

TSX Group Inc.

Revised Q2-2005 Management's Discussion and Analysis

Note: All references to earnings per common share, net income per common share, dividends per common share, common shares issued and outstanding, common shares reserved for issuance, and options outstanding have been restated to reflect the impact of the two-for-one stock split which was effective May 17, 2005.

On November 16, 2005, TSX Group Inc. ("TSX Group") restated its consolidated financial statements for the three months and the six months ended June 30, 2005 and June 30, 2004 to reflect a change in accounting policy related to recognition of revenue from initial and additional listing fees. The information contained in this Management's Discussion and Analysis ("MD&A") has been revised to reflect the restatement and should be read in conjunction with these restated financial statements and related notes.

Restatement of Initial and Additional Listing Fee Revenue

TSX Group has retroactively changed its revenue recognition policy for initial and additional listing fees to comply with the Canadian Institute of Chartered Accountants' Emerging Issues Committee Abstract-141 ("EIC-141"). EIC-141 specifies that certain non-refundable fees be deferred and recognized systematically over future accounting periods. EIC-141 was effective for fiscal years commencing on or after January 1, 2004.

Before the adoption of EIC-141, non-refundable fees were recognized at the time such fees were received. TSX Group, in consultation with its auditors, reviewed its revenue recognition policy for initial and additional listing fees when EIC-141 became effective in January, 2004. As a result of that review, TSX Group continued to recognize initial

and additional listing fees as they were received. Since that time, the interpretation of EIC-141 has evolved and precedents have been established. As a result, TSX Group again reviewed the application of EIC-141, and in consultation with its auditors, TSX Group has changed its accounting policy for recognizing initial and additional listing fees.

The effect of this change is that TSX Group now recognizes revenue from initial and additional listing fees amortized on a straight-line basis over an estimated service period of ten years. Unamortized balances are recorded as deferred revenue—initial and additional listing fees on the consolidated balance sheet. For Toronto Stock Exchange, revenue from initial and additional listing fees has been recalculated for the ten years preceding the periods presented in the financial statements to which this revised MD&A relates. In the case of TSX Venture Exchange, which was acquired on August 1, 2001, initial and additional listing fee revenue has been recalculated from the date of acquisition. Since Natural Gas Exchange (“NGX”) does not charge listing fees, no restatement of its revenue is required.

The following tables summarize the impact of the accounting change on the financial statements related to this revised MD&A:

Q2 2005

(Three months ended)

(In millions of dollars, except per share amounts - Unaudited)

	Previously Reported[∇]	Change	Restated
Revenue	\$ 85.0	\$ (16.4)	\$ 68.6
Income taxes	19.0	(6.6)	12.4
Net income	33.5	(9.8)	23.7
Earnings per share:			
Basic	0.49	(0.14)	0.35
Diluted	0.49	(0.14)	0.35
Future Tax Asset	47.0	80.8	127.8
Deferred revenue – initial and additional listing fees	-	248.9	248.9
Shareholders' Equity	321.8	(168.1)	153.7

Q2 2004

(Three months ended)

(In millions of dollars, except per share amounts - Unaudited)

	Previously Reported[∇]	Change	Restated
Revenue	\$ 74.4	\$ (15.1)	\$ 59.3
Income taxes	15.0	(6.3)	8.7
Net income	24.9	(8.7)	16.2
Earnings per share:			
Basic	0.37	(0.13)	0.24
Diluted	0.36	(0.12)	0.24

[∇] These amounts do not give effect to the implementation of EIC-141 and therefore do not have standardized meanings prescribed by Canadian GAAP.

Q2 2005**(Six months ended)**

(In millions of dollars, except per share amounts - Unaudited)

	Previously Reported[∇]	Change	Restated
Revenue	\$ 167.1	\$ (28.7)	\$ 138.4
Income taxes	35.7	(11.9)	23.8
Net income	63.6	(16.8)	46.8
Earnings per share:			
Basic	0.94	(0.25)	0.69
Diluted	0.93	(0.25)	0.68

Q2 2004**(Six months ended)**

(In millions of dollars, except per share amounts - Unaudited)

	Previously Reported[∇]	Change	Restated
Revenue	\$ 148.8	\$ (28.6)	\$ 120.2
Income taxes	30.0	(12.2)	17.8
Net income	50.7	(16.4)	34.3
Earnings per share:			
Basic	0.75	(0.24)	0.51
Diluted	0.74	(0.24)	0.50

As at December 31, 2004

(In millions of dollars)

	Previously Reported[∇]	Change	Restated
Future Tax Asset	\$ 48.7	\$ 68.9	\$ 117.6
Deferred revenue - initial and additional listing fees	-	220.2	220.2
Shareholders' Equity	280.8	(151.3)	129.5

The implementation of EIC-141 has not changed TSX Group's business operations, cash flows or cash position.

[∇] These amounts do not give effect to the implementation of EIC-141 and therefore do not have standardized meanings prescribed by Canadian GAAP.

Restated Quarter Ended June 30, 2005 compared with Restated Quarter Ended June 30, 2004

Restated net income was \$23.7 million, or 35 cents per common share (on both a basic and diluted basis) for the second quarter of 2005, compared with restated net income of \$16.2 million, or 24 cents per common share (on both a basic and diluted basis) for the same period in 2004, representing an increase of 46%. This increase was attributable to higher restated revenue and investment income, which was slightly offset by an increase in expenses.

Without giving effect to the implementation of EIC-141, net income would have been \$33.5 million, or 49 cents per common share (on both a basic and diluted basis) for the second quarter of 2005, compared with net income of \$24.9 million or 37 cents per common share (36 cents on a diluted basis) for the same period in 2004, representing an increase of 35%. The increase was attributable to higher revenue and investment income, slightly offset by an increase in expenses.*

REVENUE

Restated revenue was \$68.6 million for the second quarter of 2005, up 16% as compared with restated revenue of \$59.3 million for same period in 2004, reflecting increased restated revenue in the primary revenue streams of listing, trading and market data.

Without giving effect to the implementation of EIC-141, revenue would have been \$85.0 million for the second quarter of 2005, up 14% as compared with \$74.4 million for the same period in 2004, reflecting increased revenue in the primary revenue streams of listing, trading and market data.*

* Revenue, net income and earnings per common share (basic and diluted) without giving effect to the implementation of EIC-141 are non-GAAP financial measures. See discussion under the heading Non-GAAP Financial Measures.

LISTING REVENUE – Restated listing revenue of \$21.6 million in the second quarter of 2005 increased by \$3.1 million, or 17%, compared with restated listing revenue of \$18.5 million in the second quarter of 2004.

Sustaining Listing Fees

Sustaining listing fees of \$12.0 million increased by \$1.2 million, or 11%, in the second quarter of 2005 compared with \$10.8 million in the second quarter of 2004. The increase in revenue from sustaining listing fees in the second quarter of 2005, over the corresponding period in 2004, reflected overall higher market capitalization of issuers at December 31, 2004 compared with December 31, 2003. Sustaining listing fees are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight-line basis. The accounting policy relating to the revenue recognition of sustaining listing fees is unchanged.

Initial and Additional Listing Fees

The following is a summary of revenue from initial and additional listing fees in the second quarter of 2005 compared with revenue from initial and additional listing fees for the second quarter of 2004, both as reported under EIC-141 (“Initial and Additional Listing Fees Reported”), and as calculated without giving effect to EIC-141 (“Initial Listing Fees Received”^{***} and “Additional Listing Fees Received”^{**}). The latter measures are consistent with our historical method of reporting revenue from initial and additional financing activities. TSX Group believes that Initial Listing Fees Received and Additional Listing Fees Received are important measures of performance that reflect the cash generated from actual initial and additional listing activity during the quarter.

(In millions of dollars - Unaudited)

	Three Months Ended June 30, 2005		Three Months Ended June 30, 2004	
	Listing Fees Reported (Restated)	Listing Fees Received (Non-GAAP)**	Listing Fees Reported (Restated)	Listing Fees Received (Non-GAAP)**
Initial and Additional	\$9.6	\$25.9	\$7.7	\$22.8

Initial and Additional Listing Fees Reported

Restated Initial and Additional Listing Fees Reported of \$9.6 million increased by \$1.9 million, or 25%, in the second quarter of 2005 compared with \$7.7 million of restated Initial and Additional Listing Fees Reported for the second quarter of 2004. The change reflects increased capital market activity and fee increases during the period from July 1, 1995 to June 30, 2005 when compared with the period from July 1, 1994 to June 30, 2004.

^{**} See discussion under the heading Non-GAAP Financial Measures.

Initial Listing Fees Received**

Initial Listing Fees Received of \$7.4 million increased by \$1.5 million, or 25%, in the second quarter of 2005 compared with \$5.9 million of Initial Listing Fees Received in the second quarter of 2004. In terms of initial offerings, the \$2.9 billion raised on Toronto Stock Exchange and TSX Venture Exchange during the second quarter of 2005 was 22% lower than the \$3.7 billion raised during the same period in 2004. There were 62 new issuers listed on Toronto Stock Exchange and 39 new issuers listed on TSX Venture Exchange in the second quarter of 2005. This compares with 59 and 28 new issuers listed on Toronto Stock Exchange and TSX Venture Exchange, respectively, in the second quarter of 2004.

Additional Listing Fees Received**

Additional Listing Fees Received of \$18.5 million increased by \$1.6 million, or 9%, in the second quarter of 2005 compared with \$16.9 million of Additional Listing Fees Received in the second quarter of 2004. In terms of additional financing, the \$9.1 billion raised on Toronto Stock Exchange and TSX Venture Exchange during the second quarter of 2005 was 18% higher than the \$7.7 billion raised during the same period of 2004.

TRADING AND RELATED REVENUE – Trading and related revenue of \$28.4 million in the second quarter of 2005 increased by \$5.0 million, or 21%, compared with \$23.4 million in the second quarter of 2004 due to increases in both equity and energy trading. The total value of securities traded on Toronto Stock Exchange and TSX Venture Exchange was \$240.1 billion in the second quarter of 2005, a 19% increase over the \$201.5 billion in value traded for the second quarter of 2004. The number of

** See discussion under the heading Non-GAAP Financial Measures.

transactions increased by 24% to 12.4 million in the second quarter of 2005 from 10.0 million in the second quarter of 2004.

For the second quarter of 2005, revenue of \$4.1 million from NGX has also been included in trading and related revenue (\$2.4 million in the second quarter of 2004). NGX's revenue for the second quarter of 2004 was reduced by approximately \$1.0 million as a result of deferring a portion of trading and clearing fees related to forward contracts. In the second quarter of 2005, 2.4 million terajoules in natural gas and electricity contracts were traded on NGX, a 41% increase over 1.7 million terajoules traded in the second quarter of 2004.

MARKET DATA REVENUE – Market data revenue of \$16.4 million in the second quarter of 2005 increased by \$1.9 million, or 13%, compared with \$14.5 million in the second quarter of 2004. The increase reflects a higher number of professional and equivalent real-time data subscriptions. The 111,081 professional and equivalent real-time data subscriptions at the end of the second quarter of 2005 were higher by approximately 8%, when compared with 103,192 at the end of the second quarter of 2004, partially reflecting increased sales to U.S. customers. The increase in revenue is also attributable to price increases that were effective September 1, 2004 and May 1, 2005.

The revenue growth was somewhat offset by the impact of certain users converting to an alternate fee model under which the fees for usage based quotes are capped as well as by the negative impact of the appreciation of the Canadian dollar versus the U.S. dollar since the second quarter of 2004.

BUSINESS SERVICES REVENUE – Business services revenue of \$1.9 million in the second quarter of 2005 decreased by \$0.2 million, or 10%, compared with \$2.1 million in the second quarter of 2004. The decrease is primarily related to a change in the pricing for technology services provided to Market Regulation Services Inc. (“RS”), reflecting cost savings from migrating to a lower cost technology solution. RS, which is 50% owned by TSX Inc., a wholly-owned subsidiary of TSX Group, paid \$1.6 million in the

second quarter of 2005 for technology related services as compared with \$1.8 million in the second quarter of 2004.

EXPENSES

Expenses were \$34.6 million for the second quarter of 2005, an increase of 1% from \$34.1 million in the second quarter of 2004. The increase was due to higher compensation and benefits costs as well as higher information and trading systems costs, which were somewhat offset by lower general and administrative costs.

COMPENSATION AND BENEFITS – Compensation and benefits costs of \$18.3 million for the second quarter of 2005 increased by \$0.2 million, or 1%, from \$18.1 million in the second quarter of 2004. The increase reflects higher costs related to salary increases and the accrual of performance incentives, largely offset by reduced costs related to a reduction in headcount. The number of employees at June 30, 2005 was 514 compared with 556 at June 30, 2004. The reduction in the number of employees resulted from organizational restructuring designed to increase operational efficiencies.

INFORMATION AND TRADING SYSTEMS – Information and trading systems costs of \$4.1 million for the second quarter of 2005 increased by \$0.4 million, or 11%, from \$3.7 million in the second quarter of 2004. The increase is primarily attributable to higher lease costs, which relate in part to expansion of trading system capacity.

GENERAL AND ADMINISTRATIVE – General and administrative costs of \$9.0 million for the second quarter of 2005 decreased by \$0.1 million, or 1%, from \$9.1 million in the second quarter of 2004. The decrease is primarily attributable to decreased spending related to marketing activities. TSX Group paid RS \$0.7 million for regulation services in the second quarter of 2005, which was unchanged from the second quarter of 2004.

AMORTIZATION – Amortization of \$3.2 million for the second quarter of 2005 remained unchanged from the second quarter of 2004.

LOSS FROM INVESTMENT IN AFFILIATE – Loss from investment in affiliate of \$0.1 million represents TSX Group’s share of CanDeal.ca Inc.’s (“CanDeal”) loss for the second quarter of 2005, based on TSX Group’s approximate 45% interest in CanDeal. The decrease of \$0.2 million in the loss from \$0.3 million in the second quarter of 2004 reflects a combination of increased revenue and a reduction in operating costs.

INVESTMENT INCOME – Investment income was \$2.1 million in the second quarter of 2005, compared with nil in the second quarter of 2004. The change is primarily attributable to improved performance on investments in the short-term bond and mortgage fund and an increase in the amount of cash and marketable securities available for investment during the second quarter of 2005 compared with the second quarter of 2004.

INCOME TAXES – Restated income taxes were \$12.4 million for the second quarter of 2005, compared with restated income taxes of \$8.7 million in the second quarter of 2004. The effective tax rate decreased from approximately 35% as restated in the second quarter of 2004 to approximately 34% as restated in the second quarter of 2005.

**Restated Six Months Ended June 30, 2005 compared with
Restated Six Months Ended June 30, 2004**

Restated net income was \$46.8 million, or 69 cents per common share (68 cents on a diluted basis) for the first half of 2005, compared with restated net income of \$34.3 million, or 51 cents per common share (50 cents on a diluted basis) for the same period in 2004, representing an increase of 36%. The 2005 results reflect higher restated revenue and investment income that was partially offset by an increase in expenses.

Without giving effect to the implementation of EIC-141, net income would have been \$63.6 million, or 94 cents per common share (93 cents on a diluted basis) for the first half of 2005, compared with net income of \$50.7 million, or 75 cents per common share (74 cents on a diluted basis) for the same period in 2004, representing an increase of 25%. The increase reflects higher revenue and investment income that was partially offset by an increase in expenses.*

REVENUE

For the six months ended June 30, 2005, restated revenue was \$138.4 million, an increase of \$18.2 million, or 15%, from restated revenue of \$120.2 million for the same period in 2004 due to increases in the three primary revenue streams of listing, trading and market data.

Without giving effect to the implementation of EIC-141, revenue would have been \$167.1 million for the first half of 2005, an increase of \$18.3 million, or 12%, from \$148.8 million for the same period in 2004 due to increases in the three primary revenue streams of listing, trading and market data.*

LISTING REVENUE – Restated listing revenue of \$42.3 million in the first half of 2005 increased by \$6.1 million, or 17%, compared with restated listing revenue of \$36.2 million in the first half of 2004.

* Revenue, net income and earnings per common share (basic and diluted) without giving effect to the implementation of EIC-141 are non-GAAP financial measures. See discussion under the heading Non-GAAP Financial Measures.

Sustaining Listing Fees

Sustaining listing fees of \$23.7 million increased by \$2.5 million, or 12%, in the first six months of 2005 compared with \$21.2 million for the first six months of 2004. The increase in revenue from sustaining listing fees in the first six months of 2005, over the corresponding period in 2004, reflected overall higher market capitalization of issuers at December 31, 2004 compared with December 31, 2003. Sustaining listing fees are billed during the first quarter of the year and the amount is recorded as deferred revenue and amortized over the year on a straight-line basis. The accounting policy relating to the revenue recognition of sustaining listing fees is unchanged.

Initial and Additional Listing Fees

The following is a summary of revenue from initial and additional listing fees for the six months ended June 30, 2005 compared with revenue from initial and additional listing fees for the six months ended June 30, 2004, both as reported under EIC-141 (“Initial and Additional Listing Fees Reported”), and as calculated without giving effect to EIC-141 (“Initial Listing Fees Received”^{**} and “Additional Listing Fees Received”^{**}). The latter measures are consistent with our historical method of reporting revenue from initial and additional financing activities.

(In millions of dollars - Unaudited)

	Six Months Ended June 30, 2005		Six Months Ended June 30, 2004	
	Listing Fees Reported (Restated)	Listing Fees Received (Non-GAAP)**	Listing Fees Reported (Restated)	Listing Fees Received (Non-GAAP)**
Initial and Additional	\$18.6	\$47.4	\$15.0	\$43.7

^{**} See discussion under the heading Non-GAAP Financial Measures.

Initial and Additional Listing Fees Reported

Restated Initial and Additional Listing Fees Reported of \$18.6 million increased by \$3.6 million, or 24%, in the first six months of 2005 compared with \$15.0 million in restated Initial and Additional Listing Fees Reported for the first six months of 2004. The change reflects increased capital market activity and fee increases during the period from April 1, 1995 to June 30, 2005 when compared with the period from April 1, 1994 to June 30, 2004.

Initial Listing Fees Received**

Initial Listing Fees Received of \$13.6 million increased by \$2.0 million, or 17%, in the first six months of 2005 compared with \$11.6 million of Initial Listing Fees Received in the first six months of 2004. In terms of initial offerings, the \$8.1 billion raised on Toronto Stock Exchange and TSX Venture Exchange during the first six months of 2005 was 5% higher than the \$7.7 billion raised during the same period in 2004. There were 112 new issuers listed on Toronto Stock Exchange and 74 new issuers on TSX Venture Exchange in the first six months of 2005. This compares with 98 and 68 new issuers on Toronto Stock Exchange and TSX Venture Exchange, respectively, in the first six months of 2004.

Additional Listing Fees Received**

Additional Listing Fees Received of \$33.8 million increased by \$1.7 million, or 5%, in the first six months of 2005 compared with \$32.1 million of Additional Listing Fees Received in the first six months of 2004. In terms of additional financing, the \$18.6 billion raised on Toronto Stock Exchange and TSX Venture Exchange during the first six

** See discussion under the heading Non-GAAP Financial Measures.

months of 2005 was 26% higher than the \$14.8 billion raised during the same period of 2004.

TRADING AND RELATED REVENUE - Trading and related revenue of \$58.9 million in the first half of 2005 increased by \$9.3 million, or 19%, compared with \$49.6 million in the first half of 2004. The total value of securities traded on Toronto Stock Exchange and TSX Venture Exchange was \$507.7 billion in the first half of 2005, an increase of 13% from the \$448.8 billion in value traded for the first half of 2004. The number of transactions increased by 16% to 26.1 million in the first half of 2005 from 22.5 million in the first half of 2004.

Revenue of \$7.8 million from NGX for the first half of 2005 has also been included in trading and related revenue compared with \$3.7 million for the four months following the acquisition of NGX on March 1, 2004. As previously discussed, NGX's revenue for the second quarter of 2004 was reduced by approximately \$1.0 million as a result of deferring a portion of trading and clearing fees related to forward contracts. In the first half of 2005, 4.4 million terajoules in natural gas and electricity contracts were traded on NGX, a 33% increase over 3.3 million terajoules traded in the first half of 2004.

MARKET DATA REVENUE - Market data revenue of \$32.3 million in the first half of 2005 increased by \$3.3 million, or 11%, compared with \$29.0 million in the first half of 2004. The increase in revenue reflects a higher number of professional and equivalent real-time data subscriptions. The 111,081 professional and equivalent real-time data subscriptions at the end of the second quarter of 2005 were higher by approximately 8%, when compared with 103,192 at the end of the second quarter of 2004, partially reflecting increased sales to U.S. customers. The increase in revenue is also attributable to price increases that were effective September 1, 2004 and May 1, 2005 as well as revenue from

CNX Marketlink^{***}, a joint initiative launched with CNW Group Ltd. in the fourth quarter of 2003.

The revenue growth was somewhat offset by the impact of certain users converting to an alternate fee model under which the fees for usage based quotes are capped. The growth in market data revenue was also somewhat offset by the negative impact of the appreciation of the Canadian dollar versus the U.S. dollar since the first half of 2004.

BUSINESS SERVICES REVENUE - Business services revenue of \$4.0 million in the first half of 2005 decreased by \$0.3 million, or 7%, compared with \$4.3 million in the first half of 2004. The decrease is primarily related to a change in the pricing for technology services provided to RS, as previously discussed. RS paid \$3.4 million in the first half of 2005 for technology related services as compared with \$3.7 million in the first half of 2004.

EXPENSES

Expenses were \$71.4 million for the first half of 2005, an increase of 3% from \$69.3 million in the first half of 2004. The increase was due to higher compensation and benefits costs as well as higher information and trading systems costs, which were somewhat offset by lower general and administrative costs.

COMPENSATION AND BENEFITS - Compensation and benefits costs of \$39.1 million for the first half of 2005 increased by \$2.0 million, or 5%, from \$37.1 million in the first half of 2004. The increase reflects higher costs related to salary increases and higher organizational transition costs as well as the accrual of performance incentives. The increase is also attributable to the inclusion of costs pertaining to NGX employees

^{***} CNX Marketlink is a trade-mark of CNW Group Ltd. and is used under license.

for six months compared with four months in 2004 following the acquisition of NGX on March 1, 2004. The increase was somewhat offset by reduced costs related to a reduction in headcount, as previously discussed.

INFORMATION AND TRADING SYSTEMS - Information and trading systems costs of \$8.5 million for the first half of 2005 increased by \$1.0 million, or 13%, from \$7.5 million in the first half of 2004. The increase is primarily attributable to higher lease costs, which relate in part to expansion of trading system capacity.

GENERAL AND ADMINISTRATIVE - General and administrative costs of \$17.5 million for the first half of 2005 decreased by \$1.2 million, or 6%, from \$18.7 million in the first half of 2004. The decrease is primarily attributable to decreased spending related to marketing activities, somewhat offset by the inclusion of NGX expenses for six months in 2005 compared with four months in 2004. TSX Group paid RS \$1.7 million for regulation services in the first half of 2005 as compared with \$1.6 million in the first half of 2004.

AMORTIZATION - Amortization of \$6.3 million for the first half of 2005 increased by \$0.4 million, or 7%, from \$5.9 million in the first half of 2004.

LOSS FROM INVESTMENT IN AFFILIATE - Loss from investment in affiliate of \$0.2 million represents TSX Group's share of CanDeal's loss for the first half of 2005, based on TSX Group's approximate 45% interest in CanDeal. The decrease of \$0.5 million in the loss from \$0.7 million in the first half of 2004 reflects a combination of increased revenue and a reduction in operating costs.

INVESTMENT INCOME - Investment income of \$3.8 million in the first half of 2005 increased by \$1.9 million, or 100%, compared with \$1.9 million in the first half of 2004. The change is primarily attributable to improved performance on investments in the short-term bond and mortgage fund and an increase in the amount of cash and marketable

securities available for investment during the first half of 2005 compared with the same period during 2004.

INCOME TAXES – Restated income taxes were \$23.8 million for the first half of 2005, compared with restated income taxes of \$17.8 million in the first half of 2004. The effective tax rate of approximately 34% as restated for the first half of 2005 remained unchanged from the restated effective tax rate for the first half of 2004.

LIQUIDITY, CAPITAL RESOURCES AND DEFERRED REVENUE

CASH AND MARKETABLE SECURITIES - Cash and marketable securities were \$219.9 million at June 30, 2005, an increase of \$48.3 million, compared with \$171.6 million at December 31, 2004. Cash generated from operations of \$74.2 million for the first half of 2005 was partially offset by two dividends of 20 cents per common share, or \$27.2 million in aggregate. The implementation of EIC-141 had no impact on cash flows from operating activities.

NGX COLLATERAL ARRANGEMENTS AND CLEARING BACKSTOP FUND

As part of its clearing operations, NGX becomes the counterparty to each transaction, thereby guaranteeing the performance of every contract that is executed on its electronic trading platform. To backstop its clearing operations, NGX has a credit agreement in place with a Canadian chartered bank. TSX Group is NGX's guarantor for this credit agreement up to a maximum of \$30.0 million ("TSX Guarantee"). TSX Group has pledged \$30.0 million of marketable securities related to its obligations as guarantor. In addition, NGX has covenanted under the agreement to maintain a minimum of \$9.0 million of tangible net worth. If NGX suffers a loss on its clearing operations, it could lose its entire tangible net worth. The bank could also realize on the TSX Guarantee, to the extent required to cover the loss.

NGX requires each counterparty (the "Contracting Party") to provide collateral in the form of cash or letters of credit based on the margins required for its unsettled contractual

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

TOTAL ASSETS – Restated total assets were \$966.8 million at June 30, 2005, a decrease of \$69.5 million from restated total assets of \$1,036.3 million at the end of 2004. The decrease is primarily due to lower energy contract receivables of \$475.4 million related to the clearing operations of NGX (\$608.4 million at December 31, 2004) offset by increased marketable securities and accounts receivable at June 30, 2005. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contract payables, which were \$473.7 million at June 30, 2005 (\$607.5 million at December 31, 2004).

DEFERRED REVENUE – INITIAL AND ADDITIONAL LISTING FEES – Deferred revenue – initial and additional listing fees was \$248.9 million at June 30, 2005, an increase of \$28.7 million from \$220.2 million at December 31, 2004. Prior to adopting EIC-141, there was no deferred revenue related to initial listing fees and additional listing fees. This deferred revenue represents non-refundable initial and additional listing fees received from listed issuers, and is recognized on a straight line basis over an estimated service period of ten years.

The estimated service period of ten years was determined by conducting an historical review of listing activity. TSX Group determined that the average period of time that an issuer remained listed on Toronto Stock Exchange was approximately ten years. In addition, turnover rates were calculated for a Toronto Stock Exchange listed issuer and for a TSX Venture Exchange listed issuer, and were determined to be in the range of ten to twelve years. Examining historical data allowed TSX Group to consider the impact of

economic cycles and other trends in capital markets over time. The service period selected affects the rate at which deferred revenue is recognized, as well as the future tax asset related to these fees.

SHAREHOLDERS' EQUITY – Restated shareholders' equity was \$153.7 million at June 30, 2005, an increase of \$24.2 million from restated shareholders' equity of \$129.5 million at the end of 2004. The increase is primarily attributable to restated net income of \$46.8 million in the first half of 2005, offset by dividend payments of \$27.2 million.

At June 30, 2005 there were 68,055,202 common shares issued and outstanding and 5,044,980 common shares reserved for issuance under TSX Group's share option plan. During the first half of 2005, options to purchase 274,620 common shares were exercised. At June 30, 2005, 1,290,168 options were outstanding.

At July 26, 2005 there were 68,055,202 common shares issued and outstanding and 1,290,168 options outstanding under the share option plan.

CASH FLOWS FROM OPERATING ACTIVITIES - Cash flows from operating activities were \$39.1 million in the second quarter of 2005, compared with \$32.2 million in the second quarter of 2004, representing an increase of \$6.9 million. The implementation of EIC-141 had no impact on cash flows from operating activities. A significant contributor to cash flows in the second quarter of 2005 was \$27.0 million of restated net income excluding amortization** (\$19.4 million as restated for the second quarter of 2004).

For the first half of 2005, cash flows from operating activities were \$74.2 million compared with \$76.5 million for the first half of 2004, representing a decrease of \$2.3 million. Cash flows in the first half of 2005 increased by \$53.2 million related to restated

** See discussion under the heading Non-GAAP Financial Measures.

net income excluding amortization** (\$40.2 million as restated for the first half of 2004). In addition, cash flows were increased by the receipt of listing fees, which is reflected in the increase in restated deferred revenue of \$54.9 million (as compared with an increase in deferred revenue of \$51.8 million as restated for the first half of 2004). However, cash flows were reduced by the decrease in income taxes payable in the first half of 2005 of \$11.9 million (as compared with an increase in cash flows resulting from an increase in income taxes payable of \$6.4 million in the first half of 2004). Cash flows were also reduced by the increase in the future tax asset of \$10.2 million as restated for the first six months of 2005 (as compared with an increase in the future tax asset of \$12.4 million as restated for the first half of 2004).

CASH FLOWS USED IN INVESTING ACTIVITIES - Cash flows used in investing activities were \$26.1 million in the second quarter of 2005, compared with \$20.1 million in the second quarter of 2004, representing an increase of \$6.0 million. During the second quarter of 2005, \$24.9 million was invested in marketable securities and there were \$1.2 million of capital expenditures, which were primarily related to further technology investments targeted at maintaining our best in class systems. During the second quarter of 2004, \$18.3 million was invested in marketable securities and there were \$1.7 million of capital expenditures related to technology investments.

For the first half of 2005, cash flows used in investing activities were \$52.6 million, compared with \$50.9 million in the first half of 2004, representing an increase of \$1.7 million. During the first half of 2005, \$50.6 million was invested in marketable securities and there were \$2.0 million of capital expenditures primarily related to further technology investments and leasehold improvements. During the first half of 2004, \$27.2 million was used in investing activities related to the purchase of NGX, and \$19.2 million was invested in marketable securities. In addition, during the first half of 2004 there

** See discussion under the heading Non-GAAP Financial Measures.

were \$4.6 million of capital expenditures related to technology investments and renovation of the TSX Conference Centre.

STRATEGY AND OUTLOOK

TORONTO STOCK EXCHANGE TRADING FEE REVISIONS

With the goals of increasing trading volumes, attracting new participants, and enhancing the competitive position of Toronto Stock Exchange against other marketplaces, TSX Markets is introducing trading fee revisions. Past changes in trading fees have contributed to strengthened customer relationships and helped to augment liquidity. The trading fee revisions are an element of TSX Group's strategy to profitably increase its share of interlisted stock trading and expand its competitive position as the central market of price discovery and information for Canadian issues.

Effective October 1, 2005, TSX Markets plans to introduce, on a one year trial basis, a volume based trading fee structure on issues that are interlisted on Toronto Stock Exchange and either NASDAQ or AMEX. The trial introduction of this volume based fee structure is intended to better align trading fees with the prevailing model in U.S. marketplaces, with the goal of capturing more interlisted trading volume. This new volume based fee structure will affect approximately 113 issues and will replace the current value based fee model for these issues. When liquidity is added to the central limit order book, each booked and subsequently executed passive order will receive a credit of \$0.00275 per share to a maximum of \$50. When liquidity is removed from the central limit order book, each executed active order will be charged \$0.004 per share to a maximum of \$100. Crosses are charged \$0.004 per share (each side pays 1/2) to a maximum of \$50. Trades under this new fee model are not eligible for existing discounts based on value or number of transactions, except with reference to the cross printing facility (qualification and credits for participation in this facility remain unchanged).

Trading fees for all other issues listed on Toronto Stock Exchange remain under the current value based fee system. TSX Markets plans to reduce the cost of trading these issues in two phases. Effective October 1, 2005, the charge of 1/50th of 1% on the value of executed active orders will be reduced to 1/55th of 1%, and on January 1, 2006, a further reduction to 1/60th of 1% will be implemented. All other aspects of the value based trading fee system remain unchanged, including the maximum charge of \$50 per trade, cross fees and discount methodology.

It is anticipated that these changes to the trading fee structure should result in increased trading volumes and improve TSX Group's competitive position. It is possible that the decrease in trading fees could reduce trading and related revenue by about 8 to 10 percent on an annual basis if offsetting benefits are not realized. However, lower transaction costs tend to augment liquidity by increasing the attractiveness of Toronto Stock Exchange as a trading venue.

OUTLOOK

TSX Group remains confident in its previously stated goal of long-term annual earnings per share growth in the 10 to 12 percent range although it expects to see variation in growth rates on both a quarterly and annual basis. TSX Group is committed to pursuing the many opportunities that surround it for enhancing its core business, extending its pre-eminent position within Canada through diversification and expanding beyond its borders.

FORWARD-LOOKING STATEMENTS, RISKS AND UNCERTAINTIES

This revised MD&A, in particular the sections under the heading "Strategy and Outlook," includes forward-looking statements, which are not historical facts but are based on certain assumptions and reflect TSX Group's current expectations. The business of TSX Group and these forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current

expectations. Some of the risk factors that could cause actual results or events to differ materially from current expectations are: levels of market activity that are outside of TSX Group's control; its cost structure being largely fixed; competition from other marketplaces, including alternative trading systems; new technologies; adverse effect of new business activities; failure to implement its strategy; failure to develop or gain acceptance of new products; dependence of the trading and market data operations on a small number of clients; dependence on the economy of Canada; dependence on information technology; dependence on suppliers for a number of important services; risks of litigation; changes in regulation; and the risks associated with NGX's clearing operations. A description of the above mentioned items and certain additional risk factors are discussed in TSX Group's materials filed with the securities regulatory authorities in Canada from time to time, including its Revised 2004 Annual MD&A and Revised 2004 Annual Information Form (when refiled) as well as its Revised First Quarter 2005 MD&A. The risk factors outlined in the previously mentioned documents are specifically incorporated herein by reference. TSX Group's business, financial condition, or operating results could be materially adversely affected if any of these risks and uncertainties were to materialize. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

QUARTERLY INFORMATION

The following is a summary of quarterly unaudited results. In this section, revenue, net income and earnings per common share (basic and diluted) have been restated due to the implementation of EIC-141:

(in thousands of dollars except per share amounts)

	June 30 /05 (Restated)	Mar 31 /05 (Restated)	Dec 31 /04 (Restated)	Sept 30 /04 (Restated)	June 30 /04 (Restated)	Mar 31 /04 (Restated)	Dec 31 /03 (Restated)	Sept 30 /03 (Restated)
Revenue	\$68,621	\$69,746	\$63,786	\$59,472	\$59,342	\$60,830	\$53,518	\$48,820
Net Income	23,748	23,075	18,600	15,587	16,187	18,116	23,532	13,077
Earnings per share:								
Basic	0.35	0.34	0.27	0.23	0.24	0.27	0.35	0.19
Diluted	0.35	0.34	0.27	0.23	0.24	0.26	0.35	0.19

Revenue improved in the fourth quarter of 2003 compared with the third quarter of 2003 primarily due to increased trading activity. Expenses were higher in the fourth quarter of 2004 compared with the same quarter of 2003 primarily due to additional share-based compensation expense. In the fourth quarter of 2003, the Ontario government enacted legislation to increase the provincial corporate income tax rate from 12.5% to 14.0% effective January 1, 2004. As a result of this change in the provincial corporate tax rate, the value of the restated future tax asset was increased and restated income tax expense decreased by \$11.6 million. Net income for the fourth quarter of 2003 increased compared with the third quarter of 2003 due to the increased revenue and reduction in restated income tax expense, somewhat offset by higher expenses.

Trading activity was strong in the first quarter of 2004, which resulted in improved revenue compared with revenue in the fourth quarter of 2003. In the second quarter of 2004, revenue and net income were lower compared with revenue and net income in the first quarter of 2004 due to reduced trading activity. Net income for the third quarter of 2004 declined when compared with net income for both the first and second quarters of 2004 primarily due to higher general and administrative costs. Trading activity increased in September, 2004 and continued into the fourth quarter, resulting in significantly increased trading revenue. Net income for the fourth quarter of 2004 increased compared with net income for each of the first three quarters of 2004 primarily due to the increased revenue. Expenses in the fourth quarter of 2004 were significantly lower than the third quarter of 2004 due to substantially lower general and administrative costs, which also contributed to the increase in net income for the fourth quarter of 2004 compared with net income for the third quarter of 2004.

Revenue in the first quarter of 2005 improved over revenue in the fourth quarter of 2004 due to higher trading, market data and restated listing revenue. This increased revenue was the primary driver of the increase in net income for the first quarter of 2005 compared with net income for the fourth quarter of 2004. Revenue in the second quarter of 2005 declined slightly from revenue in the first quarter of 2005 primarily due to lower trading revenue. Net income for the second quarter of 2005 improved over net income for the first quarter of 2005 primarily due to lower compensation and benefits expense.

NON-GAAP FINANCIAL MEASURES

Certain measures used in this revised MD&A, specifically Initial Listing Fees Received and Additional Listing Fees Received, revenue, net income and earnings per common share (basic and diluted) without giving effect to the implementation of EIC-141, do not have standardized meanings prescribed by Canadian GAAP. These other measures are intended to provide an alternative view as to how fees received from initial and additional listings activity in the current period would impact the financial results of the business. In addition, net income excluding amortization does not have a standardized meaning prescribed by Canadian GAAP. These measures are unlikely to be comparable to similar measures presented by other issuers.

TSX Group's interim financial statements have been prepared in accordance with Canadian GAAP and are reported in Canadian dollars. TSX Group Inc.'s second quarter, 2005 unaudited restated consolidated financial statements along with this revised MD&A may be accessed through www.sedar.com or on the TSX Group website at www.tsx.com. Additional information about TSX Group, including its Revised 2004 Annual Information Form (when refiled), is available through www.sedar.com.

November 16, 2005 (as revised)