated to introduce more volatility into the recording of gains or losses from securities.

c) Another requirement under IFRS could result in certain income tax assets or liabilities being switched from net earnings to comprehensive income. This change will be effective if there are changes in corporate income tax rates, causing changes in Guardian's future income tax balances. Since Guardian has significant net future income tax liabilities, generally a reduction in tax rates will result in the switch of income tax reductions from net earnings to comprehensive income, and the increase in tax rates will have the opposite effect.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of Guardian's Internal Controls over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no material weaknesses identified relating to the design of the ICFR. As referred to under "Material Events", on July 1, 2011, Guardian acquired a 67% ownership in IDC WIN, formed through the amalgamation of WIN and IDC. During the third quarter, the operations of IDC were integrated into the operations of IDC WIN, and thereby into the ICFR of Guardian.

OUTLOOK

In these difficult macro-economic times, we have witnessed tremendous volatility in the capital markets, both in equities and credit. Guardian is not immune to the unsettled financial markets, as we are heavily geared toward the capital markets, in particular the equity markets through both our corporate holdings in securities and the operating business units which manage or administer assets on behalf of clients. Although it is difficult to predict the end of these unsettled markets, we do believe that ultimately the capital markets will see better days. During these unsettled markets, we continue to hold the long-term vision to invest in select additions to our human capital, infrastructure and technology, across all of our business platforms. The ability to support these investments during relative weakness in the markets can best position Guardian to achieve management's continuing goal to generate meaningful operating profits from each of our business units, to complement the strong investment income from the corporate holdings of securities.

GUARDIAN CAPITAL GROUP LIMITED
OFFICERS' CERTIFICATES

I, George Mavroudis, President and Chief Executive Officer of Guardian Capital Group Limited (the "Issuer"), certify the following:

1. **Review**: I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of the Issuer for the interim period ended September 30, 2011.

2. **No misrepresentations**: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation**: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility**: The Issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the Issuer.

5. **Design**: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the Issuer's other certifying officer and I have, as at the end of the period covered by the interim filings:

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the Issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the Issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Issuer's GAAP.

5.1 **Control framework**: The control framework the Issuer's other certifying officer and I used to design the Issuer's ICFR is Internal Control Over Financial Reporting – Guidance for Smaller Public Companies issued by COSO.

5.2 **N/A**.

5.3 **N/A**.

6. **Reporting changes in ICFR**: The Issuer has disclosed in its interim MD&A any change in the Issuer's ICFR that occurred during the period beginning on July 1, 2011 and ended on September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Issuer's ICFR.

November 11, 2011

[signed " George Mavroudis"]
George Mavroudis
President and Chief Executive Officer

GUARDIAN CAPITAL GROUP LIMITED
OFFICERS' CERTIFICATES

I, C. Verner Christensen, Senior Vice-President, Finance of Guardian Capital Group Limited (the "Issuer"), certify the following:

1. **Review**: I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of the Issuer for the interim period ended September 30, 2011.

2. **No misrepresentations**: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation**: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility**: The Issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the Issuer.

5. **Design**: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the Issuer's other certifying officer and I have, as at the end of the period covered by the interim filings:

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the Issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the Issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Issuer's GAAP.

5.1 **Control framework**: The control framework the Issuer's other certifying officer and I used to design the Issuer's ICFR is Internal Control Over Financial Reporting – Guidance for Smaller Public Companies issued by COSO.

5.2 **N/A**

5.3 **N/A**

6. **Reporting changes in ICFR**: The Issuer has disclosed in its interim MD&A any change in the Issuer's ICFR that occurred during the period beginning on July 1, 2011 and ended on September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Issuer's ICFR.

November 11, 2011

[signed "C. Verner Christensen"]
C. Verner Christensen,
Senior Vice-President, Finance

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