

interim report

Q2
ended June 30, 2006

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Table of Contents

Message to Our Unitholders	2
Management's Discussion and Analysis	3
Unaudited Interim Consolidated Financial Statements	21
Notes to Unaudited Interim Consolidated Financial Statements	26



Fellow Unitholders,

In the second quarter, GMP Capital Trust continued to demonstrate solid financial performance and progress in each of our operations. Despite more difficult market conditions in the latter part of the quarter, we achieved strong year-over-year growth in investment banking, sales and trading and wealth management. This growth is evidence that our entrepreneurial culture and work ethic are enabling us to deliver solid financial results even in soft-to-down market conditions.

At GMP Securities, investment banking revenue was \$45.3 million, an increase of 10.5% over the second quarter last year. Sales and trading again showed tremendous performance with revenue of \$25.7 million, up 48.5% over the comparable period last year. Despite a 7.4% decline in total trading volume on the Toronto Stock Exchange quarter-over-quarter, GMP Securities continued to gain market share in block trading volume, increasing its market share to 13.2% from 12.0% while maintaining its number one ranking. GMP Securities added talent to its existing strong team with the addition of three experienced investment professionals in the quarter, as we continued to broaden our franchise and build new relationships.

We also continued to see progress at GMP Private Client in the quarter. Revenue of \$5.8 million represents a four-fold improvement over the second quarter last year. GMP Private Client achieved quarter-over-quarter growth in both the number of investment advisory teams and assets under administration to 19 and \$2.4 billion, respectively. The recruitment pipeline of investment advisors continues to grow as GMP Private Client demonstrates the effectiveness of its business model and the opportunity of equity ownership continues to attract new hires. We remain convinced that GMP Private Client offers the best platform within Canada for experienced and entrepreneurial investment advisors and believe it is positioned for continued growth.

Despite the volatile market conditions experienced in the latter part of the quarter, we continued to deliver industry-leading returns on unitholders' equity. Our ROE of 53.6% for the quarter demonstrates our ability to achieve strong results in less favourable markets as well as the strength of our franchise.

After quarter end, we closed the acquisition of EdgeStone Capital Partners, L.P. EdgeStone represents a significant growth opportunity for us as we continue to execute the growth strategy initially communicated to shareholders at the time of our initial public offering in December 2003. The combination of our integrated brokerage model with an industry-leading private equity manager will enable us to provide our clients with a broader range of investment products. From idea generation to wealth creation to wealth preservation, we are able to offer our clients the services they require to achieve their goals as they progress from visionary entrepreneur to high-net-worth investor.

We continue to remain excited about our future. Our recent inclusion in the S&P/TSX SmallCap Index has raised investor awareness and should increase trading liquidity. Inclusion in such indices provides us with the opportunity to build our brand and reputational franchise which, in our view, are critical to pursuing our vision of being the pre-eminent independent investment dealer in Canada.

While it is difficult to predict the level of capital market activity that will occur in the second half of 2006, we remain confident that we are well positioned to respond positively to whatever market conditions prevail for the balance of the year. We continue to maintain seasoned and talented professionals and staff, enjoying long-term employee retention and we continue to attract new talent to fill in the ranks as we grow. The entrepreneurship and hard work of our employees continues to provide us with a wealth of opportunity. We look forward to capitalizing on these opportunities for the benefit of our employees, clients and unitholders.



Kevin Sullivan
Chief Executive Officer

management's
discussion and analysis

for the three and six months ended June 30, 2006



About This Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") relates to the second quarter ended June 30, 2006 ("second quarter 2006"), which reflects the three-month period from April 1, 2006, to June 30, 2006; and the first six months of fiscal 2006 ("first half 2006"), which reflects the six-month period from January 1, 2006 to June 30, 2006. Comparative figures relate to the three and six months ended July 31, 2005 ("second quarter 2005" and "first half 2005", respectively).

This MD&A has been prepared with an effective date of August 9, 2006. All amounts are in Canadian dollars and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), unless otherwise specified herein. See "Presentation of Financial Information and Non-GAAP Measures". The MD&A should be read in conjunction with the Fund's unaudited interim consolidated financial statements as at and for the three months ended June 30, 2006 and the Fund's management's, discussion and analysis for the 11 months ended December 31, 2005 (the "2005 Annual MD&A"), which can be accessed on the Fund's website at gmpcapitaltrust.com and on SEDAR at sedar.com.

All references to the "Fund" refer to GMP Capital Trust. All references to "we", "our", "us" and "Fund Group" refer to the Fund, together with its consolidated operations. All references

to "unitholders" refer collectively to holders of trust units of the Fund ("Fund units") and holders of Class B limited partner units ("Exchangeable L.P. units") issued by Griffiths McBurney L.P. All references to "units" refer collectively to the Fund units and the Exchangeable L.P. units. All references to "Fund unitholders" refer to holders of Fund units. All references to "GMP Holding Partnership" refer to Griffiths McBurney L.P. All references to "GMP Securities" refer to the investment banking, sales and trading and research segment of the Fund, which includes the following main operating subsidiaries: GMP Securities L.P. and Griffiths McBurney Corp. All references to "GMP Private Client" refer to GMP Private Client L.P. All references to the "Conversion" refer to the conversion of GMP Capital Corp. from a corporate entity into GMP Capital Trust, an income trust, on December 1, 2005. All references to the "Administrator" refer to Griffiths McBurney Canada Corp., the administrator of the Fund. All references to "management" refer to directors, officers and other senior officers of the Administrator, unless otherwise stated. All references to the "Company" refer to the Fund's predecessor, GMP Capital Corp., and its subsidiaries prior to the completion of the Conversion. All references to "shareholders" refer to common shareholders of the Company. All references to "common shares" refer to common shares of the Company. All references to "Operating Partnerships" refer to GMP Securities L.P. and GMP Private Client.

Presentation of Financial Information and Non-GAAP Measures

Financial results, including related historical comparatives, contained in this MD&A have been prepared using the continuity of interests method of accounting. The historical comparatives reflect the Conversion, and accordingly, the financial results for the period from December 1, 2005 to June 30, 2006, are those of the Fund and results for the period from February 1, 2005 to November 30, 2005, are those of the Company.

Because of the differences in accounting between the Fund and the Company, we have presented certain non-GAAP measures, in addition to the financial statements of the Fund, to assist in comparing the historical financial performance to the Fund's results. Such *pro forma* information is intended to reflect the financial results of the Company as if it had carried on business as an income trust. These non-GAAP measures are presented as *pro forma* net income, *pro forma* basic earnings per unit and *pro forma* diluted earnings per unit.

Non-GAAP earnings measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP earnings measures should not be considered as alternatives to net income or comparable metrics determined in accordance

with GAAP as indicators of the Fund's performance, liquidity, cash flows and profitability.

In addition, the Fund Group uses non-GAAP measures to assess its financial performance. The Fund Group evaluates the performance of its consolidated operations using an annualized return on equity ("ROE"). Our ROE calculations are based on net income available to unitholders/shareholders divided by total average unitholder equity/shareholder equity for the period. Assets under administration ("AUA") is a non-GAAP measure of client assets that is used by management to assess the performance of GMP Private Client. AUA is the market value of client assets administered by GMP Private Client in respect of which GMP Private Client earns commissions or fees. Earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") is a key measure in the determination of cash available for distribution by the Operating Partnerships to the partners within the Fund Group. Distributable cash is presented because the Fund intends to continue to make monthly cash distributions. Management believes that distributable cash and distributable cash per unit are useful financial measures of operating performance as they provide investors with an

indication of cash available for distribution and are measures generally used by Canadian income funds as an indicator of financial performance. The Fund's method of determining distributable cash is derived from EBITDA, which in turn is derived from net income, a measure recognized under GAAP. Distributable

cash per unit, which is a non-GAAP measure, has been calculated on a basis consistent with that prescribed by GAAP for calculating net income per unit. The payout ratio is a non-GAAP measure of the Fund's cash distributions declared during a reporting period stated as a percentage of distributable cash.

Forward-Looking Statements

This MD&A may contain "forward-looking statements" (as defined under applicable securities laws) concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs, expectations, estimates and projections regarding future events, many of which, by their nature, are inherently uncertain and beyond our control. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in the Fund's regulatory filings, which are available on our website at gmppcapitaltrust.com and on SEDAR at sedar.com. The Fund Group's primary business activities, by their nature, are both competitive and subject to various risks. The primary risks include, without limitation, variations in the value of securities, the volatility and liquidity of equity trading markets and

the volume of new financings and mergers and acquisitions. Other factors, such as general economic conditions and credit risk also may have an impact on the Fund Group's results of operations. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. For a description of risks that could cause our actual results to materially differ from our current expectations, please see "Risk Factors" detailed in the 2005 Annual MD&A, and also "Description of the Business – Risk Management" in our annual information form dated March 16, 2006.

Overview and Strategy

The Fund Group operates in two segments through GMP Securities and GMP Private Client. The GMP Securities segment includes the following main operating subsidiaries: GMP Securities L.P. and Griffiths McBurney Corp. GMP Securities L.P. is a leading independent Canadian investment dealer focused on providing investment banking and institutional equity products and services to corporate clients and institutional investors. Griffiths McBurney Corp. services institutional investors in the United States. GMP Private Client is a full-service investment firm focused on high-net-worth private investors that provides wealth preservation, income and growth strategies delivered by seasoned investment advisors.

On July 4, 2006, the Fund announced the completion of the acquisition of EdgeStone Capital Partners, L.P. ("EdgeStone"), the manager of the EdgeStone group of funds, together with a portion of the carried interest entitlements in EdgeStone's funds. EdgeStone is one of Canada's leading private equity firms, with offices in Toronto and Montreal, and has managed in excess of \$2.0 billion of private capital on behalf of institutional and high-net-worth clients.

Management believes that EdgeStone will help to facilitate the strategic execution of the Fund's goal of building a trusted brand that excels in guiding clients along the path from idea generation to wealth creation to wealth preservation, advising the client each step of the way as they develop from visionary entrepreneur to leader of a publicly traded company to high-net-worth individual. In turn, management believes that GMP Securities and GMP Private Client can provide EdgeStone and its limited partner investors with increased deal flow as a result of its relationships with a broad network of Canadian entrepreneurs as well as access to new sources of funding including high-net-worth investors. Financial details on this transaction are provided in the "EdgeStone Acquisition" section in this MD&A.

For a more comprehensive description of the Fund's operating segments, business strategies and objectives please refer to the 2005 Annual MD&A.

Business Environment and Market Outlook

The Canadian equity markets experienced a slowdown in the second quarter 2006 compared with the previous quarter. While the markets demonstrated improvement on a year-over-year basis, rising interest rates in Canada and increased volatility in commodity prices contributed to decreased momentum in the Canadian financial markets in the quarter, including a quarter-over-quarter decline of 7.4% in equity trading volume on the Toronto Stock Exchange ("TSX"). However, trading volume on the TSX for the second quarter did increase by approximately 45.2% over the same period in 2005. The S&P/TSX Composite Index closed the quarter at 11,613.9, representing a 17.3% increase over its closing level of 9,902.8 in the second quarter of calendar 2005. According to the *Financial Post's* Crosbie Mergers & Acquisitions summary report published on July 21, 2006, the dollar value of mergers and acquisitions ("M&A") transactions announced in Canada in the second quarter of calendar 2006

was approximately \$127.6 billion, representing an increase of 280.9% from the \$33.5 billion announced in the second quarter of calendar 2005. The number of M&A deals announced in the second quarter of calendar 2006 increased to approximately 477 from 399 in the same period in 2005. The mining and oil and gas sectors continued to dominate Canadian M&A activity, accounting for 65.4% and 11.1%, respectively, of the total value of M&A transactions announced in the second quarter of calendar 2006. While a slowdown in market activity is expected in the second half of 2006, particularly during the summer months when market activity is typically slow, our integrated business model and the flexibility inherent in operating as an independent investment firm allows us to adapt quickly to changes in the Canadian markets and may serve to lessen the affect of the cyclical nature of the markets.

Second Quarter and Year-to-Date Highlights

Selected financial information

(\$000, except per unit/common share and % amounts)	Three months ended		Change increase (decrease) ^a	Six months ended		Change increase (decrease) ^a
	June 30, 2006	July 31, 2005		June 30, 2006	July 31, 2005	
Revenue	78,830	64,151	22.9%	175,699	137,559	27.7%
Expenses	49,600	36,975	34.1%	103,851	77,905	33.3%
Income before income taxes	29,200	27,206	7.3%	71,811	59,682	20.3%
Net income	27,650	17,395	n/a	66,258	38,502	n/a
<i>Pro forma</i> net income ^{b, c}	n/a	25,467	8.6%	n/a	55,775	18.8%
Basic earnings per unit/common share ^d	\$0.48	\$0.31	n/a	\$1.15	\$0.68	n/a
Diluted earnings per unit/common share ^d	\$0.46	\$0.30	n/a	\$1.11	\$0.67	n/a
<i>Pro forma</i> basic earnings per unit ^b	n/a	\$0.45	6.7%	n/a	\$0.99	16.2%
<i>Pro forma</i> diluted earnings per unit ^b	n/a	\$0.44	4.5%	n/a	\$0.97	14.4%
Dividends paid per common share	n/a	\$0.15	n/a	n/a	\$0.30	n/a
Cash distributions declared per unit	\$0.3542	n/a	n/a	\$0.6668	n/a	n/a
Distributable cash per unit ^e	\$0.49	\$0.47	4.3%	\$1.17	\$1.01	15.8%
Return on equity	53.6%	40.0%	n/a	66.9%	46.4%	n/a
<i>Pro forma</i> return on equity ^b	n/a	58.5%	(4.9%)	n/a	67.2%	(0.3%)

- a The change comparisons are for the three and six months ended June 30, 2006, compared with the *pro forma* three and six months ended July 31, 2005 (where *pro forma* amounts are applicable). Where *pro forma* amounts are not applicable, the three and six months ended June 30, 2006, are compared with the actual results for the comparative periods.
- b These figures are considered non-GAAP measures. The selected *pro forma* data has been derived from and should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section in this MD&A. *Pro forma* data reflects such adjustments as are necessary, in the opinion of management, for a fair presentation of the results of operations and unitholders' equity of the Fund on a *pro forma* basis following the Conversion. Such *pro forma* information is intended to reflect the financial results of the Company as if it had carried on business as an income trust during the periods presented. This *pro forma* data is not necessarily indicative of the results that actually would have been achieved if the Conversion had taken place and been effective during those periods.
- c *Pro forma* net income reflects an adjustment to income tax expense to reflect the current tax attributes of the Fund Group under the income trust structure. The *pro forma* income tax expense reflects required taxes relating to corporate subsidiaries of the Fund and should be read in conjunction with the "Quarterly *Pro Forma* Net Income Reconciliation" section in this MD&A.
- d Comparative common shares outstanding have been restated to reflect a two-for-one exchange of one common share for two Fund units based on the average common shares outstanding for the applicable period.
- e Distributable cash per unit, a non-GAAP measure, is determined by dividing distributable cash by the basic weighted-average number of units outstanding for the applicable period, on a basis consistent with the determination of basic net income per unit.

Second Quarter 2006 Versus Second Quarter 2005

Revenue increased by \$14.7 million (or 22.9%) to \$78.8 million in the second quarter 2006, reflecting strong results in GMP Securities and continued growth in GMP Private Client. Despite the recent slowdown in trading volumes and equity underwriting in the Canadian marketplace, year-over-year performance was strong across all major businesses. GMP Securities achieved market share gains in both its institutional equities and investment banking businesses. Sales and trading revenue increased by \$8.4 million (or 48.5%) as GMP Securities maintained its number one ranking in equity block trading volume on the TSX

for the fourth consecutive quarter, increasing its market share to approximately 14.2% in the quarter from 11.0% in the second quarter of calendar 2005. The rise in investment banking revenue was driven by the continued momentum in M&A activity in the Canadian capital markets and GMP Securities' participation in a number of equity financings and advisory transactions in the mining and oil and gas sectors during this period. The results for the second quarter 2006 also include revenue of \$5.8 million generated by GMP Private Client, representing an increase of \$4.3 million as it continues the execution phase of its growth strategy.

Expenses in the second quarter 2006 increased \$12.6 million (or 34.1%) to \$49.6 million. Compensation and benefits expenses were \$38.7 million representing an increase of \$9.6 million (or 32.8%) resulting from higher variable incentive-based compensation expense and increased levels of employment. Variable incentive-based compensation expense accounted for \$7.9 million of the increase in expenses due to higher revenue generation. Non-compensation expenses were \$10.9 million representing an increase of \$3.0 million (or 39.2%) primarily due to higher brokerage, clearing and exchange fees related to higher transaction volumes at GMP Securities, higher interest expenses of \$0.9 million generated on higher client-related balances and higher selling, general and administrative expenses in GMP Private Client of \$0.9 million as a result of its growth.

Net income increased 8.6% to \$27.7 million (\$0.48 per unit) in the second quarter 2006 compared with *pro forma* net income of \$25.5 million (\$0.45 per unit) in the second quarter 2005. For the second quarter 2006, annualized ROE was 53.6% compared with *pro forma* ROE of 58.5% in the second quarter 2005. Distributable cash was \$28.4 million (\$0.49 per unit) in the second quarter 2006 compared with *pro forma* distributable cash of \$26.3 million (\$0.47 per unit) in the second quarter 2005.

First Half 2006 Versus First Half 2005

In the first half 2006, revenue increased by \$38.1 million (or 27.7%) from the first half 2005, to a record \$175.7 million. This increase was largely due to the record results achieved in our investment banking and institutional equities businesses in the first quarter 2006, which achieved increases of \$11.0 million and \$12.3 million, respectively, compared with the first half 2005. The results for the first half 2006 also reflect revenue of \$11.1 million related to GMP Private Client, representing an increase of \$9.6 million over the first half 2005 as GMP Private Client was not fully operational during that time.

Expenses for the first half 2006 increased \$25.9 million (or 33.3%) to \$103.9 million over expenses in the first half 2005. Expenses in the first half 2006 reflect compensation and benefits expenses of \$83.3 million which rose \$18.9 million (or 29.4%) due to higher variable incentive-based compensation expense which increased \$15.4 million and higher staffing levels primarily in support of GMP Private Client. Non-compensation expenses were \$20.6 million in the first half 2006, representing an increase of \$7.0 million (or 51.8%) from the first half 2005 in support of higher transaction volumes experienced at GMP Securities and growth in GMP Private Client.

Net income increased 18.8% to \$66.3 million (\$1.15 per unit) in the first half 2006 compared with *pro forma* net income of \$55.8 million (\$0.99 per unit) in the first half 2005. For the first half 2006, annualized ROE was 66.9% compared with *pro forma* ROE of 67.2% in the first half 2005. Distributable cash was \$67.4 million (\$1.17 per unit) in the first half 2006 compared

with *pro forma* distributable cash of \$56.8 million (\$1.01 per unit) in the first half 2005.

EdgeStone Acquisition

On July 4, 2006, GMP Holding Partnership and a subsidiary entity completed the acquisition of EdgeStone, together with a portion of the carried interest entitlements in EdgeStone's funds. Under the purchase agreement, GMP Holding Partnership and a subsidiary entity purchased all of the outstanding equity interests in EdgeStone and, indirectly, each of its subsidiary entities and partnerships, including the general partners of EdgeStone's funds. Carried interest entitlements purchased include a 30% interest in existing funds and a 25% interest in EdgeStone Capital Equity Fund III (Canada), L.P. ("Equity Fund III"). The calculation of the total investment, prior to post-closing adjustments, is as follows:

(\$000)	
Cash consideration	62,031
Issuance of 4,018,750 Exchangeable L.P. units	89,158
Transaction costs	1,140
Total Purchase Price	152,329
Additional investment – debt repaid on closing	15,157
Total Investment	167,486

The additional investment represents a further contribution of capital made by a subsidiary entity of the Fund into EdgeStone on July 4, 2006, to allow for repayment of EdgeStone's pre-existing debt of \$15.2 million related to retired partner obligations.

In addition, on July 4, 2006, the following transactions occurred:

- an agreement was reached to establish a retention program for key employees of EdgeStone with GMP Holding Partnership's contribution to the retention program not to exceed \$2.25 million; and
- GMP Holding Partnership entered into a subscription agreement to commit \$5.0 million in capital in Equity Fund III. This commitment will be paid over the commitment period when and as called pursuant to the terms of the limited partnership agreement of Equity Fund III.

Final cash consideration is subject to post-closing adjustments, which the Fund expects to be completed within 90 days following the acquisition date pending finalization of the closing financial statements. The Exchangeable L.P. units issued as partial purchase price consideration were valued using the average of the closing price of Fund units for the period beginning three business days before and ending three business days after June 16, 2006, the date the acquisition was publicly announced. These Exchangeable L.P. units are subject to an escrow agreement and will be released over a three-year period on each of the first three anniversary dates following the date of acquisition as follows: 40%, 30% and 30%.

To finance a portion of the acquisition, GMP Securities L.P. secured \$30 million in subordinated financing from a Schedule 1 bank and utilized \$25 million of the facility on July 4, 2006, the closing date of the acquisition.

The purchase price allocation has not been completed. The purchase price will be allocated amongst the identifiable assets acquired (including intangible assets) and liabilities assumed based on their estimated fair market values at the date of acquisition. The excess of the purchase price over the fair value of the identifiable net assets acquired will be allocated to goodwill.

Results of Business Segments

The following section highlights the results of the Fund Group's two business segments, GMP Securities and GMP Private Client, for the three and six months ended June 30, 2006. Our business segment results reflect revenue and expenses associated with the conduct of our business and allocations of enterprise-level costs. Business segment results also include inter-segment transactions, which are undertaken between GMP Securities and GMP Private Client. These inter-segment transactions do not financially impact our consolidated results and as such are not included in the presentation of the consolidated financial

condition and results of operations of the Fund Group. For further details relating to these amounts see Note 15 to the Fund's unaudited interim consolidated financial statements as at and for the three months ended June 30, 2006.

GMP Securities

The following table compares the results of GMP Securities for the three and six months ended June 30, 2006, with the three and six months ended July 31, 2005.

(\$000, unless otherwise indicated)	Three months ended		Change increase (decrease)	Six months ended		Change increase (decrease)
	June 30, 2006	July 31, 2005		June 30, 2006	July 31, 2005	
Revenue	73,287	62,756	16.8%	165,131	136,174	21.3%
Expenses	43,256	34,068	27.0%	91,828	74,424	23.4%
Employee compensation and benefits	34,494	27,661	24.7%	75,333	62,445	20.6%
Selling, general and administrative	7,179	5,714	25.6%	13,650	10,684	27.8%
Interest	1,419	529	168.2%	2,557	969	163.9%
Amortization	164	164	0.0%	288	326	(11.7%)
Income before income taxes and non-controlling interest	30,031	28,688	4.7%	73,303	61,750	18.7%
Number of employees	205	185	10.8%	205	185	10.8%

Second Quarter 2006 Versus Second Quarter 2005

Revenue within GMP Securities is comprised primarily of investment banking, and sales and trading revenue. GMP Securities also earns revenue from its principal trading activities and earns interest income on client balances and its own cash position.

Revenue from GMP Securities was \$73.3 million for the second quarter 2006, representing an increase of \$10.5 million (or 16.8%) compared with revenue reported in the second quarter 2005. This increase reflects strong sales and trading results, solid performance in GMP Securities' investment banking activities, higher interest and dividend income and lower returns on its principal investments.

The following table presents GMP Securities' investment banking revenue by sector for the three and six months ended

June 30, 2006, compared with the three and six months ended July 31, 2005.

(\$000, unless otherwise indicated)	Three months ended		Change increase (decrease)	Six months ended		Change increase (decrease)
	June 30, 2006	July 31, 2005		June 30, 2006	July 31, 2005	
Mining	23,135	2,478	833.6%	53,982	20,785	159.7%
Oil and gas	11,000	30,434	(63.9%)	25,022	55,229	(54.7%)
Industrials and special situations	4,984	4,755	4.8%	13,529	6,806	98.8%
Technology and healthcare	3,764	2,765	36.1%	4,663	4,545	2.6%
Non-bank financial services	1,500	16	9,275.0%	1,513	802	88.7%
Telecommunications, cable and media	966	604	59.9%	1,447	970	49.2%
Total Investment Banking Revenue	45,349	41,052	10.5%	100,156	89,137	12.4%

Investment banking revenue for GMP Securities was \$45.3 million in the second quarter 2006, representing an increase of \$4.3 million (or 10.5%) from revenue reported in the second quarter 2005. Mining was the strongest performing sector in the quarter, representing 51.0% of investment banking revenue. Oil and gas remained a significant contributor, representing 24.3% of revenue in the second quarter 2006 compared with 74.1% in the second quarter 2005. Investment banking revenue in the second quarter 2006 was driven by \$17.4 million in advisory fees, largely generated from activity in the mining and oil and gas sectors. GMP Securities ranked fifth among financial advisors in the number of M&A transactions announced in Canada in the second quarter of calendar 2006 with nine transactions, down from second position in the second quarter of calendar 2005. However, the total value of these deals doubled to approximately US\$4.2 billion from approximately US\$2.1 billion last year.¹ GMP Securities' involvement in increasingly larger deals is a testament to its growing franchise and distribution capabilities. Underwriting revenue of \$27.9 million in the second quarter 2006 reflected significant fees reported in the mining, oil and gas, and technology sectors. GMP Securities ranked second among Canadian investment dealers in the dollar value of common equity issuance in the second quarter of calendar 2006 (up from third position in the second quarter of calendar 2005). The total dollar value of common equity underwriting transactions led by GMP Securities increased by 53.9% to approximately \$660.2 million from approximately \$429.0 million in the same period in calendar 2005.²

Sales and trading revenue for GMP Securities increased \$8.4 million (or 48.5%) to \$25.7 million in the second quarter 2006 compared with that reported in the second quarter 2005. The increase is attributable to market share gains in block trading volume on the TSX, which were achieved despite higher facilitation losses this quarter that reached 19.0% of gross commissions generated (compared with 3.4% in the second quarter 2005). The rise in facilitation losses is attributable to increased volatility in equity pricing, particularly in the commodity sectors where GMP Securities actively executes trades on behalf of its clients. While GMP Securities endeavours to limit facilitation losses, it believes that loss ratios at the level experienced in 2005 are unlikely to continue over the long term and generally reflected the higher liquidity and lower volatility experienced during that period. GMP Securities expects ratios to remain closer to its three-year average of 18.0%. For the second quarter of calendar 2006, GMP Securities ranked number one in block trading volume on the TSX (up from second in the second quarter of calendar 2005), increasing its market share to approximately 13.2% from 10.8% achieved in the second quarter of calendar 2005 and trading in excess of 2.0 billion shares for the first time in GMP Securities' history compared with 1.2 billion shares traded in the second quarter of 2005.³

A loss of \$1.9 million was recorded in GMP Securities' principal activities in the second quarter 2006 compared with a net gain of \$2.2 million reported in the second quarter 2005.

¹ Source: Bloomberg. Data contains announced transactions based in Canada in the specified period; includes target or seller and acquirer.

² Source: Financial Post Data Group as at July 7, 2006. Data is ranked by value of transactions and is presented on a "Full Credit to Book" basis whereby the entire transaction value is allocated to the bookrunner. For these purposes, "equity" includes the following: private placements with a \$1.5 million minimum; special warrants, irrespective of whether the issuer has received the total proceeds; common shares and units; convertible debt; and exercise of over-allotment option of original transaction launched during the period reported on. For these purposes, "equity" excludes the following: preferred shares, preferred hybrids, income trusts, rights offerings, and other derivatives.

³ Source: *CanadaEquity.com*. Market share data excludes debentures.

The loss resulted from net unrealized losses reported in the second quarter 2006 on broker warrants and other securities acquired in connection with GMP Securities' participation in financings in current and prior periods. Revenue from principal activities is not a significant focus of GMP Securities' current operations with most securities acquired incidental to the core business.

Interest and dividend income within GMP Securities increased to \$4.0 million in the second quarter 2006, representing an

increase of \$1.9 million (or 87.3%) from the second quarter 2005. The increase is due to interest earned on higher client receivable balances and GMP Securities' own cash position.

The following table presents employee compensation and benefits expenses for the three and six months ended June 30, 2006, compared with the three and six months ended July 31, 2005. These expenses represent the largest component of GMP Securities' total expenses.

(\$000, unless otherwise indicated)	Three months ended		Change increase (decrease)	Six months ended		Change increase (decrease)
	June 30, 2006	July 31, 2005		June 30, 2006	July 31, 2005	
Fixed salaries and benefits	3,750	3,160	18.7%	7,323	6,281	15.0%
Variable incentive-based compensation	29,033	23,175	25.3%	64,403	53,386	20.6%
Fund unit/stock-based compensation	1,711	1,326	29.0%	3,607	2,778	33.5%
Total Employee Compensation and Benefits	34,494	27,661	24.7%	75,333	62,445	20.6%
Ratio of Total Compensation and Benefits to Revenue	47.1%	44.1%	3.0%	45.6%	45.9%	(0.3%)

GMP Securities' total expenses in the second quarter 2006 were \$43.3 million, representing an increase of \$9.2 million (or 27.0%) from the second quarter 2005. Employee compensation and benefits expenses were \$34.5 million, representing an increase of \$6.8 million from the second quarter 2005. This increase was mainly due to higher variable incentive-based compensation expenses, which accounted for \$5.9 million of the increase as a result of higher revenue generation. Variable incentive-based compensation as a percentage of revenue was 39.6% in the second quarter 2006 compared with 36.9% in the second quarter 2005. Changes in this ratio are primarily due to fluctuations in revenue which are excluded from the variable incentive-based compensation pool, including revenue from certain principal investments and interest and dividend revenue. Fixed salaries and benefits of \$3.8 million in the second quarter 2006 represent an 18.7% increase over the second quarter 2005 reflecting 10.8% growth in the number of employees at GMP Securities over the same period. The increase in staff costs reflects the addition of salaried staff primarily in the operations, finance and administrative areas to support growth in business volume and activity. Fund unit/stock-based compensation costs, which include the executive unit loan plan and Fund unit option plan, have increased reflecting higher participation in the executive unit loan plan and an increase in the fair value of options outstanding in the second quarter 2006 compared with the second quarter 2005.

The ratio of total compensation and benefits expenses to revenue for the second quarter 2006 was 47.1% compared with 44.1% in the second quarter 2005. This increase results from higher staffing levels and growth in Fund unit-based compensation

programs. Despite the increase, the ratio continues to compare favourably with that of our peer group of independent investment dealers in both Canada and the United States.

Total non-compensation expenses were \$8.8 million for the second quarter 2006, representing an increase of \$2.4 million (or 36.8%) over the second quarter 2005. Non-compensation expenses increased principally due to higher selling, general and administrative expenses, which rose \$1.5 million due to increased levels of business activity. Ticket processing charges, clearing fees and communication expenses were higher, reflecting increased transaction volumes. Travel and promotion expenses also increased in support of higher levels of business activity. Interest expenses increased by \$0.9 million due to higher client-related balances.

For the second quarter 2006, GMP Securities recorded income before income taxes and non-controlling interest of \$30.0 million, representing an increase of \$1.3 million (or 4.7%) from the second quarter 2005.

First Half 2006 Versus First Half 2005

Revenue from GMP Securities reached a record \$165.1 million for the first half 2006, representing an increase of \$29.0 million (or 21.3%) compared with the first half 2005. This increase reflects exceptionally strong performances by the institutional equities and investment banking businesses as a result of favourable market conditions in early 2006 and continued market share gains. During the first half 2006, GMP Securities also earned higher interest and dividend income, and higher returns on its principal investments.

Investment banking revenue for GMP Securities reached a record \$100.2 million for the first half 2006, representing an increase of \$11.0 million (or 12.4%) from that reported in the first half 2005. GMP Securities ranked second among financial advisors in the number of M&A transactions announced in Canada in the first half 2006, up from third position in the first half of calendar 2005. GMP Securities acted as financial advisor on 19 M&A transactions in the first half 2006 compared with 18 transactions in the same period in 2005. The total dollar value of the M&A transactions in which GMP Securities acted as financial advisor increased by 138.5% to approximately US\$6.2 billion from approximately US\$2.6 billion in the first half of calendar 2005. GMP Securities ranked number one among Canadian investment dealers in the dollar value of common equity issuance in the first half 2006 (unchanged from the first half of calendar 2005). However, the total dollar value of common equity underwriting transactions led by GMP Securities increased 36.4% to approximately \$1.5 billion from approximately \$1.1 billion in the same period in 2005.

Sales and trading revenue for GMP Securities increased \$12.3 million (or 30.2%) to \$52.8 million in the first half 2006 compared with the first half 2005. The increase was largely attributable to market share gains in block trading volume on the TSX. During the first half 2006, GMP Securities ranked number one in block trading volume (up from second in the first half of calendar 2005). GMP Securities increased its market share in block trading volume to approximately 12.6% from 11.0% in the first half of calendar 2005, trading approximately 4.0 billion shares compared with 2.6 billion in the same period in 2005.

Revenue from principal activities was \$3.5 million in the first half 2006, representing an increase of \$1.3 million from the first half 2005. The results reflect overall net gains within the portfolio, presenting a combination of realized and unrealized amounts.

Interest and dividend income within GMP Securities increased to \$8.1 million in the first half 2006, representing an increase of \$3.9 million (or 92.9%) from that reported in the first half 2005.

The increase is due to interest earned on higher client receivable balances and GMP Securities' own cash position.

GMP Securities' total expenses in the first half 2006 were \$91.8 million, representing an increase of \$17.4 million (or 23.4%) from the first half 2005. Employee compensation and benefits expenses of \$75.3 million represents an increase of \$12.9 million from the first half 2005. The rise was largely due to higher variable incentive-based compensation expenses, which accounted for \$11.0 million of the increase resulting from higher revenue generation. Variable incentive-based compensation as a percentage of revenue remained relatively stable at 39.0% in the first half 2006 compared with 39.2% in first half 2005. Fixed salaries and benefits of \$7.3 million in the first half 2006, represents an increase of 15.0% over the first half 2005, reflecting the addition of salaried staff to support growth in business volumes and activity. The ratio of total compensation and benefits expenses to revenue for the first half 2006 was 45.6% compared with 45.9% in the first half 2005. This ratio continues to compare favourably with that of our peer group of independent investment dealers in both Canada and the United States.

Total non-compensation expenses were \$16.5 million for the first half 2006, representing an increase of \$4.5 million (or 37.7%) over the first half 2005. The rise in non-compensation expenses was principally due to increased levels of business activity. Interest expenses accounted for \$1.6 million of the increase in non-compensation expenses due to higher client-related activity in this period.

For the first half 2006, GMP Securities recorded income before income taxes and non-controlling interest of \$73.3 million, representing an increase of \$11.6 million (or 18.7%) from the first half 2005.

GMP Private Client

The following table compares the results of GMP Private Client for the three and six months ended June 30, 2006, with the three and six months ended July 31, 2005.

(\$000, unless otherwise indicated)	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005	June 30, 2006	July 31, 2005
Revenue	5,799	1,487	11,089	1,532
Expenses	6,600	2,999	12,544	3,628
Employee compensation and benefits	4,252	1,515	7,916	1,888
Selling, general and administrative	1,985	1,117	3,951	1,309
Interest	2	89	2	144
Amortization	361	278	675	287
Loss before income taxes and non-controlling interest	(801)	(1,512)	(1,455)	(2,096)
Number of employees	65	27	65	27
Number of investment advisors	23	10	23	10
Number of advisory teams	19	10	19	10
Assets under administration (\$millions)	2,361	878	2,361	878

As of the date hereof, GMP Private Client has a total of 19 investment advisory teams located in its offices in Calgary, Toronto and Vancouver with AUA of \$2.5 billion.

Location	Advisory Teams		
	At August 9, 2006	At June 30, 2006	At July 31, 2005
Toronto	12	12	7
Calgary	5	5	3
Vancouver	2	2	n/a
Total	19	19	10

During the second quarter 2006, GMP Private Client added one new advisory team in each of its Toronto and Calgary offices. AUA for the quarter increased \$0.1 billion from the first quarter 2006 and \$1.5 billion compared with the second quarter 2005. As of the date hereof, GMP Private Client manages \$2.5 billion of client assets in equities, fixed income securities, mutual funds, and managed account programs. Assets in managed account programs grew by 14.0% in the second quarter 2006 compared with the first quarter 2006, reflecting growth in fee-based

clientele and GMP Private Client's continued development of offerings in this segment.

GMP Private Client expects to establish additional branch offices in 2006 and early 2007 in urban centres across Canada where the business may be appropriately scaled. GMP Private Client is actively recruiting investment advisors and branch staff in areas which meet its long-term economic goals. GMP Private Client is encouraged by the robust recruiting pipeline and the feedback from prospective new hires.

Second Quarter 2006 Versus Second Quarter 2005

In the second quarter 2006, GMP Private Client reported revenue of \$5.8 million, up \$4.3 million from the second quarter 2005, reflecting the growing contribution of its investment advisory teams. Revenue for GMP Private Client for the second quarter 2006 was comprised of commission and fee revenue of \$5.1 million and net interest revenue of \$0.7 million. As at June 30, 2006, GMP Private Client had amassed AUA of \$2.4 billion since beginning operations in the second quarter 2005.

The following table presents GMP Private Client's employee compensation and benefits expenses for the three and six months ended June 30, 2006, compared with the three and six months ended July 31, 2005.

(\$000)	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005	June 30, 2006	July 31, 2005
Fixed salaries and benefits	998	575	1,998	932
Variable incentive-based compensation	2,881	818	5,205	834
Fund unit-based compensation	102	55	200	55
Investment advisor transition assistance	271	67	513	67
Total Employee Compensation and Benefits	4,252	1,515	7,916	1,888

Expenses for GMP Private Client were \$6.6 million for the second quarter 2006, representing an increase of \$3.6 million over the second quarter 2005. These expenses included \$4.3 million in compensation and benefits expenses and \$2.3 million in non-compensation-related expenses. Non-compensation expenses for the second quarter 2006 rose \$0.9 million reflecting increased selling, general and administrative expenses, which were due to higher levels of business activity, primarily in support of the Calgary and Vancouver offices. In the second quarter 2006, GMP Private Client increased its investment in research and advisory tools, including premiere portfolio management tools and enhanced managed account capabilities. These enhancements

will enable advisors to deliver an exceptional client experience. Also included in non-compensation expenses was \$0.4 million in amortization expenses mainly related to \$3.2 million in capitalized pre-operating expenses incurred in the development of GMP Private Client's business, which are being amortized over three years.

GMP Private Client reported a net loss of \$0.8 million before income taxes and non-controlling interest for the second quarter 2006 compared with a net loss of \$1.5 million in the second quarter 2005, due to GMP Private Client's performance in the implementation of its growth strategy in key target markets.

First Half 2006 Versus First Half 2005

In the first half 2006, GMP Private Client reported revenue of \$11.1 million, up \$9.6 million from the first half 2005. Revenue was comprised of commission and fee revenue of \$10.0 million and interest revenue of \$1.1 million.

Expenses for GMP Private Client were \$12.5 million for the first half 2006, representing an increase of \$8.9 million over the first half 2005. These expenses included \$7.9 million in compensation and benefits expenses and \$4.6 million in non-compensation-related expenses. The increased level of expenses over the first half 2005 primarily reflects the costs associated

with establishing the Vancouver office, and operational costs to support its new advisors that joined GMP Private Client in the period. Non-compensation expenses, which included \$0.7 million in amortization primarily related to pre-operating expenses, reflect the growth and build out of GMP Private Client. These expenditures support its long-term growth strategy, as GMP Private Client continues to enhance its branch infrastructure and advisory teams.

For the first half 2006, GMP Private Client reported a net loss of \$1.5 million before income taxes and non-controlling interest compared with a net loss of \$2.1 million in the first half 2005.

Historical Quarterly Information

The following table provides selected quarterly financial information for the eight most recently completed fiscal quarters.

(\$000, except per unit/ common share amounts)	Fiscal 2006		Two months ended	Fiscal 2005			Fiscal 2004	
	Three months ended			Three months ended			Three months ended	
	30-Jun-06	31-Mar-06	31-Dec-05	31-Oct-05	31-Jul-05	30-Apr-05	31-Jan-05	31-Oct-04
Revenue	78,830	96,869	53,225	64,888	64,151	73,407	59,498	38,115
Net income	27,650	38,608	13,520	15,809	17,395	21,107	16,429	8,700
<i>Pro forma</i> net income ^a	n/a	n/a	17,288	23,259	25,467	30,308	24,023	13,974
Basic earnings per unit/common share ^b	\$0.48	\$0.67	\$0.24	\$0.28	\$0.31	\$0.37	\$0.29	\$0.16
<i>Pro forma</i> basic earnings per unit ^a	n/a	n/a	\$0.30	\$0.41	\$0.45	\$0.54	\$0.43	\$0.25
Diluted earnings per unit/common share ^b	\$0.46	\$0.65	\$0.23	\$0.27	\$0.30	\$0.37	\$0.29	\$0.15
<i>Pro forma</i> diluted earnings per unit ^a	n/a	n/a	\$0.29	\$0.40	\$0.44	\$0.53	\$0.42	\$0.25

a This data is considered to be non-GAAP earnings measures. The selected *pro forma* data has been derived from and should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" and "Quarterly *Pro Forma* Net Income Reconciliation" sections in this MD&A.

b Comparative common share amounts have been restated to reflect a two-for-one exchange of one common share for two Fund units. Common share amounts have been restated based on average common shares outstanding during the periods presented.

Quarterly *Pro Forma* Net Income Reconciliation

The following *pro forma* data includes earnings measures that are considered to be non-GAAP. The selected *pro forma* data has been derived from and should be read in conjunction with the

"Presentation of Financial Information and Non-GAAP Measures" section in this MD&A.

(\$000)	Fiscal 2005				Fiscal 2004	
	Two months ended	Three months ended			Three months ended	
	31-Dec-05	31-Oct-05	31-Jul-05	30-Apr-05	31-Jan-05	31-Oct-04
Net income as reported	13,520	15,809	17,395	21,107	16,429	8,700
Add: Income taxes as reported	5,738	8,854	9,811	11,369	9,407	5,400
Income before income taxes as reported	19,258	24,663	27,206	32,476	25,836	14,100
<i>Pro forma</i> income tax expense ^a	1,970	1,404	1,739	2,168	1,813	126
<i>Pro forma</i> net income	17,288	23,259	25,467	30,308	24,023	13,974

a Net income for the reporting periods presented reflects an adjustment to income tax expense to reflect the current tax attributes of the Fund Group under the income trust structure. The *pro forma* income tax expense reflects required taxes relating to corporate subsidiaries of the Fund.

The Fund Group's revenue and operating results may fluctuate month-to-month, quarter-to-quarter and year-to-year as a result of a combination of factors including economic, political and market conditions which, in turn, affect the level of public offerings, M&A transactions and securities trading activity in the Canadian

marketplace, which ultimately impact the Fund Group's revenue and operating results. This section should be read in conjunction with the "Risk Factors – Risks Related to the Business – Significant Fluctuations in Results" and "Fiscal 2005 Quarterly Review and Fiscal 2004 Quarterly Review" sections in the 2005 Annual MD&A.

Distributable Cash and Distributions

Management views distributable cash and distributable cash per unit as operating performance measures, as they are measures generally used by Canadian income funds as indicators of financial performance. As the Fund intends to continue to make distributions based on distributable cash, taking into account market cycles, and since EBITDA is a metric used by many investors to compare issuers on the basis of their ability to generate cash from operations, management believes that, in addition to net income, EBITDA is a useful supplemental measure from which to make adjustments to determine distributable cash. For further discussion on distributable cash, refer to the "Distributable Cash and Distributions" and "Risk Factors – Risks Related to the Fund Units – Cash Distributions" sections in the 2005 Annual MD&A.

Management has made assumptions in preparing the *pro forma* summary of distributable cash for the three and six months ended July 31, 2005. Management believes the following represents a reasonable estimate of what distributable cash would have been for these periods, had the Fund been in existence during that time. The *pro forma* distributable cash summary is not necessarily indicative of the results that would actually have been achieved if the Fund had been in existence during this period. These assumptions do not include any possible discretionary reserves that could have been withheld at the discretion of the board of directors of the general partners of the Operating Partnerships. The Fund's method of determining distributable cash, which is a non-GAAP measure, is derived from net income, which is a measure recognized under GAAP.

The following table presents the Fund's determination of distributable cash for the three and six months ended June 30,

2006, compared with the *pro forma* three and six months ended July 31, 2005.

(\$000, 000 of units, except per unit amounts)	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005 ^a	June 30, 2006	July 31, 2005 ^a
Net income	27,650	17,395	66,258	38,502
Add the following:				
Income tax expense	1,550	9,811	5,553	21,180
Non-controlling interest	30	(30)	37	(28)
Amortization	525	442	963	613
Interest expense	1,421	526	2,559	966
EBITDA ^b	31,176	28,144	75,370	61,233
Add the following:				
Fund unit/stock-based compensation expense ^c	855	548	1,692	1,167
Deduct the following:				
Cash paid to satisfy third-party debt obligations ^d	1,421	526	2,559	966
Earnings of corporate subsidiaries not available for distribution ^e	338	82	898	551
Maintenance capital expenditures ^f	255	96	613	193
Income tax obligations of corporate subsidiaries ^g	1,550	1,739	5,553	3,907
Non-controlling interest	30	(30)	37	(28)
Distributable cash^b	28,437	26,279	67,402	56,811
Weighted-average number of units	57,755	56,412	57,609	56,382
Distributable cash per unit^{b, h}	\$0.4924	\$0.4658	\$1.1700	\$1.0076
Cash distributions declared per unit	\$0.3542	n/a	\$0.6668	n/a
Payout ratio^{b, i}	71.9%	n/a	57.0%	n/a

a These figures are *pro forma*.

b EBITDA, distributable cash, distributable cash per unit and payout ratio are not recognized measures under GAAP and do not have any standardized meanings prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other issuers. See the "Presentation of Financial Information and Non-GAAP Measures" section in this MD&A.

c Fund unit/stock-based compensation expense represents a non-cash item recorded on the Fund's unaudited interim consolidated statement of cash flows.

d Cash paid to satisfy third-party debt obligations represents cash interest paid as disclosed in the Fund's unaudited interim consolidated statement of cash flows.

e The net income of the Fund's corporate subsidiaries is not included in the determination of distributable cash.

f Maintenance capital expenditures represent cash used for capital asset expenditures undertaken to maintain the productive capability of the facilities and systems.

g Represents cash set aside for income tax obligations of the Fund's corporate subsidiaries.

h Distributable cash per unit is determined by dividing distributable cash by the basic weighted-average number of units outstanding for the applicable period, on a basis consistent with the determination of basic net income per unit.

i The payout ratio is determined by dividing cash distributions declared per unit by distributable cash per unit.

The level of distributable cash available for distribution to unitholders fluctuates monthly based on the financial performance of the Operating Partnerships net of any reserves, which the board of directors of the general partners of the Operating Partnerships determines are necessary or desirable to withhold having regard to the current and anticipated business of the Operating Partnerships.

The Fund increased its monthly distribution from \$0.1042 to \$0.125 per Fund unit commencing with the May 2006 distribution. It is intended that the Fund will continue to make regular monthly distributions of approximately \$0.125 per Fund

unit (\$1.50 per annum) payable to Fund unitholders of record on the last business day of each month. It is expected that GMP Holding Partnership will make similar monthly distributions to holders of Exchangeable L.P. units. Distributions are expected to be payable on or about the 20th of each month following declaration. The Board of Trustees reviews the distribution rate periodically based on recent and anticipated distributable cash having regard to current and anticipated business and regulatory capital requirements. While the precise composition of our monthly distributions for tax purposes will not be determined until year end, it is management's expectation that 100% of the distributions will be characterized as a distribution of income and a very minimal component will be a return of capital.

Liquidity and Capital Resources

The Fund requires capital and liquidity to fund existing and future operations, future distributions and regulatory requirements. The Fund's policy is to maintain sufficient and appropriate levels of capital and liquidity through a variety of sources, which currently include cash and cash equivalents, funds generated from operations, existing credit facilities, unitholders' equity and subordinated debt in the form of bank loans. See the "Liquidity and Capital Resources" section in the 2005 Annual MD&A, for further discussion on our liquidity management procedures and framework. There have been no material changes to our liquidity management procedures since December 31, 2005.

In connection with the acquisition of EdgeStone, \$62 million in cash consideration was paid by GMP Holding Partnership and its affiliates in partial satisfaction of the purchase price on July 4, 2006, the acquisition date of the transaction. In addition, a subsidiary entity of the Fund repaid \$15.2 million in debt on July 4, 2006, which related to retired partner obligations of EdgeStone outstanding on the acquisition date. To finance a portion of the acquisition, GMP Securities L.P. secured a \$30 million subordinated loan facility from a Schedule 1 bank and utilized \$25 million of the facility on the closing date of the transaction. This loan is unsecured, bears interest at variable rates and was issued pursuant to uniform subordination agreements in the form required by the Investment Dealers Association of Canada. Further details regarding the acquisition are provided in the "EdgeStone Acquisition" section in this MD&A.

Total cash and cash equivalents were \$120.4 million as at June 30, 2006, compared with \$57.7 million as at December 31, 2005, representing an increase of \$62.7 million. Significant sources and uses of cash during the six months ended June 30, 2006, include:

- cash provided by operations, before changes in non-cash operating items of \$70.0 million;
- a change in non-cash operating items, which resulted in a source of cash of \$30.0 million. Non-cash operating items include changes in client balances, broker balances, issuer balances and securities owned. These balances are determined on a trade-date basis and include balances

related to unsettled trades that may vary significantly on a day-to-day basis, reflecting changes in the volume of trading, although such variances do not necessarily represent any change in the Fund Group's financial position. These balances also include client security transactions entered into on a margin basis;

- payment of cash distributions of \$37.2 million and issuance of \$3.4 million in Fund units through the Fund unit option plan; and
- purchase of \$3.4 million in capital assets, of which \$2.8 million represents enhancement capital expenditures in support of the build out of the new Toronto offices for GMP Securities and GMP Private Client, and enhancement capital expenditures for GMP Private Client's build out of the Vancouver and Calgary offices. Maintenance capital expenditures of \$0.6 million relate primarily to GMP Securities L.P.

GMP Securities L.P. borrows money primarily to facilitate the securities settlement process for both client and proprietary securities transactions. To this end, GMP Securities L.P. has arranged various credit facilities with two Canadian chartered banks in an aggregate maximum amount of approximately \$350 million. These call loans and daylight overdraft facilities are collateralized by either unpaid client securities and/or securities owned by GMP Securities L.P. Amounts drawn on these credit facilities will vary from day-to-day. As at June 30, 2006, the Fund had no overdraft loans outstanding under these facilities.

The Fund Group has entered into purchase commitments totaling approximately \$8.3 million for construction, office furniture and equipment expenditures related to its new Toronto premises. Payments of \$4.1 million have been made as of the date hereof under this arrangement. The remaining payments are expected to be made over the next quarter. The expected date of occupancy under the new lease is September 1, 2006. Aggregate future minimum annual lease payments associated with the new Toronto lease are included in Note 18 of the Fund's audited consolidated financial statements as at and for the 11 months ended December 31, 2005.

Off-Balance Sheet Arrangements

In the normal course of business, the Fund Group engages in certain financial transactions that, under GAAP, are not recorded on the consolidated balance sheet. Off-balance sheet transactions are generally undertaken for risk management, capital management and/or funding management purposes for the benefit of the Fund Group or its clients. The Fund Group's off-balance sheet transactions include derivative financial instruments and issuance of certain financial guarantees. See the "Off-Balance Sheet Arrangements" section in the 2005 Annual MD&A, for further information regarding these types of arrangements.

Derivative financial instruments outstanding as of June 30, 2006 can be found in Note 7 to the Fund's unaudited interim consolidated financial statements as at and for the three months ended June 30, 2006.

Guarantees we have provided to third parties as of June 30, 2006, can be found in Note 11 to the Fund's unaudited interim consolidated financial statements as at and for the three months ended June 30, 2006.

Outstanding Unit Data

Units issued and outstanding as at June 30, 2006 (000)

	#	\$
Fund units ^a	37,763	75,536
Exchangeable L.P. units ^b	20,012	35,368
Total	57,775	110,904

a Includes 0.105 million Fund units held in escrow related to common shares issued immediately prior to the initial public offering December 9, 2003 ("IPO"). These Fund units remaining in escrow are subject to full release on December 9, 2006.

b Includes 10.662 million Exchangeable L.P. units held in escrow related to common shares issued immediately prior to the IPO. These Exchangeable L.P. units remaining in escrow are subject to full release on December 9, 2006.

The authorized capital of the Fund consists of an unlimited number of Fund units and an unlimited number of special voting units. Each special voting unit is issued together with each Exchangeable L.P. unit issued by GMP Holding Partnership. Each Exchangeable L.P. unit is indirectly exchangeable for one Fund unit. Exchangeable L.P. units issued in connection with the

Conversion are not exchangeable for a period of one year from December 1, 2005, the effective date of the Conversion, except with the consent of the board of directors of GMP Corp., the general partner of GMP Holding Partnership.

Following the end of the second quarter 2006, 4,018,750 Exchangeable L.P. units valued at \$89.2 million were issued as partial purchase price consideration for the acquisition of EdgeStone on July 4, 2006. These Exchangeable L.P. units are subject to an escrow agreement and will be released over a three-year period on each anniversary date following the date of acquisition as follows: 40%, 30% and 30% on the first, second and third anniversary dates, respectively. Further information regarding the acquisition is provided in the "EdgeStone Acquisition" section in this MD&A.

The outstanding capital of the Fund consists of 37.763 million Fund units and 24.031 million special voting units as at the date hereof. Accordingly, there are outstanding 24.031 million Exchangeable L.P. units as at the date hereof. As of August 9, 2006, 4.071 million options to acquire Fund units on a one-for-one basis were outstanding.

Related-Party Transactions

Related-party transactions include trading accounts for employees, officers, trustees and directors. Commission income on related-party trading accounts, in the aggregate, was not material in relation to our overall operations. Related-party transactions also include loans associated with the executive unit loan plan, the investment advisor transition assistance program,

and amounts in connection with loans receivable from certain holders of Exchangeable L.P. units (the "employee loans"), as described in Notes 11, 12 and 10, respectively, to the Fund's unaudited interim consolidated financial statements as at and for the three months ended June 30, 2006.

Critical Accounting Policies and Estimates

Our significant accounting policies are disclosed in Note 2 of the Fund's audited consolidated financial statements as at and for the 11 months ended December 31, 2005. Certain of these policies require the use of estimates or assumptions that in some cases may relate to matters that are inherently uncertain. Accounting policies that require management's judgement and estimates are discussed in the 2005 Annual MD&A, which is incorporated by reference herein.

We did not adopt any new significant accounting policies during the second quarter 2006 for the purposes of preparing our financial statements under GAAP. We are not aware of any new accounting standards issued during the quarter by the Canadian Institute of Chartered Accountants, which we would expect would have a material impact on the Fund's unaudited interim consolidated financial statements. Future changes in accounting policies are discussed in the 2005 Annual MD&A.

Additional Information

Additional information relating to the Fund is available on our website at gmpcapitaltrust.com and on SEDAR at sedar.com. This information includes our annual information form, audited

consolidated financial statements, the 2005 Annual MD&A and the information circular for the annual meeting of unitholders held on April 18, 2006.



unaudited interim consolidated
financial statements

as at and for the three months ended June 30, 2006



Interim Consolidated Balance Sheet

(\$000)	As at June 30, 2006	As at December 31, 2005
Assets		
Current		
Cash and cash equivalents	\$120,419	\$57,739
Funds deposited in trust	31,938	19,595
Trading securities (note 2)	136,774	57,993
Receivable from		
Clients (notes 3 and 8)	491,175	432,126
Brokers (note 4)	75,506	91,524
Future income taxes	—	427
Commission and other assets	15,392	12,466
Total current assets	871,204	671,870
Employee loans receivable (notes 8, 11 and 12)	9,702	10,904
Future income taxes	2,465	2,528
Capital assets, net (note 5)	7,146	4,742
Total assets	\$890,517	\$690,044
Liabilities and Unitholders' Equity		
Current		
Bank overdraft (note 6)	—	54
Obligations related to securities sold short (note 2)	17,060	3,755
Payable to		
Clients (notes 3 and 8)	403,820	334,715
Brokers (note 4)	106,328	25,065
Issuers	98,513	82,922
Accounts payable and accrued liabilities	46,929	47,758
Distributions payable (note 10)	7,222	5,974
Income taxes payable	—	12,089
Total current liabilities	679,872	512,332
Non-controlling interest	237	198
Unitholders' equity	210,408	177,514
Total liabilities and unitholders' equity	\$890,517	\$690,044

Commitments and contingencies (note 14)

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

Interim Consolidated Statements of Income

(\$000, except per unit/common share amounts)	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005	June 30, 2006	July 31, 2005
Revenue				
Investment banking	\$45,349	\$41,052	\$100,156	\$89,137
Sales and trading	25,715	17,321	52,802	40,539
Wealth management	5,076	1,289	10,032	1,322
Principal activities	(1,912)	2,245	3,523	2,217
Interest and dividends	4,768	2,373	9,114	4,402
Other	(166)	(129)	72	(58)
	78,830	64,151	175,699	137,559
Expenses				
Employee compensation and benefits	38,746	29,176	83,249	64,333
Selling, general and administrative	8,908	6,831	17,080	11,993
Interest	1,421	526	2,559	966
Amortization	525	442	963	613
	49,600	36,975	103,851	77,905
Income before the undernoted	29,230	27,176	71,848	59,654
Non-controlling interest	30	(30)	37	(28)
Income before income taxes	29,200	27,206	71,811	59,682
Income taxes				
Current	2,044	10,688	5,392	22,983
Future	(494)	(877)	161	(1,803)
	1,550	9,811	5,553	21,180
Net income	\$27,650	\$17,395	\$66,258	\$38,502
Net income per unit/common share (note 13)				
Basic	\$0.48	\$0.31	\$1.15	\$0.68
Diluted	\$0.46	\$0.30	\$1.11	\$0.67

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

Interim Consolidated Statement of Changes in Unitholders' Equity

	Fund units		Exchangeable L.P. units		Contributed surplus		Cumulative earnings		Cumulative distributions		Total unitholders' equity	
(000)	#	\$	#	\$	\$	\$	\$	\$	\$	\$	\$	
Balance, December 31, 2005	37,317	71,268	20,012	35,368	1,668	125,299	(56,089)	177,514				
Issued under Fund unit option plan (note 9)	446	4,268	-	-	(904)	-	-	3,364				
Fund unit-based compensation expense (note 9)	-	-	-	-	1,692	-	-	1,692				
Cash distributions - Fund units (note 10)	-	-	-	-	-	-	(25,076)	(25,076)				
Cash distributions - Exchangeable L.P. units (note 10)	-	-	-	-	-	-	(13,344)	(13,344)				
Net income	-	-	-	-	-	66,258	-	66,258				
Balance, June 30, 2006	37,763	75,536	20,012	35,368	2,456	191,557	(94,509)	210,408				

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(\$000)	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005	June 30, 2006	July 31, 2005
Operating Activities				
Net income	\$27,650	\$17,395	\$66,258	\$38,502
Add (deduct) items not involving cash				
Amortization	525	442	963	613
Future income taxes	(333)	(704)	490	(1,457)
Fund unit/stock-based compensation expense	855	548	1,692	1,167
Investment advisor transition assistance program	271	67	513	67
Non-controlling interest	30	(30)	37	(28)
	28,998	17,718	69,953	38,864
Net change in non-cash operating items (note 16)	34,796	(40,077)	29,954	(69,190)
Cash provided by (used in) operating activities	63,794	(22,359)	99,907	(30,326)
Financing Activities				
Decrease in bank overdraft	—	—	(54)	(1,122)
Issuance of common shares	—	225	—	594
Issuance of Fund units	300	—	3,364	—
Dividends paid on common shares	—	(4,231)	—	(8,460)
Cash distributions paid on Fund units	(12,163)	—	(23,828)	—
Cash distributions paid on				
Exchangeable L.P. units	(7,088)	—	(13,344)	—
Increase in non-controlling interest	—	—	2	—
Cash used in financing activities	(18,951)	(4,006)	(33,860)	(8,988)
Investing Activities				
Purchase of capital assets	(2,211)	(96)	(3,367)	(193)
Pre-operating expenditures	—	—	—	(926)
Cash used in investing activities	(2,211)	(96)	(3,367)	(1,119)
Net increase (decrease) in cash and cash equivalents	42,632	(26,461)	62,680	(40,433)
Cash and cash equivalents, beginning of period	77,787	97,129	57,739	111,101
Cash and cash equivalents, end of period	\$120,419	\$70,668	\$120,419	\$70,668
Supplemental cash flow information				
Interest paid	\$1,421	\$ 618	\$ 2,559	\$ 1,114
Income taxes paid	\$3,862	\$8,163	\$19,582	\$23,573

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

1. Basis of Presentation

These unaudited interim consolidated financial statements of GMP Capital Trust (the "Fund") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Fund and its subsidiaries (collectively, the "Fund Group"). These unaudited interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the Fund's audited consolidated financial statements as at and for the 11 months ended December 31, 2005 ("2005 Audited Financial Statements"). The Fund's unaudited interim consolidated financial statements do not

include all disclosures required by GAAP for annual consolidated financial statements and accordingly, should be read in conjunction with the 2005 Audited Financial Statements.

These unaudited interim consolidated financial statements have been prepared using the continuity of interests method of accounting. Comparative results of operations, cash flows and related disclosures include the results of GMP Capital Corp. (the "Company"), the Fund's predecessor, as a corporation for the three and six months ended July 31, 2005.

2. Trading Securities and Obligations Related to Securities Sold Short

Trading securities and obligations related to securities sold short consist of the following:

	June 30, 2006		December 31, 2005	
	Trading securities	Securities sold short	Trading securities	Securities sold short
Equities	\$131,958	\$17,060	\$52,048	\$3,755
Restricted or non-public equities	4,816	—	5,945	—
	\$136,774	\$17,060	\$57,993	\$3,755

3. Client Payables and Receivables

As at June 30, 2006, receivables from clients included a margin loan receivable from one client of \$45,375 (December 31, 2005 - \$48,392), which was collateralized by a diversified portfolio

of financial instruments with a market value of \$144,261 (December 31, 2005 - \$135,118).

4. Securities Lending and Borrowing

The Fund Group engages in securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short-term in nature, with interest being received on the cash delivered. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security loaned and

the amount of collateral received. The Fund Group manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions. Interest earned on cash collateral is based on a floating rate and recorded as interest income.

(\$000 and 000 units/common shares, except per unit/common share amounts)

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
As at June 30, 2006	\$50,580	\$20,036	\$20,750	\$48,383
As at December 31, 2005	\$38,950	\$ 3,562	\$ 3,584	\$38,464

5. Capital Assets

Capital assets consist of the following:

	June 30, 2006		December 31, 2005	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 3,373	\$2,208	\$1,165	\$1,060
Computer equipment	1,666	1,575	91	199
Computer software	1,465	417	1,048	405
Leasehold improvements	4,870	1,966	2,904	611
Pre-operating expenditures	3,172	1,234	1,938	2,467
	\$14,546	\$7,400	\$7,146	\$4,742

6. Bank Loan and Overdraft

The Fund Group has credit facilities with Canadian banks of approximately \$350,000 in aggregate. These facilities consist of call loans, letters of credit and daylight overdraft facilities.

The Fund Group borrows money primarily to facilitate the securities settlement process for both client and securities transactions involving the Fund Group. As at June 30, 2006, the Fund Group had no overdraft loans outstanding (December 31, 2005 - \$54).

(\$000 and 000 units/common shares, except per unit/common share amounts)

7. Derivative Financial Instruments

Foreign exchange

Derivative financial instruments are traded to manage market risk, minimize regulatory capital requirements and manage foreign exchange risk on pending settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity.

The following table shows the notional amounts of forward contracts outstanding:

	June 30, 2006		December 31, 2005	
	Bought C\$	Sold US\$	Bought US\$	Sold C\$
Forward contracts	\$21,370	\$19,200	\$1,200	\$1,397

8. Related-Party Transactions

The Fund Group executes security trades for employees, directors, officers and trustees who may also be unitholders. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Fund Group.

The following balances arose from transactions with related parties:

	June 30, 2006	December 31, 2005
Current assets		
Receivable from clients	\$44,683	\$52,704
Employee loans receivable	\$ 9,702	\$10,904
Current liabilities		
Payable to clients	\$67,138	\$63,236

Employee loans receivable include amounts in connection with the Executive Unit Loan Plan (Note 11), loans receivable from employees in connection with the Investment Advisor Transition Assistance Program (Note 12), amounts in connection with loans receivable from employees who are holders of Class B limited

partner units ("Exchangeable L.P. units") of Griffiths McBurney L.P. ("GMP Holding Partnership") who have elected to be loaned amounts by GMP Holding Partnership equal to the amounts which would otherwise have been distributed to them (Note 10) and other employee loans.

(\$000 and 000 units/common shares, except per unit/common share amounts)

9. Option Plans

The Fund has two plans under which options are outstanding. The first plan governs the options issued in exchange for share options as part of the conversion of the Company into the Fund (the "Replacement Plan"). The second plan is the trust unit and incentive unit option plan (the "New Plan") that was approved by the shareholders of the Company at the special meeting on November 18, 2005, and adopted by the Board of Trustees of the Fund on December 6, 2005.

No additional grants shall be made under the Replacement Plan. The aggregate number of Fund units that may be issued under the New Plan is limited to 10% of the outstanding trust units ("Fund units") and special voting units of the Fund, less the number

of options granted under the Replacement Plan. On February 28, 2006, the Board of Trustees approved an amendment to the New Plan to provide for the automatic reload of the options reserved for issuance under the New Plan upon the occurrence of certain events, such as the exercise of options, at any time, under the New Plan and any other unit compensation arrangement (including the Replacement Plan). This amendment of the New Plan was approved by the unitholders of the Fund at the annual meeting of unitholders held on April 18, 2006.

A summary of the status of the Fund's unit option plans as at June 30, 2006, and the changes during the six months then ended, is as follows:

	New Plan		Replacement Plan	
	Fund unit options #	Weighted-average exercise price \$	Fund unit options #	Weighted-average exercise price \$
Balance, December 31, 2005	822	17.50	3,556	7.97
Fund unit options issued	202	24.11	—	—
Exercise of Fund unit options	—	—	(446)	7.55
Forfeitures	(39)	17.50	(65)	8.25
Balance, June 30, 2006	985	18.85	3,045	8.02

Options outstanding and vested under the New Plan and Replacement Plan as at June 30, 2006

Range of exercise prices	Outstanding #	Weighted-average exercise price \$	Weighted-average remaining contractual life (years)	Vested #
Replacement Plan:				
\$5.50	1,455	5.50	7.44	163
\$7.00 to \$9.85	1,340	9.52	8.22	115
\$10.56 to \$17.70	250	14.66	9.15	10
	3,045			288
New Plan:				
\$17.50	783	17.50	9.45	—
\$19.40 to \$27.75	202	24.11	9.74	—
	985			—
Balance, June 30, 2006	4,030			288

Options outstanding under the Replacement Plan and the New Plan as a percentage of Fund units and special voting units outstanding as at June 30, 2006 is 6.98%.

(\$000 and 000 units/common shares, except per unit/common share amounts)

During the three and six months ended June 30, 2006, the Fund recorded \$855 and \$1,692 in Fund unit-based compensation expense, respectively, (three and six months ended July 31, 2005 – \$548 and \$1,167 in stock-based compensation expense) for options issued to employees, with a corresponding increase to contributed surplus. The weighted-average fair value of options issued under the New Plan during the six months ended June 30, 2006 was \$6.30 per Fund unit option. The weighted-average fair value of options issued during the six months ended July 31, 2005 under the Company's stock option plan (subsequently replaced by the Replacement Plan) was \$5.39 per stock option.

The Fund follows the fair value method of accounting recommended by CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. The weighted-average fair value of the options granted during the six months ended June 30, 2006 was calculated using the Black-Scholes

option pricing model assuming the following weighted-average assumptions:

	Six months ended June 30, 2006
Risk-free interest rate	4.11%
Dividend yield ^a	1.25%
Expected volatility	25%
Expected option life	5 years

a For valuation purposes, the weighted-average dividend yield for the New Plan has been reduced on a percentage basis by an equivalent amount of the anticipated distributions less a base distribution.

10. Distributions

The Fund makes regular distributions to holders of Fund units of record as of the last business day of each month and GMP Holding Partnership makes equivalent distributions to holders of Exchangeable L.P. units, except those holders ("electing holders") who have elected to be loaned amounts by GMP Holding Partnership equal to the amounts that would otherwise have been distributed to them and to have all distributions which would otherwise have been made to them in a fiscal year be made to them on the first business day of the next succeeding fiscal year. Loans made to electing holders are non-interest bearing and are

due and payable to GMP Holding Partnership in full on the first business day of the next succeeding fiscal year. All distributions payable to an electing holder on the first business day of a fiscal year will be applied to repay the loans made to such electing holder in the immediately preceding fiscal year. Loans receivable from electing holders of \$9,996 as at June 30, 2006, are recorded on the unaudited interim consolidated balance sheet net of cash distributions payable to these unitholders at June 30, 2006. Distributions are calculated and recorded on an accrual basis of accounting. Distributions declared and/or paid to date are as follows:

Record date	Payment date	Cash distribution per Fund unit	Cash distribution per Exchangeable L.P. unit	Total distribution amount
December 31, 2005	January 20, 2006	\$0.1042	\$0.1042	\$5,974
January 31, 2006	February 20, 2006	\$0.1042	\$0.1042	\$5,974
February 28, 2006	March 20, 2006	\$0.1042	\$0.1042	\$5,974
March 31, 2006	April 20, 2006	\$0.1042	\$0.1042	\$6,016
April 28, 2006	May 19, 2006	\$0.1042	\$0.1042	\$6,016
May 31, 2006	June 20, 2006	\$0.1250	\$0.1250	\$7,218
June 30, 2006	July 20, 2006	\$0.1250	\$0.1250	\$7,222

(\$000 and 000 units/common shares, except per unit/common share amounts)

11. Executive Unit Loan Plan

The Executive Unit Loan Plan is designed to encourage ownership in the Fund, executive retention and succession planning for employees of the Fund Group. Under the Executive Unit Loan Plan (implemented through the establishment of one or more plans), GMP Securities L.P. advances funds to participating executives and arranges for a Schedule I bank to advance funds to such executives, representing, in the aggregate, no more than 80% of the purchase price of Fund units to be acquired in the market under the program or no more than 80% of the purchase price of Fund units then owned by the executives and transferred into the program. Fund units acquired using the proceeds of such advances are pledged to the Schedule I bank and/or GMP Securities L.P. as collateral for the repayment of the advances and cannot, in any event, be sold prior to the first anniversary of the relevant advance. The value of such collateral as at June 30, 2006 was \$48,757 (December 31, 2005 - \$41,881). GMP Securities L.P. has provided a financial guarantee to the Schedule I bank in relation to the obligations of certain executives in the program. The maximum potential amount of future payments under this guarantee is \$1,342 as at June 30, 2006 (December 31, 2005 - \$1,365) and represents the maximum risk of loss if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions.

Under the terms of the Executive Unit Loan Plan, all parties agree that the principal amount of the loan owing to the bank must be repaid in full prior to GMP Securities L.P.'s loans being repaid. Upon the satisfaction of certain conditions, GMP Securities L.P. is obligated to pay cash bonuses to the executives on the second, third and fourth anniversaries of an advance sufficient, in the aggregate and after all applicable income and withholding taxes, to repay 50% of the total loans. The executive must redirect any bonus paid by GMP Securities L.P. to the repayment of the bank loan. Included in accounts payable and accrued liabilities is a bonus accrual of \$5,356 (December 31, 2005 - \$3,139) in connection with this obligation.

The loans bear interest at the rate of prime plus 0.5% and interest charged to employees related to these loans for the three and six months ended June 30, 2006 was \$79 and \$157, respectively, (three and six months ended July 31, 2005 - \$43 and \$85, respectively). As at June 30, 2006, amounts owing to GMP Securities L.P. related to these loans were \$5,000 (December 31, 2005 - \$6,139) and are included in employee loans receivable.

Under the terms of the loan agreement with GMP Securities L.P., the executive is required to repay the loan on the earlier of:

- (a) seven years from the date of the advance;
- (b) the date the Fund units are sold (or a portion of the loan if a portion of the Fund units are sold); and
- (c) termination of employment.

12. Investment Advisor Transition Assistance Program

A transition assistance program ("Investment Advisor Transition Assistance Program") was introduced in March 2005 to provide for retention and transition assistance to investment advisors joining GMP Private Client L.P. ("GMP Private Client"). Under the program, GMP Private Client advances funds to participating investment advisors in the form of a forgivable interest free loan upon commencement of employment. Upon the satisfaction of certain conditions, the principal amount of the loan is forgiven over a prearranged term on each of the applicable anniversary dates. GMP Private Client records a corresponding reduction in the principal loan balance over the term of the loan. All limited partnership units of GMP Private Client held by the investment advisor while the loan is outstanding are pledged to

GMP Private Client as collateral for the obligations of the investment advisor under the loan. On the occurrence of certain default conditions, all obligations of the investment advisor under the loan become immediately due and payable and interest is charged and accrued on the outstanding principal and unpaid interest. During the three and six months ended June 30, 2006, GMP Private Client recorded \$271 and \$513, respectively, (three and six months ended July 31, 2005 - \$67 in both periods) in compensation expenses for transition assistance provided to investment advisors, with a corresponding reduction to loans outstanding. As at June 30, 2006, amounts owing to GMP Private Client related to these loans were \$4,434 (December 31, 2005 - \$4,107) and are included in employee loans receivable.

(\$000 and 000 units/common shares, except per unit/common share amounts)

13. Net Income Per Unit/Common Share

Net income per unit/common share consists of the following:

	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005	June 30, 2006	July 31, 2005
Net income available to unitholders/shareholders	\$27,650	\$17,395	\$66,258	\$38,502
Weighted-average number of units/common shares outstanding				
Basic				
Common shares, as restated ^a	—	56,412	—	56,382
Fund units	37,743	—	37,597	—
Exchangeable L.P. units	20,012	—	20,012	—
	57,755	56,412	57,609	56,382
Effect of Fund unit options	2,157	—	2,087	—
Effect of stock options, as restated ^a	—	1,524	—	1,334
Diluted	59,912	57,936	59,696	57,716
Net income per unit/common share ^a				
Basic	\$0.48	\$0.31	\$1.15	\$0.68
Diluted	\$0.46	\$0.30	\$1.11	\$0.67

a Comparative common shares outstanding have been restated to reflect a two-for-one exchange of one common share of the Company for two Fund units based on 28,206 average common shares for the three months ended July 31, 2005 (28,968 on a diluted basis) and 28,191 average common shares for the six months ended July 31, 2005 (28,858 on a diluted basis).

14. Commitments and Contingencies

The Fund Group has entered into purchase commitments totaling approximately \$8,261 for construction, office furniture and equipment expenditures related to new Toronto premises. Payments of \$1,538 have been made as at June 30, 2006, under this arrangement. The remaining payments are expected to

be made over the next quarter. The expected date of occupancy is September 1, 2006. Aggregate future minimum annual lease payments associated with the new Toronto lease are included in the 2005 Audited Financial Statements (*Note 18*).

15. Segmented Information

For management reporting purposes, the Fund Group operates in two industry segments organized on the basis of product and service offerings. These segments are managed separately because each business offers different financial services and products and requires different personnel. The two segments are as follows:

GMP Private Client – provides full-service investment brokerage services to high-net-worth retail clients.

GMP Securities – includes investment banking, sales and trading, research and principal trading.

The Fund Group's management reporting process measures the performance of these business segments based on its management structure and is not necessarily comparable with similar information of other investment dealers. Operating revenue and expenses directly associated with each segment are included in the business segment results. Inter-segment results include the elimination of the financial impact of transactions between GMP Securities and GMP Private Client.

(\$000 and 000 units/common shares, except per unit/common share amounts)

The following tables set out the business segment results:

	Three months ended June 30, 2006				Six months ended June 30, 2006			
	GMP		Inter-segment	Total	GMP		Inter-segment	Total
	GMP Securities	Private Client			GMP Securities	Private Client		
Revenue	\$ 73,287	\$ 5,799	\$ (256)	\$ 78,830	\$165,131	\$11,089	\$ (521)	\$175,699
Employee compensation and benefits	34,494	4,252	-	38,746	75,333	7,916	-	83,249
Selling, general and administrative	7,179	1,985	(256)	8,908	13,650	3,951	(521)	17,080
Interest	1,419	2	-	1,421	2,557	2	-	2,559
Amortization	164	361	-	525	288	675	-	963
Income (loss) before income taxes and non-controlling interest	\$ 30,031	\$ (801)	-	\$ 29,230	\$73,303	\$ (1,455)	-	\$ 71,848
Total assets	\$879,400	\$14,088	\$(2,971)	\$890,517	\$879,400	\$14,088	\$(2,971)	\$890,517

	Three months ended July 31, 2005				Six months ended July 31, 2005			
	GMP		Inter-segment	Total	GMP		Inter-segment	Total
	GMP Securities	Private Client			GMP Securities	Private Client		
Revenue	\$ 62,756	\$1,487	\$ (92)	\$ 64,151	\$136,174	\$1,532	\$(147)	\$137,559
Employee compensation and benefits	27,661	1,515	-	29,176	62,445	1,888	-	64,333
Selling, general and administrative	5,714	1,117	-	6,831	10,684	1,309	-	11,993
Interest	529	89	(92)	526	969	144	(147)	966
Amortization	164	278	-	442	326	287	-	613
Income (loss) before income taxes and non-controlling interest	\$ 28,688	\$(1,512)	-	\$ 27,176	\$ 61,750	\$(2,096)	-	\$ 59,654
Total assets	\$551,724	\$9,267	\$(767)	\$560,224	\$551,724	\$9,267	\$(767)	\$560,224

Revenue by geographic location

For geographic reporting, the Fund Group's segments are grouped into Canada and the United States. Transactions are primarily recorded in the location that corresponds with the location of the client.

	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005	June 30, 2006	July 31, 2005
Canada	\$71,130	\$60,484	\$160,590	\$127,497
United States	7,700	3,667	15,109	10,062
	\$78,830	\$64,151	\$175,699	\$137,559

(\$000 and 000 units/common shares, except per unit/common share amounts)

16. Net Change in Non-Cash Operating Items

The net change in non-cash operating items consists of the following:

	Three months ended		Six months ended	
	June 30, 2006	July 31, 2005	June 30, 2006	July 31, 2005
Funds deposited in trust	\$ (755)	\$ (4,744)	\$ (12,343)	\$ (5,248)
Trading securities	74,907	(4,519)	(78,781)	25,357
Receivable from clients	76,878	87,328	(59,049)	(48,755)
Receivable from brokers	126,207	(15,819)	16,018	9,889
Commission and other assets	(7,240)	(1,038)	(2,926)	99
Obligations related to securities sold short	1,646	5,774	13,305	5,862
Payable to clients	(142,642)	(19,485)	69,105	24,915
Payable to brokers	42,916	9,878	81,263	(1,384)
Payable to issuers	(123,378)	(95,961)	15,591	(86,915)
Accounts payable and accrued liabilities	(13,414)	(1,177)	(829)	10,608
Income taxes payable	-	2,185	(12,089)	(576)
Employee loans receivable	(329)	(2,499)	689	(3,042)
	\$34,796	\$(40,077)	\$29,954	\$(69,190)

17. Subsequent Event

On July 4, 2006 ("date of acquisition"), GMP Holding Partnership and a subsidiary entity completed the acquisition of EdgeStone Capital Partners, L.P. ("EdgeStone"), together with a portion of the carried interest entitlements in EdgeStone's funds. Under the purchase agreement, GMP Holding Partnership and a subsidiary entity purchased all of the outstanding equity interests in EdgeStone and, indirectly, each of its subsidiary entities and partnerships, including the general partners of EdgeStone's funds. The calculation of the total investment, prior to post-closing adjustments, is as follows:

(\$000)	
Cash consideration	62,031
Issuance of 4,018,750 Exchangeable L.P. units	89,158
Transaction costs	1,140
Total Purchase Price	152,329
Additional investment - debt repaid on closing	15,157
Total Investment	167,486

The additional investment represents a further contribution of capital made by a subsidiary entity of the Fund into EdgeStone on July 4, 2006, to allow for repayment of EdgeStone's pre-existing debt of \$15,157 related to retired partner obligations.

In addition, on July 4, 2006, the following transactions occurred:

- an agreement was reached to establish a retention program for key employees of EdgeStone with GMP Holding Partnership's contribution to the retention program not to exceed \$2,250; and
- GMP Holding Partnership entered into a subscription agreement to commit \$5,000 in capital in EdgeStone Capital Equity Fund III (Canada), L.P. ("Equity Fund III"). This commitment will be paid over the commitment period when and as called pursuant to the terms of the limited partnership agreement of Equity Fund III.

Final cash consideration is subject to post-closing adjustments which are expected to be completed within 90 days following the date of acquisition pending finalization of the closing financial statements. Transaction costs of \$1,140 have been deferred as at June 30, 2006, and are included in commission and other assets on the unaudited interim consolidated balance sheet. The Exchangeable L.P. units issued as partial purchase price consideration are subject to an escrow agreement and will be released over a three-year period on each anniversary date following the date of acquisition as follows: 40%, 30% and 30% on the first, second and third anniversary dates, respectively.

(\$000 and 000 units/common shares, except per unit/common share amounts)

To finance a portion of the acquisition, GMP Securities L.P. secured a \$30,000 subordinated loan facility from a Schedule 1 bank of which \$25,000 was drawn on the date of acquisition. This loan is unsecured, bears interest at variable rates and was issued pursuant to uniform subordination agreements in the form required by the Investment Dealers Association of Canada.

The purchase price allocation has not been completed. The purchase price will be allocated amongst the identifiable assets acquired (including intangible assets) and liabilities assumed based on their estimated fair market values at the date of acquisition. The excess of the purchase price over the fair value of the identifiable net assets acquired will be allocated to goodwill, none of which will be deductible for tax purposes.

(\$000 and 000 units/common shares, except per unit/common share amounts)



Transfer Agent and Registrar:

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 P.O. Box 7010
 Adelaide Street Postal Station
 Toronto, Ontario, M5C 2W9
 Telephone: (416) 643-5500
 Toll Free: 1-800-387-0825
 To change unit registration or address or to
 advise of duplicate mailings, please call
 CIBC Mellon Trust Company.

Auditor: Ernst & Young LLP

Legal Counsel: Goodmans LLP

Listing: Toronto Stock Exchange

Symbol: GMP:UN

CUSIP: 362017105

Fiscal Year End:

December 31

Operating Subsidiaries:

GMP Securities L.P.
 Griffiths McBurney Corp.
 GMP Private Client L.P.
 EdgeStone Capital Partners, L.P.

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