GMP Capital Inc.

Annual Report

2018

GMP Capital Inc.

Table of Contents

Over the past several years, GMP has substantially transformed its operating structure. Moving forward, our key strategic focus is ensuring we are active in markets where we can be a top-tier industry player. That means Canada, and it means being a meaningful player in both capital markets and wealth management.

Fellow Shareholders,

We are encouraged by both the solid revenue and earnings growth we reported in 2018 and the considerable strides made toward honing the firm's focus on its core and profitable Canadian capital markets and wealth management businesses. The domestic capital markets are what we know better than most and where our firm is consistently top-tier. It is in these arenas where our franchise remains an active and meaningful industry player.

HARRIS A. FRICKER
President and Chief Executive Officer

As challenging as 2018 was in many respects, particularly in the fourth quarter, GMP delivered solid financial results from continuing operations. We grew revenue by 15% and recorded adjusted net income from continuing operations of $34.8 million. Leading the way was a 46% increase in investment banking revenue with year-over-year growth from the cannabis, blockchain and energy sectors. Of note, our non-commodities businesses accounted for 70% of total investment banking revenue in 2018. That said, we generated adjusted EPS from continuing operations of 40 cents and adjusted ROE was 17.4%. In 2018, we also returned $23.1 million to shareholders through common stock dividends and share repurchases. We were also pleased to have reinstated a regular quarterly cash dividend of $0.025 per common share and declared two special cash dividends of $0.10 and $0.075 per common share in March and November, respectively. These decisions were made in recognition of GMP's improved financial performance, strong capital levels and improving outlook.

BUSINESS ENVIRONMENT

2018 turned out to be mixed from both a macro and financial perspective. While the first three quarters of the year proved fairly constructive in equity markets, led largely by growth in the cannabis sector, the fourth quarter witnessed higher levels of equity market volatility and negative performance across virtually all asset classes. The result was a broad-based equity markets retreat in 2018. The S&P/TSX Composite Index declined by 11.6% in 2018 with most of the year's losses recorded in the fourth quarter, where the index declined by 10.9%. In the U.S., the S&P 500 Index was down 6.24% in 2018.

In 2018, Canadian independent dealers continued to benefit from significant capital raisings and advisory activity by domestic and U.S. cannabis companies. The Canadian capital markets experienced a surge in cannabis listings, with initial support from Canadian investors giving way to capital inflows from an increasingly international investor base. GMP reaffirmed the leadership role it plays in this growth sector; being named as a top cannabis influencer/financier in the Financial Post's Cannabis Power List. We helped our cannabis companies raise in excess of $3.7 billion in total capital in 2018, and we advised on the first-ever merger between two public U.S. cannabis companies.

On a less positive note, fiscal 2018 saw no abatement in the bear market for commodities that began in 2014 and remains a significant headwind for all Canadian independent dealers. The dollar value of industry-wide common equity underwriting transactions completed in Canada in the energy and mining sectors was down 88.7% and 34.6%, respectively, compared with 2017.

THE WAY FORWARD — "OH CANADA"

As we look back on the past three years, GMP has substantially transformed its operating structure. Our key strategic focus has been to ensure we are active in markets where we can be a top-tier player. That means Canada and it means being a meaningful player in capital markets and wealth management.

The bottom line has benefited from substantial reductions to the fixed cost side of our business and the exiting of certain underperforming and underutilized businesses in international jurisdictions. Following the sale of our U.S. fixed income business in early 2019, that process is now complete. In 2018, we also further streamlined our Canadian capital markets business to better align our operations with the current level of business opportunities in the marketplace.

A key element of our strategic agenda has always been to remain operationally lean and to maintain the agility to respond quickly to emerging opportunities. This has always been core to the firm's DNA. GMP Securities' early and deep leadership in cannabis/blockchain and GMP FirstEnergy's leadership in oil and gas best evidence this distinguishing strength. Our domestic capital markets franchise continues to make a meaningful contribution to the success of the entrepreneurial sectors; remaining as robust and relevant as at any time in our nearly quarter century history. We believe this is where we can continue to differentiate and disrupt.

Heading into 2019, the opportunity for our firm is continuing to do what we do best, namely helping entrepreneurs efficiently access the requisite capital and advice they need to grow their business.

RICHARDSON GMP — THE NEXT GENERATION OF WEALTH

Richardson GMP remains a core building block of long-term value creation. Our partners manage a highly coveted wealth management business that is consistently profitable and scalable. Richardson GMP recorded adjusted EBITDA of $45.4 million on total revenue of $290.1 million in 2018. Total assets under administration ended the year at $27.4 billion administered by 166 advisory teams.

Richardson GMP is focused on growth. Over the next five years, Richardson GMP strives to grow aggressively its business by leveraging its unique positioning in Canada's wealth management industry landscape. Given the changes the Canadian banks are making in their wealth management businesses, our partners are optimally positioned to attract large book investment advisors who want to be in the advice delivery game, unencumbered by the potential conflicts inherent at the banks. Our current dialogue with many of the country's top advisors confirms that there continues to be a notable demand for a very high-quality, non-bank alternative. And, we believe, Richardson GMP is that premier alternative destination.

In an effort to achieve its growth targets, Richardson GMP continues to make significant investments in new technologies, including a newly enhanced client portal, *MyRichardsonGMP*, which clients can use to upload or access important documents/statements, and the launch of an internal digital wealth management platform or robo-advisor aimed at smaller client accounts. Additionally, Richardson GMP launched a refreshed, revitalized brand that reframes the conversation about wealth by focusing on simplifying the growing complexity for Canadian families and business owners.

$34.8M

2018 ADJUSTED[1] NET INCOME FROM CONTINUING OPERATIONS

$0.40

2018 ADJUSTED[1] DILUTED EPS FROM CONTINUING OPERATIONS

17.4%

2018 ADJUSTED[1] ROE FROM CONTINUING OPERATIONS

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Non-GAAP Measures" and "Supplemental Information" sections in the MD&A of this annual report.

The rebrand solidifies Richardson GMP's network of like-minded partners dedicated solely to providing family wealth planning and estate planning, including the intergenerational transfer of wealth. Simply put, Richardson GMP strives to be the firm that best helps its clients transfer wealth and family businesses to the next generation.

THE IMPORTANT ROLE OF INDEPENDENT PLAYERS

Independent investment dealers have always played an essential and fundamental role in the efficient functioning of the Canadian capital markets ecosystem. Despite the tectonic structural changes the industry has endured over the past decade, strong and viable independent players are necessary if we are to continue to see capital flow to the small- to mid-cap segments of the markets. Whether it is junior oil and gas and mining companies or more recently the early and deep involvement in two of today's biggest investment trends, cannabis and blockchain, independents take the leap of faith that is necessary to supply capital to these entrepreneurial sectors. The bank-owned firms don't have the DNA to do that. One of our key competitive advantages lies in our firm being more nimble and agile in the provision of investment banking services compared with the supercilious Canadian bank-owned investment dealers. If they're a cruise ship, we're a Viking ship. There's no salad bar on a Viking ship.

CANADA GETTING IT RIGHT ON CANNABIS

This past year, Canada became the first wealthy nation in the world to legalize the recreational use of cannabis, bringing nearly all operators into a regulated framework. The legalization of both medical and recreational cannabis at the national level in Canada is in sharp contrast to the U.S., where it remains prohibited by federal law. Why is that distinction important? The simple answer is competitive advantage. Canadian cannabis companies enjoy unencumbered access to capital formation via the Canadian capital markets and unrivalled growing capacity. Access to an increasingly international investor base and soaring equity market valuations have provided these firms with enormous amounts of capital to grow operations, build market share, and acquire smaller industry players. Canada has established itself as the undisputed leader in the global cannabis industry. It is abundantly clear that the sentiment shift in favour of cannabis will continue to gain support in 2019. We see no reason why Canada should not continue to be a global leader in the cannabis space given our front-runner status.

CANADIAN ENERGY'S WILD RIDE

In contrast to cannabis, the energy sector is the poster child for government policy failure. The ongoing Canada "risk-off" trade that began late 2014 coupled with the lack of progress on pipelines and infrastructure projects led to a massive migration of international capital out of Western Canada and primarily into the United States, where there are far less regulatory, financial and political obstacles to operating. According to the Canadian Association of Petroleum Producers, 2018 marks the fifth straight year that capital spending contracted. Quite frankly, our inability as a wealthy nation, to get product to tidewater on either coast via pipelines and an increasing dependence on crude-by-rail is really depressing. The impasse has contributed to record discounts of more than US$50/barrel for Western Canadian crude relative to global benchmarks. In an effort to bolster Canadian crude prices, the Alberta government mandated production cuts in early 2019 and purchased rail cars to increase shipping capacity by rail.

It is widely perceived globally that the Canadian Energy industry is mired in bureaucracy, regulation and procedure. Canadian companies are among the best in the world but seemingly endless political dithering has created considerable hurdles to hold their progress back, thus hurting the sector's competitiveness. The silver lining is that trend is not irremediable. Canada has been blessed with one of the great caches of resource wealth in the world and harvesting that responsibly — including the gold standard on environmental protection which, of course, should absolutely be the rule that governs both business and governments alike.

The firm remains long-term bullish on Canada and we are encouraged by the conditional approval of Trans Mountain by the National Energy Board this past February, albeit construction is several years away. Oil remains the world's No. 1 source of energy, and we don't see that abating for decades to come. However, balancing extractive industries with new

> A key element of our strategic agenda has always been to remain operationally lean and to maintain the agility to respond quickly to emerging opportunities. This has always been core to the firm's DNA.

technology and renewable energy is the way forward for Canada's energy economy, as long as an appropriate balance is struck between the two. As the British say: "Mind the gap."

We believe the Canadian energy sector will recapture the interest of global investors only when there are increasing signs we are willing to address some of the larger and broader aspects of the industry, many of them structural. GMP FirstEnergy remains well positioned as the only viable independent in Canada's largest and most valuable industry.

CONCLUSION

2018 was an important year of transformation for GMP with solid operating performance from continuing operations. It marked the conclusion of a multi-year process that resulted in meaningful changes to our organizational structure, ensuring we remain active in markets where we can be a highly agile top-tier industry player; namely Canada capital markets and wealth management. The harsh reality is that we faced some monumental industry challenges over the past decade. The decline in legacy businesses as a consequence of monumental structural changes to our industry is a simple reality. We believe GMP has successfully counteracted these obstacles through an unrelenting refocus on our core and profitable Canadian business. Net income from continuing operations of nearly $35 million in 2018 confirms that Canada remains the fulcrum for sustainable earnings growth.

GMP is unequivocally more focused, leaner and nimbler today, retaining the capacity to pivot to the upside from a position of strength. We continue working toward identifying additional areas where we can improve in an effort to enhance shareholder returns. We thank you for your continued support as we continue on our journey.

Sincerely,

HARRIS A. FRICKER
President and Chief Executive Officer

A leading independent diversified financial services firm providing a wide range of financial products and services to a global client base that includes corporate clients, institutional investors and high-net-worth individuals in two integrated reporting segments: Capital Markets and Wealth Management. GMP is listed on the Toronto Stock Exchange under the symbol "GMP".

Our Key Priorities

MAINTAIN DOMINANCE

Maintain dominance in domestic capital markets and wealth management.

GREATER MARKET SHARE

Win greater market share in the non-commodities space, including cannabis and blockchain sectors.

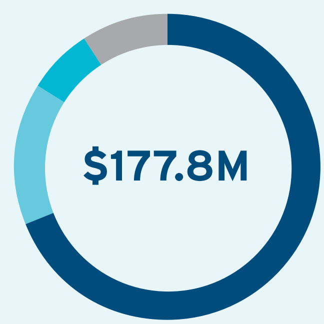
LEAN AND AGILE

Remain a lean and agile franchise with ample capital to be able to pivot to an upturn in market conditions.

FURTHER SYNERGIES

Drive further synergies between GMP Securities and Richardson GMP.

2018 REVENUE BREAKDOWN (%)



- Investment Banking 69%
- Commissions 15%
- Interest 7%
- Other 9%

$34.8M

2018 ADJUSTED NET INCOME[1] FROM CONTINUING OPERATIONS

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Non-GAAP Measures" and "Supplemental Information" sections in the MD&A of this annual report.

CAPITAL MARKETS

Entrepreneurial Nimble and Agile

Capital Markets' integrated capabilities consist of investment banking, institutional research and sales and trading serving corporate and institutional clients.

50%
INCREASE IN UNDERWRITING REVENUE FROM 2017

37%
INCREASE IN ADVISORY REVENUE FROM 2017

70%
PERCENTAGE OF 2018 INVESTMENT BANKING REVENUE FROM NON-COMMODITIES BUSINESSES

$162.7M
2018 TOTAL REVENUE

$43.7M
2018 ADJUSTED EARNINGS[1]

TOPGUN DISTINCTION
GMP SECURITIES NAMED AS ONE OF THE TOPGUN CANADIAN SALES TEAMS IN 2018 BY BRENDAN WOOD INTERNATIONAL

RICHARDSON GMP

The Next Generation of Wealth

Richardson GMP is Canada's leading wealth management firm.

$27.4B
ASSETS UNDER ADMINISTRATION
(As at December 31, 2018)

$290.1M
2018 TOTAL REVENUE

$165M
AVERAGE AUA PER ADVISORY TEAM
(As at December 31, 2018)

$45.4M
2018 ADJUSTED EBITDA[1]

LAUNCHED NEW BRAND

RICHARDSONGMP

GMP Securities' top-calibre investment banking professionals combine substantial product knowledge, deep sector expertise and extensive transactional experience to provide best-in-class advice and superior execution.

Our investment banking professionals are highly experienced and conversant across the entire corporate finance spectrum and offer clients access to a comprehensive range of services in all of our focus industries, including:

1. Cannabis/Healthcare
2. Energy
3. Mining
4. Technology/Blockchain
5. Special Situations

CANNABIS/HEALTHCARE

Leadership Matters

The Canadian capital markets ecosystem has a rich history of supporting emerging small- to mid-cap companies and GMP Securities is at the forefront in providing financing and advisory services to the cannabis sector. Canada is the undisputed hub for financing and trading activity in the cannabis space and ongoing regulatory and legislative uncertainty in the U.S. is providing Canadian cannabis companies with a first-rate opportunity to cement themselves as global leaders.

TOP INFLUENCER

Named as one of the top cannabis influencers by Financial Post in 2018

TOPGUN DISTINCTION

Research Analyst Brendan Wood 2018

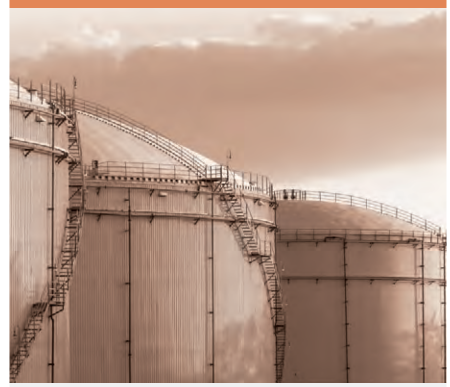
$3.7B

DOLLAR VALUE OF DEALS GMP PARTICIPATED IN DURING 2018

22%

OF INDUSTRY-WIDE CANNABIS CAPITAL RAISINGS LED BY GMP SECURITIES

ENERGY



Energy First, Last and Always

GMP FirstEnergy is extremely proud of its heritage as Canada's leading independent investment dealer in the energy sector. GMP FirstEnergy's highly experienced professionals are solely dedicated to the development of the Canadian and global energy culture. The franchise plays a prominent role in the Canadian energy sector providing focused financial, advisory and investment services.

GMP FirstEnergy

#1 UNDERWRITER

Most active underwriter in Canadian energy since 2010 by number of deals

(Source: FPInfomart)

#1 ADVISOR

Most active advisor to Canadian energy sector since 2010 by number of deals

(Source: MergerMarket)

MINING

Proven Track Record of Excellence

GMP Securities has a rich history of providing mining clients with access to capital formation via the Canadian capital markets – home to the world's largest exchanges for mining companies. The firm is consistently recognized as a leading equity underwriter and M&A advisor to the mining sector.

RANKED 2ND

Since January 2010, GMP Securities ranked second among Canadian investment dealers in mining common equity underwriting for dollar value of transactions completed, which we led or co-led.

(Source: FPInfomart)

TECHNOLOGY/BLOCKCHAIN

Distributed Ledger Technology Disruption

GMP Securities is well recognized as one of the leading players in the finance world in matters relating to distributed ledger technology and its ability to transmit value. While capital raising activity in blockchain has slowed compared with a frenzied 2017, activity through the private equity route is building momentum. In particular, Silicon Valley has come into blockchain in 2018 through private equity funds and long-term interest from pension funds and endowments is growing as institutions concluded they need exposure to cryptocurrencies and are determining appropriate portfolio weightings. GMP Securities remains very active advising clients on the private side.

TOPGUN DISTINCTION

TopGun distinction awarded to the firm's blockchain/cryptocurrencies investment banking team (Brendan Wood 2017)

10

 # OF INVESTMENT BANKERS IN BLOCKCHAIN SPACE

SPECIAL SITUATIONS

Execution Excellence

GMP Securities has a longstanding commitment to industrials and special situations. Clients regularly turn to GMP Securities for deep liquidity, significant trade-flow intelligence and our proven ability to execute transactions, regardless of size or complexity. We have extensive transactional expertise – across both equity financings and M&A advisory transactions over a wide range of industrial and infrastructure-related companies.

TOPGUN DISTINCTION

Research Analyst Brendan Wood 2018

9%

PERCENTAGE OF INVESTMENT BANKING REVENUE IN 2018

A Highly Agile and Top-Tier Independent in the Canadian Brokerage Space

CORPORATE STRATEGY UPDATE

Our key strategic focus is ensuring we remain active in markets where we can be a top-tier industry player. That means Canada, and it means being a meaningful player in the small- to mid-cap segments of the domestic capital markets.

A key element of our strategic agenda has always been to remain operationally lean and to maintain the agility to respond quickly to emerging opportunities. This has always been and continues to be core to the firm's DNA. We are more nimble and agile in the provision of investment banking services compared with the Canadian bank-owned investment dealers.

The opportunity for our firm is continuing to do what we do best, namely helping entrepreneurs efficiently access the requisite capital and advice they need to grow their business.

GMP Securities is the brand for GMP's Capital Markets business and is a leading provider of investment banking, including advisory and underwriting, research and sales and trading services, to the small- to mid-cap segments of the domestic capital markets. GMP FirstEnergy is the Calgary-headquartered energy business of GMP Securities.

Our skilled teams of professionals are highly conversant across the entire corporate finance spectrum and combine substantial product knowledge, deep industry expertise and extensive transactional experience to provide best-in-class advice and superior execution.

FOCUSED ON ENTREPRENEURIAL SEGMENTS OF DOMESTIC MARKET

Since inception in 1995, GMP Securities' sole focus has been on the small- to mid-cap segments of the capital markets. While these segments have been historically ignored by the large bank-owned dealers, it is in this arena that GMP Securities has forged a leadership position among Canadian investment banks. GMP Securities is proud of the deep relationships it has cultivated over the past 24 years, and its rich history in helping early-stage entrepreneurs build and grow their businesses.

We are more nimble and agile in the provision of investment banking services compared with the supercilious Canadian bank-owned investment dealers.

GMP FIRSTENERGY

GMP FirstEnergy is exclusively dedicated to the energy sector providing clients with unparalleled energy knowledge and more than a quarter century of transactional expertise. Focused energy expertise gives GMP FirstEnergy deeper insight than most competitors and a keen ability to identify emerging trends and opportunities. Leveraging expert, up-to-the-minute analysis, GMP FirstEnergy has a well-earned reputation for quality and efficient execution that is tailored to the interests of clients.

GMP FirstEnergy's energy expertise and extensive coverage provide clients with deep industry knowledge and market intelligence on hundreds of energy companies in various stages of development worldwide.

DISTINGUISHING STRENGTHS

Independent investment dealers have always played an essential and fundamental role in the efficient functioning of the Canadian capital markets ecosystem. The firm believes it is differentiated by superior execution, proven and substantial transactional expertise and the ability to efficiently coordinate across investment banking, sales and trading and research to deliver seamless and unbiased advice and product-agnostic solutions to clients.

Despite the tectonic structural changes the industry has endured since 2008, strong and viable independent players are necessary in order to continue to see capital flow to the small- to mid-cap segments: the growth engine of the Canadian economy. Whether it is junior oil and gas and mining companies or, more recently, the early and deep involvement in two of today's biggest investment trends, cannabis and blockchain, independents take the leap of faith that is necessary to supply capital to the entrepreneurial sectors. Bank-owned firms don't have the DNA to do this.

INVESTMENT BANKING

The firm's investment banking professionals aspire to be the leading, trusted advisor and financier to our core clients across their entire business lifecycle. Clients rely on us for our deep industry expertise, broad M&A experience, comprehensive capital raising services and superior execution. Employing a disciplined approach to client solutions, experienced industry professionals are committed to working closely with clients to identify the best financing and strategic solutions to meet their needs. The complete and extensive resources of the firm are dedicated to helping our professionals

Members of the Capital Markets Team

ASHLEY KOWAL
Director, Equity Capital Markets

DEBORAH STARKMAN
Chief Financial Officer and Corporate Secretary

SHARON AUJLA
Director, Human Resources and Compensation

BRYAN LOPUSHINSKY
Vice Chairman, Co-Head of Energy Sales and Trading

NICHOLAS JOHNSON
Vice Chairman, Head of Energy Investment Banking

STEPHEN HARRIS
Vice Chairman, Head of Institutional Research

KYLE GOULD
Director, Investment Banking

ROB WEIR
Vice Chairman, Head of Institutional Equity Sales

2018 REVENUE BREAKDOWN (%)

Investment Banking	75%
Commissions	17%
Interest	7%
Other	1%

2018 INVESTMENT BANKING REVENUE BY SECTOR (%)

Cannabis/Healthcare	43%
Energy	19%
Mining	11%
Technology/ Blockchain	18%
Special Situations	9%

2018 TOTAL INVESTMENT BANKING REVENUE (%)

Non-Commodities	70%
Commodities	30%

46%

INCREASE IN INVESTMENT BANKING REVENUE COMPARED WITH 2017

deliver on that promise. Clients also benefit from compelling and proven after-market liquidity and trading support facilitated through a highly effective and skilled sales and trading team and focused research. GMP Securities is consistently recognized as a leader in the origination, distribution and trading of equity and equity-related securities.

In our underwriting business, GMP's highly skilled and sector-focused investment bankers deliver superior transaction execution across a variety of securities, including both public and private capital markets transactions. The team has extensive experience and a successful track record of raising capital for corporate clients. The firm's solid capital base serves to facilitate the execution of both large and small transactions while unparalleled institutional market and trade flow intelligence are central to the firm's ability to be a meaningful industry player in executing bought deal financings. In 2018, GMP Securities participated in 147 underwriting transactions completed in Canada with an aggregate value of $13.0 billion.

GMP Securities has a well-earned reputation as a leading M&A franchise. Its M&A professionals are industry specialists focused on developing a deep understanding of our clients' businesses. M&A experts deliver powerful insight across the firm's core industry sectors and extensive transactional expertise.

SALES AND TRADING

GMP Securities is a leading client-focused sales and trading platform committed to delivering unparalleled market intelligence and trading support before, during and after a successful transaction. The firm engages largely in agency-only transactions which ensure that its recommendations are always based on unbiased advice and free of potential conflict.

The firm's sales and trading professionals strive to dominate the trading of securities in each of its core franchise names.

GMP Securities has a longstanding leadership position in equity capital markets precisely because it delivers superior execution, timely market insights and exceptional client service. Collaborating closely with a top-calibre team of investment banking professionals, the firm's sales and trading professionals provide clients with immediate access to quality independent research and a formidable institutional and retail network for new product distribution. In 2018, Brendan Wood named GMP Securities as one of the Top Canadian Sales Teams.

RESEARCH

GMP Securities remains committed to fundamental research, providing prescient opinions and differentiated investment ideas to enable clients to make informed decisions. Experienced professionals provide research coverage on hundreds of companies spanning multiple industry sectors. The research team works closely with the firm's sales and trading professionals to translate their insights into actionable investment opportunities that offer the potential for superior, risk-adjusted returns.

Select Transactions

UNDERWRITING

CURALEAF HOLDINGS, INC.
$520,083,812
Subscription Receipts
2018 Co-Lead

GALAXY DIGITAL HOLDINGS LTD.
$304,848,730
Subscription Receipts
2018 Sole Lead

HARVEST ENTERPRISES, INC.
US$218,149,676
Subscription Receipts
2018 Co-Lead

CANOPY GROWTH CORPORATION
$200,680,000
Common Shares
2018 Co-Lead

RUSSELL METALS INC.
$150,000,000
Debentures
2018 Co-Lead

GRAN COLOMBIA GOLD CORP.
US$97,992,000
Senior Secured Gold-Linked Notes with Warrants
2018 Sole Lead

CANOPY RIVERS CORPORATION
$104,125,000
Subscription Receipts
2018 Co-Lead

GREEN THUMB INDUSTRIES INC.
$101,660,000
Subordinate Voting Shares
2018 Lead

THE SUPREME CANNABIS COMPANY, INC.
$100,000,000
Convertible Debentures
2018 Lead

VALEURA ENERGY INC.
$60,000,000
Common Shares
2018 Lead

SAVARIA CORP.
$57,300,000
Common Shares
2018 Co-Lead

SERINUS ENERGY PLC
£10,000,000
Common Shares
2018 Co-Lead

ADVISORY

RAGING RIVER EXPLORATION INC.
$1,926,000,000
Merger with Baytex Energy Corp.
2018 Financial Advisor

iANTHUS CAPITAL HOLDINGS, INC.
$1,705,000,000
Acquisition of MPX Bioceutical Corp.
2019 Financial Advisor

SPARTAN ENERGY CORP.
$1,400,000,000
Sale to Vermillion Energy Inc.
2018 Strategic Advisor

BLACKPEARL RESOURCES INC.
$712,000,000
Sale to International Petroleum Corp.
2018 Financial Advisor

KLONDEX MINES LTD.
US$462,000,000
Acquisition by Hecla Mining
2018 Co-Financial Advisor

LUNDIN GOLD INC.
US$400,000,000
Strategic Investment
2018 Co-Financial Advisor

IMVESCOR RESTAURANT GROUP INC.
$262,700,000
Acquisition by MTY Food Group Inc.
2018 Financial Advisor

AURORA CANNABIS INC.
$14,900,000
Acquisition of Agropro UAB and Borela UAB
2018 Financial Advisor

WEALTH MANAGEMENT

The Next Generation of Wealth

The Wealth Management segment consists of GMP's non-controlling ownership interest in Richardson GMP Limited (Richardson GMP).

RICHARDSON GMP

Richardson GMP is Canada's largest and top-ranked wealth management firm, entrusted with over $27.4 billion (at December 31, 2018) in client assets. With offices across the country, the firm is home to some of Canada's most distinguished Investment Advisors with an average of nearly $165 million in client wealth per advisory team. All Richardson GMP Advisors share a passion for professionalism and a commitment to delivering unbiased – and unparalleled – wealth management solutions. They are supported by the substantial resources of its founding companies and their respective track records of success in Canada.

PUTTING CLIENTS' INTERESTS FIRST

In November 2018, Richardson GMP launched a refreshed, revitalized brand that reframes the conversation about wealth by focusing on simplifying the growing complexity for Canadian families and business owners. Progressive and impactful, the rebrand features a contemporary colour palette. Noble purple and black are prominent, representing the independence, quality of service and consummate Advisors at Richardson GMP and chosen to better resound with their client base.

CORPORATE STRATEGY UPDATE

We continue to leverage the three tenets of what has made Richardson GMP a successful and leading wealth management firm. First, we provide an equity ownership structure that has resulted in a unique partnership culture that attracts industry-leading Advisors. Additionally, tax and estate planning expertise is available for these Advisor partners so that they can offer their clients comprehensive and holistic wealth advice that goes beyond investment management. Finally, we have built a platform that supports our Advisors with the opportunity to significantly scale their practice through tools, resources and policies that support growth.

We intend to aggressively grow our business by leveraging our unique positioning in Canada's wealth management industry landscape. Our success will be driven not by the mere number count of our Advisor teams, but by the quality and caliber of these teams and the high professional standards through which they serve their clients.

Our differentiated, client-centric platform consists of a combination of professional investment portfolio management, unbiased wealth planning, and access to sophisticated, non-correlated alternative investment solutions.

The rebrand solidifies Richardson GMP's network of like-minded partners dedicated solely to servicing the distinct wealth management needs of successful, entrepreneurial Canadians and their families who want more – more independent long-term thinking, more investment choices, more strategic leadership, more innovation, more accountability, and more shared beliefs and values.

In addition, the firm launched *MyRichardsonGMP*, a newly enhanced online view of accounts for clients. This completely redesigned online account access enables clients to stay connected, anytime, anywhere, with an easy-to-navigate, mobile-responsive system.

Although the rebrand look and feel is completely new, Richardson GMP remains focused on putting clients' interests above anything else and offering wealth advice that is unbiased, independent and without conflicted interests. Richardson GMP will continue to invest alongside its clients and provide innovative and creative solutions to managing wealth.

NEW LOOK FOR RICHARDSON GMP

Richardson GMP launched a refreshed, revitalized brand that reframes the conversation about wealth by focusing on simplifying the growing complexity for Canadian families and business owners.

Members of the Richardson GMP Leadership Team

ANDREW MARSH
President & CEO

ELLIOT MUCHNIK
CFO & Director, Finance

LYNNE BREJAK
Director, Human Resources

MIKE ANKERS
Director, National Sales

SCOTT STENNETT
COO & Director, Operations & Information Technology

MICHAEL WILLIAMS
Chief Risk & Compliance Officer

JAMES PRICE
Director, Capital Markets & Investment Products

DAN DERVAITIS
Director, Business Strategy & Analysis

SARAH WIDMEYER
Director, Wealth Strategies

PAUL ADAIR
Director & Portfolio Manager, Products & Services

THE IMPORTANCE OF INDEPENDENCE

As stakeholders and owners, Richardson GMP Advisors share an entrepreneurial vision with their clients. The firm's independent platform empowers its Investment Advisors to focus on delivering unbiased advice and unparalleled service excellence. Recommendations made to clients are never influenced by the products and services exclusive to Richardson GMP. Advisors have the freedom, flexibility and support required to develop truly customized investment solutions that best serve clients' needs.

COMPLETE WEALTH MANAGEMENT

Wealth management is about planning for the future. Clients look to Richardson GMP for leadership, family governance best practices, and comprehensive and innovative solutions to help manage risk and preserve their wealth. Advisors have the freedom to access the knowledge of the firm's in-house team of expert practitioners, including lawyers and tax and estate planners. Whether the client is an individual investor or a business owner, each will have unique situations that need to be considered.

This internal team of specialists works closely with Advisors to address the wealth management needs particular to affluent families, such as:

- **Strategic planning for high net worth families** – including tax and estate planning, cross border taxation and wealth preservation
- **Planning for entrepreneurs** – including business succession strategies, family trusts, tax strategies
- **Risk management – Insurance solutions** – including estate preservation, optimization and risk mitigation strategies, disability and critical illness protection
- **Charitable giving strategies** – including private foundations and creating a legacy

CANADA'S NATIONAL MULTI-FAMILY OFFICE

Richardson GMP Private Family Office is a wholly owned subsidiary of Richardson GMP, providing personalized strategic counsel and administrative leadership to families with inter-generational wealth. As Canada's national multi-family office, they are an objective partner for their client-families who are concerned about organizing and optimizing their wealth, preserving capital for future generations, raising and educating children to have healthy relationships with wealth and fostering impactful relationships in their communities.

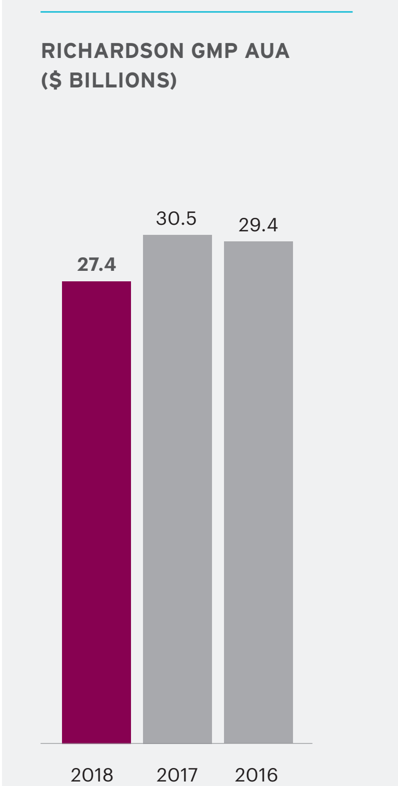
Their unique client experience is built on the foundation of objective advice. Richardson GMP Private Family Office's advice and services are provided separately from asset management, regardless of where client assets are held.

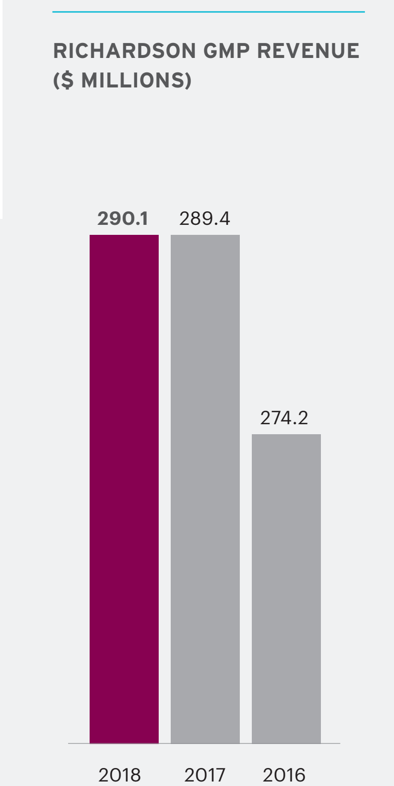
The Private Family Office recognizes that the needs of wealthy families go beyond managing investments and minimizing tax. It helps families to define the purpose of their wealth and realize their overall potential.

$45.4M
ADJUSTED 2018 EBITDA[1]

$165M
AVERAGE ADVISOR PRACTICE

The firm launched *MyRichardsonGMP*, a newly enhanced online view of accounts for clients. This completely redesigned online account access enables clients to stay connected, anytime, anywhere, with an easy-to-navigate, mobile-responsive system.





STRONG CANADIAN ROOTS

Richardson GMP Advisors are also supported by the substantial resources of its founding companies: James Richardson & Sons, Limited, one of the most trusted names in Canadian financial services with a legacy spanning over 88 years; and GMP, one of Canada's most dynamic independent investment dealers with proven expertise in capital markets and wealth management. Through predecessor firms, Richardson GMP has been acting as stewards of wealth for its clients and their families since 1926.

SUSTAINED FIDUCIARY LEADERSHIP

Central to sustaining the leadership position in the Canadian wealth management industry is a willingness to be held accountable to the highest standard of fiduciary care. Successful organizations recognize that there can be no greater priority than continuing to earn a client's trust. Richardson GMP is proud to be the first Canadian Investment Advisory firm to be certified by the Centre for Fiduciary Excellence for its Separately Managed and Portfolio Management Account platforms. This independent recognition attests to Richardson GMP's high standards of integrity, transparency and best practices in managing client wealth.

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Non-GAAP Measures" and "Supplemental Information" sections in the MD&A of this annual report.

Dear Fellow Shareholders,

DONALD A. WRIGHT
Chair of the Board of Directors

This year has been one of noteworthy transformation and solid performance from continuing operations for GMP.

We spent considerable time reviewing and actively discussing strategic priorities, which included overseeing the rightsizing of the firm's Canadian operations to keep pace with a changing business landscape; reinstating a regular quarterly cash dividend and paying special cash dividends on two separate occasions. Additionally, we sold our U.S. fixed income operations to a third party in early 2019 and we continued collaborating closely with our partners at Richardson GMP.

This year's financial results from continuing operations evidence a marked improvement in our performance and largely reflect the strides we made in streamlining and refocusing the franchise on our profitable core Canadian operations. GMP delivered adjusted net income from continuing operations of $34.8 million and adjusted diluted earnings per share of $0.40 for the year.

CORE FOCUS

The Board, together with management, continue to work diligently to refocus the firm's resources and strategic agenda on markets that matters most: our core Canadian capital markets franchise and our ownership interest in Richardson GMP. Make no mistake, the domestic market, particularly the small- to mid-cap segments, is where we are consistently top-tier and profitable despite a multi-year risk-off trade in commodities.

We executed a number of timely tactical and strategic decisions over the past several years, resulting in a more agile, more efficient, more disruptive and, most importantly, a more profitable GMP. And, as always, guiding the firm's prudent decision making is a steadfast commitment to maintaining a strong risk culture and the firm's solid capital positioning.

REINSTATING QUARTERLY CASH DIVIDEND AND PAID SPECIAL DIVIDENDS

We made the pivotal decision in 2018 to reinstate a regular quarterly cash dividend and pay two separate special dividends on our common shares. In recognition of GMP's improving financial performance, its strong capital position and the Board and management's positive outlook for the franchise, we reinstated a quarterly cash dividend of $0.025 per common share and declared special cash dividends of $0.10 per common share in March and an additional $0.075 per common share in November. Our philosophy in this area is unchanged: the Board plans to continue returning excess capital to shareholders.

EMERGING OPPORTUNITIES

Diversification and resiliency were also key themes in 2018. GMP successfully translated an early leadership position in the emerging cannabis and blockchain businesses into meaningful business silos and significant contributors to the firm's profitability. The cannabis sector represented our largest business in 2018.

On a less positive note, 2018 saw a continuation of the bear market in Canadian commodities. Despite the ongoing negative investor sentiment and political and regulatory uncertainties, aptly outlined by Harris in his letter to shareholders, we remain long-term bullish on the world's number one source of energy: oil. When activity and international investor interest in the Canadian energy sector inevitably returns, GMP FirstEnergy is well positioned as the only viable Canadian independent energy franchise.

DIVERSITY FUELS TRANSFORMATION

Diversity plays a vital role in any firm's success. Diversity in thinking, business acumen, cultural background, gender and areas of expertise helped fuel GMP's transformation. Collectively, this leads to in-depth, and candid conversations across the firm helping ensure we execute against what, we believe, is the right path forward. With the benefit of hindsight, we may have approached some decisions differently; however, our decisions were made with the best available information at the time and are always made with the best interest of shareholders in mind.

Additionally, one of the Board's most fundamental responsibilities is to regularly evaluate its composition with a view to ensure the Board benefits from a broad range of perspectives and relevant experience. In 2018, GMP continued to support diversity and meritocracy, including at the Board level, seeing the value it brings across the entire franchise.

One of the Board's top priorities in 2018 was evolving its own composition including an increase in the representation of women. While all Board appointments are made on merit, we continue to believe in the importance of a diverse Board.

In June 2018, the Board welcomed Kishore Kapoor as an independent director. Mr. Kapoor is one of two James Richardson & Sons, Limited director nominees on the Board, replacing Donald Solman, who resigned from the Board on the same date. The Board and senior management would like to thank Mr. Solman for his service and contributions to GMP. Kish brings a wide range of leadership experience and business acumen in wealth management, asset management and capital markets.

Following a comprehensive search for appropriate candidates, the Board welcomed Julie Lassonde (September 2018) as an independent director. Julie brings over 20 years' experience in a variety of senior executive and director roles in the mining industry. Julie is a respected industry leader and her in-depth experience in capital markets and the natural resources sector are a valuable addition to our Board. The addition of both Kish and Julie complements our Board's existing skills, backgrounds and expertise, and we look forward to their valuable perspectives and contributions. With these additions to the Board, five new directors have joined our Board in the past five years.

CLOSING

The firm's key focus is now squarely on its consistently profitable Canadian capital markets operations and its ownership interest in Richardson GMP. GMP continues to demonstrate its resilience given its improved financial performance from continuing operations in 2018 and its ability to win greater market share in the non-commodities portion of its business. We believe GMP remains on the right track as it enters the next phase of its evolution. We are encouraged by both the solid revenue and earnings growth we reported in 2018.

I would like to thank our shareholders for their ongoing support and my fellow Board members for their insight and sound judgment.

Sincerely,

D.A. Wright

DONALD A. WRIGHT
Chair of the Board of Directors

BOARD OF DIRECTORS

	Audit Committee	Governance Committee	Management Resources and Compensation Committee
DONALD A. WRIGHT[1] Independent Chair		●	
DAVID G. BROWN Independent Board Member			○
DAVID C. FERGUSON Independent Board Member	●	○	○
HARRIS A. FRICKER Board Member			
KISH KAPOOR Independent Board Member	○		
JULIE A. LASSONDE Independent Board Member		○	
FIONA L. MACDONALD Independent Board Member	○	○	●
EUGENE C. MCBURNEY Board Member			
KEVIN M. SULLIVAN Board Member			

● Chair ○ Member

1. Mr. Donald Wright is an ex-officio member of the Management Resources and Compensation Committee and the Audit Committee.

ANNUAL MEETING OF COMMON SHAREHOLDERS

The AGM will be held at the TMX Broadcast Centre, Gallery, 130 King St. West, Toronto, at 11 a.m. (EST) on May 2, 2019.

FOR MORE INFORMATION

More information on these topics can be found under the Corporate Governance section of our website: **www.gmpcapital.com/About-Us/Corporate-Governance**

GMP's culture is a commitment to community engagement.

GMP and our employees have a long history of supporting charitable causes in our communities across Canada. We develop partnerships with charities to identify meaningful opportunities that can make a positive and lasting impact in the communities where we live and work.

Core to our culture is a commitment to community engagement. Over the past 25 years we committed over $25 million to community activities and charitable organizations through the cumulative efforts of our offices across Canada. We are committed to building strong communities that align with our entrepreneurial culture and corporate values by partnering with local charities, our clients and through employee engagement.

Our employees are actively engaged in giving back to their community by volunteering their time, expertise and financial resources to benefit the well-being of those who need it most. Our employees help identify charitable needs and bring them forward to our attention for support. This, in turn, raises awareness of organizations that provide vital services for the betterment of our communities.

We base our investment decisions on understanding the unique needs and characteristics of the communities in which we do business, and we select causes where our donations have the greatest impact. We sponsor a range of charitable organizations and non-profit initiatives important to both our clients and employees.

GRAND COMMISSION

GMP held a Charity Trading Day and was proud to renew its Title Sponsorship for the second annual Grand Commission gala on June 6, 2018. Our charity day's trading commissions and title sponsorship for the Grand Commission raised approximately $500,000 over the last two years in support of Covenant House Toronto's anti-sex trafficking campaign. This is a clear demonstration of GMP's commitment to make a meaningful and lasting difference in the communities where we live and work.

We at GMP pride ourselves on bringing innovative strategies to charitable giving and corporate responsibility.

PARTNERSHIPS

We are pleased to recognize some of the many charities with whom we had the privilege of renewing our support:

Centennial Infant and Child Centre

RIGHT TO PLAY

Covenant House
Opening Doors for Homeless Youth

UHN Princess Margaret Cancer Centre

Management's Discussion and Analysis

For the Year Ended December 31, 2018

About this Management's Discussion and Analysis

Management's discussion and analysis (MD&A) is provided to enable readers to assess the financial condition and results of operations of GMP Capital Inc. (GMP or the Company) as at and for the year ended December 31, 2018.

This MD&A has been prepared with an effective date of February 28, 2019, and should be read in conjunction with the audited annual consolidated financial statements and related notes of GMP for the year ended December 31, 2018 (2018 Annual Financial Statements). These documents as well as additional information relating to GMP, including GMP's annual information form (AIF), can be accessed at *gmpcapital.com* and at *sedar.com*. Certain comparative amounts have been reclassified to conform to the current year's presentation.

In January 2019, GMP completed the sale of its U.S. fixed income business, which was conducted through its wholly owned U.S. subsidiary GMP Securities, LLC, to INTL FCStone Inc. As required under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results of the disposed U.S. fixed income business are reported as discontinued operations throughout this MD&A. Certain previously reported figures have been retroactively restated to exclude the operating results of discontinued operations, as required. For further information relating to Discontinued Operations, please refer to Note 8 to the 2018 Annual Financial Statements.

Table of Contents

All references to we, our, us and GMP Group refer to GMP, together with its consolidated operations controlled by it. All references to shareholders refer collectively to holders of common shares of GMP (Common Shares), holders of Cumulative Five-Year Rate Reset Preferred Shares, Series B of GMP (Series B Preferred Shares), and Cumulative Floating Rate Preferred Shares, Series C of GMP (Series C Preferred Shares). References to Preferred Shares refer to the Series B Preferred Shares and Series C Preferred Shares, collectively.

GMP's audit committee (Audit Committee) has reviewed this document and, prior to its release, GMP's board of directors (Board of Directors) approved it, on the Audit Committee's recommendation.

Certain numbers contained in this MD&A are subject to rounding.

Forward-Looking Information

This MD&A contains "forward-looking information" as defined under applicable Canadian securities laws. This information includes, but is not limited to, statements made in "Business Environment — 2018 Highlights — Outlook" and "Liquidity and Capital Resources" and other statements concerning our objectives, our strategies to achieve those objectives as well as statements with respect to management's beliefs, plans, estimates, projections, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "continue", or similar expressions suggesting future outcomes or events. Such forward-looking information reflects management's current beliefs and is based on information currently available to management.

Forward-looking information is not a guarantee of future performance and is subject to numerous risks and uncertainties, including those described in this MD&A. GMP's primary business activities are both competitive and subject to various risks. These risks include market, credit, liquidity, operational, legal and regulatory risks and other risk factors including, without limitation: variation in the market value of securities, volatility and liquidity of equity and debt trading markets, volume of new financings and mergers and acquisitions (M&A), dependence on key personnel, and sustainability of fees. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations and resource commodity prices, may also have an effect on GMP's results of operations. Many of these risks and uncertainties can affect GMP's actual results and could cause its actual results to differ materially from those expressed or implied in any forward-looking information disclosed by management or on its behalf. For a description of additional risks that could cause our actual results to materially differ from our current expectations, see "Risk Management" and "Risk Factors" in this MD&A and "Risk Factors" in GMP's AIF. These risks and uncertainties are not the only ones facing the GMP Group. Additional risks and uncertainties not currently known to us or that we currently consider immaterial, may also impair the operations of the GMP Group. Although forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws and, as such, the financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking information contained in this MD&A is made as of the date of this MD&A, and should not be relied upon as representing GMP's views as of any date subsequent to the date of this MD&A.

Except as required by applicable law, management and the Board of Directors undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

About GMP

GMP traces its history to 1995 with its founding based on the vision of creating an entrepreneurial and independent investment dealer. Today, GMP is a leading independent diversified financial services firm headquartered in Toronto, Canada, providing a wide range of financial products and services to a global client base that includes corporate clients, institutional investors and high-net-worth individuals.

DISCONTINUED OPERATIONS

In January 2019, GMP completed the sale of its U.S. fixed income business, which was conducted through its wholly owned U.S. subsidiary GMP Securities, LLC to a third party. As required under IFRS 5 — *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results of the disposed U.S. fixed income business are reported as discontinued operations throughout this MD&A. Certain previously reported figures have been retroactively restated to show the discontinued operations separately from continuing operations. GMP Securities, LLC no longer forms part of the Capital Markets business segment. For further information relating to Discontinued Operations, please refer to Note 8 to the 2018 Annual Financial Statements.

GMP operates through the following two business segments and a Corporate segment:

CAPITAL MARKETS

Capital Markets' integrated capabilities consist of investment banking, institutional research and sales and trading serving corporate and institutional clients through offices in Canada, the United Kingdom and The Bahamas.

WEALTH MANAGEMENT

Wealth Management consists of GMP's non-controlling ownership interest in Richardson GMP Limited (Richardson GMP), Canada's largest independent wealth management firm.

For further descriptions of our business segments and our Corporate segment, refer to "Segment Results" in this MD&A.

GMP's Common Shares, Series B Preferred Shares, and Series C Preferred Shares are listed on the Toronto Stock Exchange (TSX) under the symbols GMP, GMP.PR.B, and GMP.PR.C, respectively.

Presentation of Financial Information and Non-GAAP Measures

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise specified herein, financial results, including related historical comparatives, contained in this MD&A, are based on our 2018 Annual Financial Statements, which have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The Canadian dollar is our functional and reporting currency for purposes of preparing GMP's consolidated financial statements and accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified herein.

NON-GAAP MEASURES

We use certain measures to assess our financial performance that are not generally accepted accounting principles (GAAP) measures under IFRS. These measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of GMP's performance, liquidity, cash flows, and profitability.

ANNUALIZED RETURN ON COMMON EQUITY

We evaluate the performance of our consolidated operations using annualized return on common equity (ROE) which we calculate based on net income (loss) attributable to common shareholders divided by total average common shareholder equity for the period, which are measures derived from information contained in our 2018 Annual Financial Statements.

ADJUSTED MEASURES

Management believes adjusting certain results and measures by excluding the impact of specified items may be more reflective of ongoing operating results and provides readers with an enhanced understanding of how management views GMP's core performance. Management assesses performance on both a reported and an adjusted basis and considers both bases to be useful in assessing underlying, ongoing business performance. Presenting results on both bases also permits readers to assess the impact of the specified items on the results for the periods presented. Our adjusted measures exclude the following specified items:

Transaction Shares: In 2018 and 2017, GMP recorded $14.9 million and $13.3 million, respectively, in share-based compensation expense (Transaction Shares) related to its 2016 purchase of FirstEnergy Capital Holdings Corp. (GMP FirstEnergy). Management regards the Transaction Shares as part of the purchase price consideration; notwithstanding the accounting treatment that views the related expense as share-based compensation.

Amortization of intangible asset: In connection with the acquisition of GMP FirstEnergy, GMP recognized a non-competition intangible asset to be amortized over a five-year period. This asset relates to non-competition agreements with key GMP FirstEnergy professionals. Management views the amortization expense as relating to the purchase transaction and not reflective of ongoing operating results. Such expense was $0.9 million, pre-tax, in both 2018 and 2017.

Cost Rationalization Charge: In 2018, GMP recorded $5.5 million in severance expenses related to rationalization of personnel costs in the Capital Markets segment.

Goodwill impairment: In 2017, GMP recorded a non-cash pre-tax goodwill impairment charge of $52.0 million to the Capital Markets cash-generating unit.

Deferred-tax asset write-down: In 2017, GMP recognized a non-cash deferred tax expense of $7.7 million in connection with a write-down of deferred tax assets associated with U.S. operations.

The following table provides a reconciliation of GMP's reported results to its adjusted measures including the composition of the adjusted measures for the periods presented:

($000, except as otherwise noted)	2018	2017	Fourth Quarter 2018	Fourth Quarter 2017
Reported Results				
Income (loss) before income taxes from continuing operations	20,910	(40,294)	1,835	12,188
Net income (loss) from continuing operations	15,173	(44,277)	3,727	7,988
Net income (loss)	2,545	(47,121)	(4,952)	6,423
Net income (loss) attributable to common shareholders from continuing operations	10,891	(48,390)	2,634	6,946
Net (loss) income attributable to common shareholders	(1,737)	(51,234)	(6,045)	5,381
Reported Measures				
Net income (loss) per Common Share from continuing operations (dollars):				
Basic	0.16	(0.70)	0.04	0.10
Diluted	0.14	(0.70)	0.03	0.09
Net loss income per Common Share (dollars):				
Basic	(0.03)	(0.74)	(0.09)	0.08
Diluted	(0.03)	(0.74)	(0.09)	0.07
ROE[1] continuing operations	6.5%	(27.6)%	6.2%	17.5%
ROE[1]	(1.0)%	(26.2)%	(13.4)%	12.2%
Pre-Tax Impact of Adjusting Items:				
Transaction Shares	14,911	13,265	4,315	3,100
Amortization of intangible asset	868	868	217	217
Cost rationalization charge	5,512	–	–	–
Goodwill impairment charge	–	52,000	–	–
Total	21,291	66,133	4,532	3,317
After-Tax Impact of Adjusting Items:				
Transaction Shares	14,911	13,265	4,315	3,100
Amortization of intangible asset	636	636	159	159
Cost rationalization charge	4,051	–	–	–
Goodwill impairment charge	–	44,261	–	–
Deferred tax asset write-down	–	7,739	–	–
Total	19,598	65,901	4,474	3,259
Adjusted Results[1]				
Income before income taxes from continuing operations	42,201	25,839	6,367	15,505
Net income from continuing operations	34,771	21,624	8,201	11,247
Net income (loss)	22,143	18,780	(478)	9,682
Net income attributable to common shareholders from continuing operations	30,489	17,511	7,108	10,205
Net income (loss) attributable to common shareholders	17,861	14,667	(1,571)	8,640
Adjusted Measures[1]				
Net income per Common Share from continuing operations (dollars):				
Basic	0.45	0.25	0.10	0.15
Diluted	0.40	0.22	0.09	0.13
Net income (loss) per Common Share (dollars):				
Basic	0.26	0.21	(0.02)	0.13
Diluted	0.23	0.18	(0.02)	0.11
ROE continuing operations	17.4%	8.1%	15.1%	18.3%
ROE	9.4%	6.2%	(3.2)%	14.3%

1. Considered to be non-GAAP financial measures. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Business Environment – 2018 Highlights – Outlook

BUSINESS ENVIRONMENT

Global equity markets ended on a down and volatile note in 2018. Throughout the year, global growth prospects and investor confidence decelerated, led largely by escalating U.S.-China trade tensions, a slowing Chinese economy, rising interest rates and uncertainty around Brexit. The result was a broad-based equity markets retreat in 2018. The S&P/TSX Composite Index declined 11.6% with most of the year's losses recorded in the fourth quarter, where the index declined 10.9%. In the U.S., the S&P 500 Index was down 6.2% in 2018. The Canadian economy grew 2% in 2018 and the Bank of Canada continued to tighten monetary policy, raising its overnight rate by 25 bps in each of January, July and October 2018, and the latest central bank communication maintains a bias towards further rate increases in 2019.

In 2018, Canadian independent dealers continued to benefit from significant capital raising and advisory activity by domestic and U.S. cannabis companies. The Canadian capital markets experienced a surge in listings, with initial support from Canadian investors giving way to capital inflows from international investors. Canadian independent dealers reaffirmed the leadership role they play in this growth sector. On a less positive note, fiscal 2018 saw no abatement in the bear market for commodities that began in 2014 and remains a significant headwind for Canadian independent dealers. The dollar value of industry-wide common equity underwriting transactions completed in Canada in the energy and mining sectors was down 88.7% and 34.6%, respectively, compared with 2017. Worth noting was a significant drop in global oil prices driven by rising U.S. shale production, increased output from OPEC members and concerns about weaker global demand. The price of WTI ended the year at $50.57 after reaching an intra-year high of $86 in October. In Canada, a lack of pipeline/transportation capacity, restricted market access and temporary maintenance shutdowns at key U.S. refineries contributed to record discounts for Western Canadian crude relative to global benchmarks. Simply put, production growth in Western Canada outpaced the energy industry's ability to get new output to market. As a result, equity-raising and merger and acquisition activity by energy companies slowed in 2018.

2018 HIGHLIGHTS

GMP continued to position itself for long-term success while maintaining the strength of its liquidity and capital position. The following are key 2018 highlights:

CORPORATE

- On March 1, 2018, and November 8, 2018, the Board of Directors declared special cash dividends of $0.10 and $0.075 per Common Share, respectively.
- On November 8, 2018, the Board of Directors reinstated a quarterly cash dividend of $0.025 per Common Share.
- During 2018, GMP purchased for cancellation 2.7 million Common Shares under its normal course issuer bid program, an aggregate value of $7.7 million.
- During 2018, the Board of Directors appointed Kishore Kapoor and Julie Lassonde as independent directors, enhancing the broad expertise and growing diversity of GMP's Board.

CAPITAL MARKETS

- Remains a dominant industry player in the small- to mid-cap segments of the Canadian capital markets.
- GMP Securities was named as one of the Top Gun Canadian Sales Teams in 2018 by Brendan Wood International.
- Continued growth in our non-commodities franchises, with investment banking fees representing 70% of total 2018 investment banking fees.
- GMP Securities reaffirmed its leadership in the cannabis space in 2018:
  - Named as a top cannabis influencer/financier by the Financial Post Cannabis Power List
  - Helped cannabis companies raise approximately $3.7 billion in total capital
  - Led U.S. cannabis retailer Curaleaf Holdings Inc.'s $520 million listing; the biggest-ever RTO on the Canadian Securities Exchange
  - Advised iAnthus Capital Holdings Inc. in the first merger between two public U.S. cannabis companies
- Advised Raging River Exploration Inc. on its $1.9 billion merger with Baytex Energy Corp.

WEALTH MANAGEMENT — RICHARDSON GMP

- Richardson GMP generated net income of $13.7 million in 2018 on total revenue of $290.1 million
- Richardson GMP ended the year with $27.4 billion of assets under administration (AUA)
- As at December 31, 2018, Richardson GMP had 166 advisor teams; with an average AUA per team of approximately $165.0 million
- Consistently ranked as a top wealth management firm by *Investment Executive* in their Annual Brokerage Report Card
- Launched a refreshed brand: *The Next Generation of Wealth*, reframing and simplifying conversations around wealth

OUTLOOK

The ongoing U.S.-China trade conflict, a high level of uncertainty over the future of Brexit and reduced monetary stimulus should remain as sources of equity market volatility in 2019. After peaking in 2018, the pace of global economic growth is expected to moderate but remain positive. The steep price discount on Western Canadian oil should continue to narrow as rail capacity increases, additional pipeline capacity via Enbridge Line 3 coming online in 2019 and mandated production cuts take effect. The ongoing political uncertainty regarding pipeline infrastructure together with onerous regulatory hurdles remain large detractors to investment in Western Canada and significant obstacles to accessing new global markets for Canadian oil companies.

We expect the business pipeline for cannabis companies to remain strong, including an intensification in the pace of mergers and acquisitions following the legalization of recreational use of marijuana in Canada in October 2018. Innovation in the blockchain sector will continue, albeit not without challenges, including the likely emergence of platforms for trading tokenized securities and institutional custody solutions. We expect activity in blockchain, largely on the private equity side to continue to build momentum.

GMP continues to take measures to safeguard liquidity and capital while building on its core Canadian securities capabilities and industry-leading wealth management business.

Financial Highlights

SELECTED FINANCIAL INFORMATION

($000, except as otherwise noted)	2018	2017	2016	2018 vs. 2017 % increase/(decrease)	2017 vs. 2016 % increase/(decrease)
Revenue	**177,804**	154,640	149,439	15	3
Investment banking	**122,560**	83,914	99,415	46	(16)
Commissions	**26,841**	35,722	39,907	(25)	(10)
Principal transactions	**(501)**	(1,240)	(7,544)	60	84
Interest	**12,268**	10,229	6,028	20	70
Other	**16,636**	26,015	11,633	(36)	124
Expenses	**159,843**	197,512	148,688	(19)	33
Employee compensation and benefits	**109,866**	93,175	97,525	18	(4)
Non-compensation expenses	**49,977**	52,337	51,163	(5)	2
Goodwill impairment charge	**–**	52,000	–	n.m.	n.m.
Share of net income of associate	**2,949**	2,578	374	14	589
Income (loss) before income taxes	**20,910**	(40,294)	1,125	152	n.m.
Net income (loss) from continuing operations	**15,173**	(44,277)	(1,117)	134	n.m.
Net loss from discontinued operations	**(12,628)**	(2,844)	(10,531)	(344)	73
Net income (loss)	**2,545**	(47,121)	(11,646)	105	(305)
Net income (loss) attributable to common shareholders from continuing operations	**10,891**	(48,390)	(5,773)		
Net loss attributable to common shareholders	**(1,737)**	(51,234)	(16,213)	97	(216)
Net income (loss) per Common Share (dollars) from continuing operations					
Basic	**0.16**	(0.70)	(0.24)	123	(192)
Diluted	**0.14**	(0.70)	(0.24)	120	(192)
Net loss per Common Share (dollars)					
Basic	**(0.03)**	(0.74)	(0.24)	96	(208)
Diluted	**(0.03)**	(0.74)	(0.24)	96	(208)
Cash dividends declared per Common Share (dollars)	**0.20**	–	–		
ROE[1]	**(1.0)%**	(26.2)%	(7.4)%	96	(254)
Total assets	**1,723,420**	1,978,040	2,005,036	(13)	(1)
Adjusted results[1]					
Income before income taxes from continuing operations	**42,201**	25,839	20,914	63	24
Net income from continuing operations	**34,771**	21,624	15,990	61	35
Net income	**22,143**	18,780	5,460	18	244
Net income per Common Share (dollars) from continuing operations:					
Basic	**0.45**	0.25	0.17	80	47
Diluted	**0.40**	0.22	0.15	82	47
ROE from continuing operations	**17.4%**	8.1%	5.3%	115	53

n.m. = not meaningful

1. Considered to be non-GAAP financial measures. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section of this MD&A.

FINANCIAL PERFORMANCE

2018 vs. 2017

GMP reported net income of $2.5 million in 2018 compared with a net loss of $47.1 million in 2017. The increase is primarily due to a $52.0 million non-cash goodwill impairment charge recorded in 2017 in our Capital Markets segment as well as stronger investment banking activity in 2018. On an adjusted basis, 2018 net income was $22.1 million compared with net income of $18.8 million in 2017.

Continuing Operations

GMP reported net income of $15.2 million in 2018 from continuing operations compared with a net loss of $44.3 million in 2017. The increase primarily reflects a $52.0 million non-cash goodwill impairment charge recorded in second quarter 2017 in our Capital Markets segment and stronger investment banking revenue in 2018. Wealth Management results in 2018 included $2.3 million in dividends received on our preferred share investments in Richardson GMP, compared with $14.4 million received in 2017. Results in 2018 also included a $4.1 million (after-tax) cost rationalization charge in our Capital Markets business. On an adjusted basis, 2018 net income from continuing operations was $34.8 million compared with net income of $21.6 million in 2017.

Total revenues from continuing operations increased 15% in 2018 compared with 2017, primarily due to higher investment banking fees, which increased 46% on stronger client activity in cannabis, blockchain and energy sectors. Higher interest revenue in 2018 compared with the same period a year ago also contributed to the increase.

Underwriting and M&A revenue both rose during 2018; up 50% and 37%, respectively, compared with 2017. Interest revenue increased by 20% in 2018 compared with 2017 in connection with increased stock borrowing and lending activity. Principal transactions generated net losses of $0.5 million in 2018 compared with net losses of $1.2 million in 2017. This moderate improvement was largely due to higher returns on principal inventories acquired in connection with investment banking mandates, which was offset by higher losses in connection with client trade facilitation.

Partly offsetting these improvements were lower commission revenues, which decreased 25% compared with 2017 on lower client trading volumes.

Total expenses decreased 19% in 2018 compared with 2017, primarily due to the $52.0 million non-cash goodwill impairment charge recorded in 2017. Lower non-compensation expenses also contributed to the decrease. This decrease was partly offset by higher employee compensation and benefits expense.

Non-compensation expenses decreased 5% compared with 2017 largely due to lower trading-related costs amid weaker client trading activity and lower business development expenses, which were partly offset by higher interest expense in connection with increased stock borrowing and lending activity.

Employee compensation and benefits expenses increased by 18% compared with 2017. This increase was led largely by higher variable compensation, which was commensurate with stronger revenue generation, and $5.5 million in rationalization costs recorded in 2018 in our Capital Markets business. This increase was partly offset by lower share-based compensation in 2018 compared with 2017 primarily in connection with the expiration of certain incentive arrangements. Expenses also included the Transaction Shares, which added $14.9 million and $13.3 million, respectively, to employee compensation and benefits in 2018 and 2017.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's 2018 financial performance, refer to the "Supplemental Information" section within this MD&A.

Discontinued Operations

Net loss from discontinued operations was $12.6 million in 2018 compared with a net loss of $2.8 million in the prior year. The decrease relates largely to lower U.S. client-related fixed income trading activity and higher expenses, including a goodwill impairment of $2.4 million, other asset impairments and provisions of $2.7 million and transaction related costs of $1.3 million.

2017 vs. 2016

GMP reported a net loss from continuing operations of $44.3 million in 2017 compared with a net loss of $1.1 million in 2016. The decrease in performance primarily reflects a $52.0 million non-cash goodwill impairment charge recorded in second quarter 2017 in our Capital Markets segment and lower investment banking fees and commission revenue amid muted client activity. Partly offsetting the decline was a stronger performance in our Wealth Management segment, including $14.4 million in dividends received during 2017 on our preferred share investments in Richardson GMP. On an adjusted basis, 2017 net income from continuing operations was $21.6 million compared with net income of $16.0 million in 2016.

Total revenues from continuing operations increased 3% in 2017 compared with 2016, largely due to $14.4 million in dividends received during 2017 on our preferred share investments in Richardson GMP. Principal transactions generated net losses of $1.2 million in 2017 compared with net losses of $7.5 million in 2016. This improvement was led largely by lower losses in connection with client trade facilitation. The increase was partly offset by lower investment banking fees, which declined 16% on lower M&A. Advisory revenue in 2016 included several large mandates in the mining and energy sectors. Commissions declined on lower client trading activity.

Total expenses from continuing operations increased 33% in 2017 compared with 2016, primarily due to the $52.0 million non-cash goodwill impairment charge recorded in second quarter 2017 and incremental operating expenses as a result of the acquisition of GMP FirstEnergy. Partly offsetting the increase were efficiency gains realized from previous restructuring initiatives and lower variable compensation commensurate with lower investment banking fees and commission revenue. Expenses in 2017 include $13.3 million related to the Transaction Shares. Expenses in 2016 included $15.1 million in restructuring and related charges and $3.5 million related to the Transaction Shares.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's 2017 financial performance, refer to the "Supplemental Information" section within this MD&A.

Segment Results from Continuing Operations

The following section highlights the financial results of our two business segments and the Corporate segment, on a continuing basis, for the years ended December 31, 2018, and 2017. These segments are based upon the products and services provided and the types of customers served and reflect the manner in which financial information is evaluated by management.

CAPITAL MARKETS

SEGMENT DESCRIPTION

Capital Markets' capabilities consist of investment banking, institutional research and sales and trading serving corporate and institutional clients. This segment generates the majority of GMP's revenues and expenses and can be significantly impacted by global economic conditions, investor appetite for equity products and levels of M&A activity in the sectors within which we participate. We operate through offices in Canada, the United Kingdom, and The Bahamas. GMP Securities, LLC no longer forms part of the Capital Markets business segment.

- GMP's **investment banking** team primarily serves Canadian corporations by providing financial advisory services and access to capital in order to strengthen and grow their businesses.
- GMP's **institutional research** professionals provide independent equity research coverage of hundreds of companies across multiple industries.
- GMP's **sales and trading** operations facilitate client transactions in equity products.

The Capital Markets segment's core strategy involves making an early commitment to building strong personal relationships with clients, both issuers and institutional investors, devoting the financial and human resources necessary to ensure that those clients benefit from GMP's ability to execute transactions effectively and consistently, with superior trading support and specialized research coverage.

We are committed to meeting client needs across the following core industry sectors:

CORE INDUSTRY SECTORS

Cannabis/ Healthcare	Energy	Mining	Technology/ Blockchain	Special Situations

COMPETITIVE LANDSCAPE

The financial services industry is extremely competitive and our ability to compete effectively directly impacts our revenues and profitability. We compete with large domestic and international securities firms, securities subsidiaries of major chartered banks, major regional firms, smaller niche-oriented companies, insurance companies, private equity funds, as well as institutional and strategic investors. Many of these competing entities have a greater number of personnel and easier access to capital. Larger competitors may have a greater number and variety of distribution outlets for their products and services. Further, the industry and geographic focus of our Capital Markets segment subject us to direct competition from a number of specialty securities firms and smaller investment banking firms that specialize in providing services to our core industry sectors. Competition in the Canadian small- to mid-cap market, a traditional segment of focus for us, has been steadily increasing, with many of our larger competitors becoming more active in smaller financing transactions via loan-based investment banking. Increasing competition could mean a meaningful loss of market share for us which would affect our financial results in a material adverse way.

Competition in our industry extends to the hiring and retention of the highly skilled, and often specialized, individuals who we employ and upon which our business depends. Our ability to continue to compete effectively will depend on our ability to attract new employees, retain and motivate our existing employees and continue to compensate our employees competitively.

FINANCIAL PERFORMANCE

The following table shows the financial results of the Capital Markets segment from continuing operations for the periods presented:

($000, except as otherwise noted)	2018	2017	% increase/ (decrease)
Revenue	**162,734**	128,274	27
Investment banking	**122,560**	83,914	46
Commissions	**26,841**	35,721	(25)
Principal transactions	**(753)**	(1,750)	57
Interest	**12,056**	9,692	24
Other	**2,030**	697	191
Expenses	**125,412**	163,524	(23)
Employee compensation and benefits	**90,128**	74,829	20
Selling, general and administrative	**26,937**	29,755	(9)
Interest	**6,457**	5,030	28
Depreciation and amortization	**1,890**	1,910	(1)
Goodwill impairment charge	**–**	52,000	n.m.
Income (loss) before income taxes – reported	**37,322**	(35,250)	n.m.
Pre-tax impact of adjusting items			
Cost rationalization charge	**5,512**	–	n.m.
Amortization of intangible asset	**868**	868	–
Goodwill impairment charge	**–**	52,000	n.m.
Income (loss) before income taxes – adjusted[1]	**43,702**	17,618	148

n.m. = not meaningful

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section of this MD&A.

2018 vs. 2017

Capital Markets reported income before income tax from continuing operations of $37.3 million in 2018 compared with a loss before income tax of $35.3 million in 2017. The significant improvement in performance largely reflects the $52.0 million non-cash goodwill impairment charge recorded in second quarter 2017 combined with stronger revenue generation in 2018. 2018 expenses included a $5.5 million cost rationalization charge. On an adjusted basis, income before income tax on a continuing basis was $43.7 million in 2018 compared with $17.6 million in the prior year.

Revenue

The following tables provide breakdowns of Capital Markets' revenue from continuing operations for the periods presented.

Investment banking revenue breakdown:

($000)	2018	2017	% increase/ (decrease)
Underwriting	**86,573**	57,563	50
Advisory	**35,987**	26,351	37
Total Investment Banking Revenue	**122,560**	83,914	46

Investment banking revenue by sector:

($000)	2018	2017	% increase/ (decrease)
Cannabis/Healthcare	**52,568**	10,222	414
Energy	**22,942**	21,672	6
Technology/Blockchain	**21,711**	11,563	88
Mining	**13,551**	19,016	(29)
Special Situations	**11,788**	21,441	(45)
Total Investment Banking Revenue	**122,560**	83,914	46

Total revenue from continuing operations increased by 27% in 2018 compared with 2017, primarily due to higher investment banking revenue and higher interest income. Partly offsetting these increases was lower commission revenue.

Investment banking revenue was $122.6 million in 2018, up 46% compared with 2017. Underwriting and M&A revenue increased by 50% and 37%, respectively, compared with 2017 led by increases in the cannabis, blockchain, and energy sectors.

Interest revenue increased by 24% in 2018 compared with 2017, in connection with increased stock borrowing and lending activity. Principal transactions generated net losses of $0.8 million in 2018 compared with net losses of $1.8 million in 2017. This improvement was primarily driven by higher returns on principal inventories acquired in connection with investment banking mandates, which was offset by higher losses from client trade facilitation.

Commission revenue decreased by 25% compared with the same period a year ago due to lower client trading activity.

Expenses

The following table provides a breakdown of Capital Markets' employee compensation and benefits expenses from continuing operations:

($000, except as otherwise noted)	2018	2017	% increase/ (decrease)
Fixed salaries and benefits	27,242	22,328	22
Variable incentive-based compensation	61,705	48,963	26
Share-based compensation	1,181	3,538	(67)
Total Employee Compensation and Benefits	90,128	74,829	20
Ratio of Total Compensation and Benefits to Revenue	55.4%	58.3%	

Total expenses from continuing operations decreased by 23% in 2018 compared with 2017, primarily due to the non-cash goodwill impairment charge recorded in second quarter 2017 and lower selling, general and administrative costs. These decreases were partly offset by higher employee compensation and benefits. 2018 expenses included a $5.5 million cost rationalization charge.

Selling, general and administrative costs decreased by 9% compared with 2017 led largely by lower transaction-related expenses commensurate with the decline in client trading activity over the same period and lower business development expenses. Partly offsetting these decreases was higher deal related costs in connection with improved investment banking activity and higher interest expense in connection with increased stock borrowing and lending activity.

Employee compensation and benefits increased by 20% in 2018 compared with 2017, led by higher variable compensation expenses, which rose 26% commensurate with stronger revenue generation. Increased fixed salaries and benefits reflect the previously mentioned cost rationalization charge recorded in third quarter 2018. Partly offsetting this increase was lower share-based compensation primarily in connection with the expiration of certain incentive arrangements. The ratio of total employee compensation and benefits to total revenues decreased to 55.4% in 2018 compared with 58.3% in 2017.

WEALTH MANAGEMENT

SEGMENT DESCRIPTION

Wealth Management consists of GMP's non-controlling ownership interest in Richardson GMP, Canada's largest independent wealth management firm.

GMP's non-controlling ownership interest in Richardson GMP as at December 31, 2018, was approximately 33% (December 31, 2017 – 32%). Richardson GMP is considered an associate of GMP under IFRS and, accordingly, GMP's share of Richardson GMP's results are accounted for using the equity method. Wealth Management also includes dividend revenue recognized by GMP on its preferred share investments in Richardson GMP following dividend declarations made by Richardson GMP from time to time.

COMPETITIVE LANDSCAPE

Competition in the wealth/asset management industry is based on a wide range of factors, including brand recognition, investment performance, the types of products offered, business reputation, financial strength, continuity of institutional, management and sales relationships, and quality of service. Richardson GMP's competitors include mutual fund companies, private client investment managers, financial advisors, investment dealers, and the wealth management divisions of banks and insurance companies. Richardson GMP competes for investment advisors by offering the opportunity to be part of an entrepreneurial firm and giving investment advisors access to direct equity ownership.

FINANCIAL PERFORMANCE

The following shows the financial results of the Wealth Management segment for the periods presented:

($000, except as otherwise noted)	2018	2017	% increase/ (decrease)
Revenue	**2,345**	14,448	(84)
Expenses	**79**	76	4
Non-compensation expenses	**79**	76	4
Share of net income of associate	**2,949**	2,578	14
Income before income taxes	**5,215**	16,950	(69)

2018 vs. 2017

Wealth Management reported income before income taxes of $5.2 million in 2018 compared with income before income taxes of $16.9 million in 2017. Results in 2018 included $2.3 million in dividends received on our preferred share investments in Richardson GMP, compared with $14.4 million received in 2017.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's 2018 financial performance, refer to the "Supplemental Information" section within this MD&A.

CORPORATE

The Corporate segment primarily comprises enterprise-wide items and revenue received in relation to carrying broker and other administrative support services provided by GMP Securities to Richardson GMP. Additionally, related employee compensation and benefits, clearing and execution costs and other expenses associated with providing such services to Richardson GMP are included in this segment.

The following table shows the financial results for the Corporate segment for the periods presented:

($000, except as otherwise noted)	2018	2017	% increase/ (decrease)
Revenue	**12,725**	11,918	7
Expenses	**34,352**	33,912	1
Employee compensation and benefits	**19,738**	18,346	8
Non-compensation expenses	**14,614**	15,566	(6)
Loss before income taxes	**(21,627)**	(21,994)	2
Pre-tax impact of adjusting items			
Transaction Shares	**14,911**	13,265	12
Loss before income taxes – adjusted[1]	**(6,716)**	(8,729)	23

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section of this MD&A.

FINANCIAL PERFORMANCE

2018 vs. 2017

Total revenues from continuing operations include fees in connection with carrying broker and other administrative services provided to Richardson GMP. Expenses from continuing operations primarily relate to costs incurred in connection with carrying broker and other administrative support services provided to Richardson GMP as well as costs associated with GMP's corporate functions. Expenses also include the Transaction Shares, which added $14.9 million and $13.3 million, respectively, to employee compensation and benefits in 2018 and 2017.

Quarterly Results

The following table shows selected quarterly financial information for the eight most recently completed quarters:

				2018				2017
($000, except as otherwise noted)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	38,327	54,953	37,497	47,027	52,766	28,137	34,140	39,597
Investment banking	35,473	35,156	22,313	29,618	32,646	13,392	22,010	15,866
Commissions	5,729	4,919	8,854	7,339	8,841	6,197	9,424	11,260
Principal transactions	(11,024)	8,175	(300)	2,648	4,732	(2,310)	(3,712)	50
Interest	3,703	2,804	2,479	3,282	2,273	2,479	3,592	1,885
Other	4,446	3,899	4,151	4,140	4,274	8,379	2,826	10,536
Expenses	37,032	47,384	35,887	39,540	41,494	29,885	38,487	35,646
Impairment charge	–	–	–	–	–	–	52,000	–
Share of income of associate	540	476	1,134	799	916	118	797	747
Income (loss) before income taxes from continuing operations	1,835	8,045	2,744	8,286	12,188	(1,630)	(55,550)	4,698
Net income (loss) from continuing operations	3,727	4,622	1,450	5,374	7,988	(1,250)	(55,534)	4,519
Net loss from discontinued operations	(8,679)	(1,733)	(932)	(1,284)	(1,565)	(1,539)	1,288	(1,028)
Net (loss) income	(4,952)	2,889	518	4,090	6,423	(2,789)	(54,246)	3,491
Net income (loss) per Common Share (dollars) from continuing operations:								
Basic	0.04	0.05	0.01	0.06	0.10	(0.03)	(0.81)	0.05
Diluted	0.03	0.05	–	0.06	0.09	(0.03)	(0.81)	0.04
Net income (loss) per Common Share (dollars):								
Basic	(0.09)	0.03	(0.01)	0.04	0.08	(0.06)	(0.79)	0.04
Diluted	(0.09)	0.02	(0.01)	0.04	0.07	(0.06)	(0.79)	0.03

QUARTERLY TREND AND ANALYSIS

GMP's revenues and expenses are generated primarily by our Capital Markets segment and can be impacted significantly by global economic conditions, investor appetite for equity and fixed income products, and levels of M&A activity in the sectors that we participate in.

SPECIFIED ITEMS AFFECTING OUR REPORTED RESULTS FROM CONTINUING OPERATIONS

- Third quarter 2018 expenses include a $5.5 million cost rationalization charge in our Capital Markets business segment.
- Second quarter 2017 expenses include a $52.0 million non-cash goodwill impairment charge in our Capital Markets business segment.
- In second quarter 2017, GMP recognized a non-cash deferred tax expense of $7.7 million in connection with a write-down of certain deferred tax assets.
- Transactions Shares amounts added between $3.1 million to $4.3 million in incremental quarterly expenses.

Investment banking revenue in 2018 benefited from increased business activity in the cannabis and blockchain sectors. Third quarter 2018 also benefited from notable advisory deals in energy and mining. Prior to that, persistent challenging market conditions in the small- to mid-cap resources sectors in Canada, GMP's traditional area of strength, contributed to subdued investment banking and client trading activity levels. In particular, a significant slowdown in business activity during third quarter 2017 resulted in a multi-year low for investment banking and commission revenue. Commission revenues continue to face downward pressure which is consistent with the declining trend in client trading activity over the last several years reflecting structural changes in the industry, namely technological disintermediation, and electronic trading. Third quarter 2018 commissions are the lowest quarterly results in the firm's history. Principal transactions add volatility to our results as they include gains and losses on principal investments held, facilitation of client-related transactions and gains/losses recorded in connection with proprietary trading. Third quarter 2018 benefited from gains on principal inventories acquired in connection with investment banking mandates. Third quarter 2017 and first quarter 2017 revenues include $5.6 million and $7.7 million, respectively, in dividends received in connection with our preferred share investments in Richardson GMP, recorded in other revenue.

Efficiency gains from restructuring initiatives undertaken over the last several years and the expiration of certain incentive arrangements have contributed to generally lower fixed costs.

Share of net income (loss) of associate reflects our share of Richardson GMP's net income (loss) attributable to common shareholders.

FOURTH QUARTER 2018 FINANCIAL PERFORMANCE

Fourth Quarter 2018 vs Fourth Quarter 2017

GMP recorded a net loss of $5.0 million in fourth quarter 2018 compared with net income of $6.4 million in fourth quarter 2017. On an adjusted basis[1], net loss was $0.5 million in fourth quarter 2018 compared with net income of $9.7 million in fourth quarter 2017. In fourth quarter 2018, we recognized a deferred tax asset of $2.6MM in connection with previously unrecognized losses.

Continuing Operations

GMP recorded net income from continuing operations of $3.7 million in fourth quarter 2018 compared with $8.0 million in fourth quarter 2017. The decrease was primarily due to lower revenue generation amid challenging equity market conditions during fourth quarter 2018 compared with a stronger fourth quarter 2017.

Total revenue from continuing operations in fourth quarter 2018 was $38.3 million; down 27% compared with fourth quarter 2017. The decrease was primarily due to unrealized losses from principal transactions and weaker client trading activity as a result of volatile and weaker equity markets during fourth quarter 2018, particularly in December. Principal transactions generated net losses of $11.0 million in fourth quarter 2018 compared with net gains of $4.7 million in the same period a year ago largely due to unrealized losses on principal inventories acquired in connection with investment banking mandates and higher losses from client trade facilitation. Commission revenue decreased 35% in fourth quarter 2018 compared with fourth quarter 2017 due to lower client activity.

Partly offsetting these decreases was stronger investment banking revenue; which rose 9% in fourth quarter 2018 compared with fourth quarter 2017. The increase was led largely by robust underwriting activity in the cannabis sector, which was partly offset by lower client activity in the blockchain and mining sectors. Underwriting revenue increased 15% in fourth quarter 2018 compared with fourth quarter 2017, while investment banking fees related to advisory mandates decreased by 7% over the same period.

Total expenses decreased 15% in fourth quarter 2018 compared with fourth quarter 2017, primarily due to lower employee compensation and benefits and lower selling, general and administrative expense. Fourth quarter 2018 employment compensation and benefits of $23.8 million decreased 15% compared with fourth quarter 2017 primarily due to lower variable compensation, which declined 30%. The decrease in selling, general and administrative reflects lower transaction-related costs amid weaker trading activity and lower business development expenses.

Net Loss from Discontinued Operations

Net loss from discontinued operations was $8.7 million in fourth quarter 2018 compared with a net loss of $1.6 million in fourth quarter 2017. The decrease relates largely to lower U.S. client-related fixed income trading activity and higher expenses, including a goodwill impairment of $2.4 million, other asset impairments and provisions of $2.7 million and transaction related costs of $1.3 million.

Financial Condition

The table below shows select consolidated balance sheet items as at the dates presented and is followed by a discussion of the change in these balances:

($000)	**December 31, 2018**	December 31, 2017	**$ increase/ (decrease)**	**% increase/ (decrease)**
TOTAL ASSETS	**1,723,420**	1,978,040	(254,620)	(13)
Selected asset balances:				
Cash and cash equivalents	**515,955**	642,075	(126,120)	(20)
Assets held for sale	**18,042**	–	18,042	n.m.
Trading assets	**110,392**	94,924	15,468	16
Receivable from:				
Clients	**421,902**	520,760	(98,858)	(19)
Brokers	**70,494**	112,504	(42,010)	(37)
Other assets	**446,097**	464,850	(18,753)	(4)
Investment in associate	**78,953**	78,435	518	1
Goodwill and intangible assets	**51,416**	52,705	(1,289)	(2)
TOTAL LIABILITIES	**1,433,390**	1,684,614	(251,224)	(15)
Selected liability balances:				
Payable to:				
Clients	**1,216,385**	1,451,349	(234,964)	(16)
Brokers	**113,565**	121,655	(8,090)	(7)
Issuers	**7,736**	2,072	5,664	273
Promissory Note	**28,699**	39,822	(11,123)	(28)

n.m.= not meaningful

Total assets decreased $254.6 million or 13% in 2018. The decrease primarily relates to lower cash and cash equivalent balances, lower client and broker receivables and lower other assets related to a decrease in funds deposited in trust. The assets of discontinued operations have been re-classified as assets held for sale and are recorded at the lesser of their carrying value amount and their fair value less cost to sell. Partly offsetting these decreases was higher securities owned reflecting an increase in securities acquired in connection with investment banking mandates and higher outstanding underwriting commitments as at December 31, 2018.

The receivable from clients balance as at December 31, 2018, included loans receivable from clients of $335.6 million (December 31, 2017 — $378.3 million) and open security transactions of $86.3 million (December 31, 2017 — $142.4 million). The level of open security transactions pending settlement with clients may fluctuate significantly on a day-to-day basis based on client trading activity and the balance represents the level of unsettled transactions outstanding. Outstanding balances associated with trading assets also may fluctuate significantly on a day-to-day basis based on client-driven and proprietary activities.

Total liabilities decreased $251.2 million or 15% in 2018 compared with 2017. Amounts payable to clients decreased 16% compared with the prior year while amounts payable to brokers decreased 7%. As at December 31, 2018, amounts payable to clients included client deposits of $1.1 billion (December 31, 2017 — $1.3 billion) and open security transactions of $0.1 billion (December 31, 2017 — $0.1 billion). The level of open security transactions pending settlement with brokers and clients may fluctuate significantly on a day-to-day basis based on trading activity and the balance represents the level of unsettled transactions outstanding. During the year ended December 31, 2018, GMP repaid $11.9 million of principal on the promissory note issued to former FirstEnergy shareholders, in connection with its acquisition by GMP, and recorded accretion expense of $0.8 million.

Liquidity and Capital Resources

GMP requires capital and liquidity to fund existing and future operations, future cash payments to our shareholders and to satisfy regulatory requirements. GMP's policy is to maintain sufficient and appropriate levels of capital and liquidity through a variety of sources, at a reasonable cost. This serves to maintain balance sheet strength under normal market conditions and through periods of financial stress. Capital and balance sheet strength are always key priorities for GMP.

GMP currently derives liquidity from its working capital and its credit facilities. As at December 31, 2018, GMP has credit facilities with Canadian Schedule I banks of approximately $754 million (December 31, 2017 — $744 million) that are used to facilitate the day-to-day securities settlement process primarily for client transactions. These facilities are collateralized by either unpaid client securities and/or securities owned and do not represent a source of cash to GMP for payment of dividends, or funding of business initiatives. There were no amounts outstanding under these facilities as at December 31, 2018, and December 31, 2017.

GMP holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. GMP considers Canadian federal government debt (such as treasury bills) with original maturities from three to six months as highly liquid investments. Although these securities are not classified as cash equivalents on the consolidated balance sheets, they form an important part of GMP's overall cash management practices to address liquidity risk. There were no significant changes made to GMP's cash management practices during 2018. GMP's inventory of trading assets is recorded at market value. Receivables and payables from brokers and dealers represent open transactions which generally settle within the normal two-day settlement cycle and also include collateralized securities borrow and/or lend transactions that can be closed on demand within a few days. Client receivables are secured by securities and are reviewed on an ongoing basis for impairment in value and collectability.

Management believes GMP's working capital provides it with an appropriate level of liquidity and capital for existing operating and regulatory purposes for the reasonably foreseeable future assuming no significant adverse changes in the markets in which we operate. We continually assess our dividend policy, initiatives and expense structure. If capital markets deteriorate, adversely impacting our ability to generate cash flow, we will need to assess and potentially make changes to our dividend policy, initiatives, and expense structure. We may also seek borrowings and/or equity financing to maintain or increase our productive capacity. There can be no assurance that such borrowings and/or equity financing will be available to GMP or available on terms and in an amount sufficient to meet our needs.

During first quarter 2018, GMP repaid $11.9 million of the Buyer Note to former FirstEnergy shareholders based on certain financial metrics pursuant to the terms of the Purchase Agreement.

SUBORDINATED LOANS

Subordinated loans can be used to provide additional regulatory capital to support business activities in GMP Securities. GMP Securities has in place an unsecured committed standby facility in the amount of $17.5 million with a Schedule I Canadian chartered bank. The facility is repayable on demand subject to certain conditions. Financial covenants require that regulatory risk-adjusted capital be a minimum of $45 million on the day prior to the drawdown request date and a minimum of $50 million, including the drawdown amount, on the drawdown date and each day thereafter. Also, the required shareholder capital to subordinated debt ratio is 3.25:1. Management funds interest costs associated with the subordinated loan facility, which are calculated at the prime rate of interest plus 4%, when drawn, through cash generated by operations. The facility was undrawn as at December 31, 2018, and December 31, 2017.

SUBSIDIARY CAPITAL REQUIREMENTS

Certain of GMP's subsidiaries are subject to regulatory capital requirements designed to provide notice to the relevant regulatory authority of possible liquidity concerns. Regulatory capital levels fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require GMP to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash dividend. During 2018 and as at December 31, 2018, GMP's subsidiaries were in compliance with all regulatory capital requirements.

CASH FLOW SUMMARY

The following table summarizes the statement of cash flows as presented within our 2018 Annual Financial Statements:

($000)	2018	2017
Operating activities	(87,563)	108,744
Financing activities	(39,239)	(14,235)
Investing activities	1,707	23,799
Effect of foreign exchange on cash balances	744	(580)
Net (decrease) increase in cash and cash equivalents	(124,351)	117,728

OPERATING ACTIVITIES

Cash consumed by operating activities was $87.6 million in 2018 compared with cash provided by operating activities of $108.7 million in 2017 and largely relates to changes in non-cash operating items. Excluding non-cash operating items, cash provided by operations was $20.4 million and $20.3 million in 2018 and 2017, respectively. Operating activities in 2018 included $2.3 million in dividends received on our preferred share investments in Richardson GMP, compared with $14.4 million received in 2017. For further detail on non-cash operating items, refer to Note 27 to the 2018 Annual Financial Statements.

FINANCING ACTIVITIES

Financing activities consumed $39.2 million and $14.2 million of cash in 2018 and 2017, respectively. Financing activities in 2018 included $15.4 million in dividends paid on Common Shares, an $11.9 million repayment on the current portion of the promissory note related to the acquisition of GMP FirstEnergy, $7.7 million in cash used to purchase Common Shares for cancellation under approved normal course issuer bids and $4.3 million in dividends paid on the Preferred Shares. Financing activities in 2017 included $10.1 million in cash used to purchase Common Shares for cancellation under approved normal course issuer bids and $4.1 million in dividends paid on Preferred Shares.

INVESTING ACTIVITIES

Investing activities provided $1.7 million of cash in 2018 largely due to a common share dividend of $5.3 million on our equity investment in Richardson GMP, partly offset by a $2.9 million equity investment in Richardson GMP pursuant to a Richardson GMP internal liquidity process. Investing activities in 2017 include proceeds of $25.1 million received by GMP in connection with the redemption by Richardson GMP of its Class A preference shares and a substantial portion of its Class B preference shares, representing the partial return of capital invested by GMP in Richardson GMP. Investing activities in 2017 also include a common share dividend of $2.6 million on our equity investment in Richardson GMP offset by a $3.6 million equity investment in Richardson GMP pursuant to a Richardson GMP internal liquidity process.

CONTRACTUAL OBLIGATIONS

In the normal course of business, GMP enters into contracts that give rise to commitments of future minimum payments that affect our liquidity. The table below provides a summary of our future contractual funding commitments. Management expects to fund these commitments through cash generated by operations.

		Payments due by period			
($000)	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Lease commitments[1]	8,431	3,060	5,271	100	–
Buyer Note[2]	28,699	–	28,699	–	–
Total	37,130	3,060	33,970	100	–

1. Our obligations under operating leases reflect lease arrangements for our continuing operations globally.

2. The timing of the Buyer Note repayment is based upon certain GMP and GMP FirstEnergy financial metrics and other conditions pursuant to the terms of the Purchase Agreement.

Investment commitments and financial guarantees are discussed in Notes 21 and 22 to the 2018 Annual Financial Statements.

Outstanding Share Data and Dividends

GMP is authorized to issue an unlimited number of Common Shares. GMP is also authorized to issue an unlimited number of preferred shares (other than the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares), issuable at any time and from time to time in one or more series.

The following table shows GMP's outstanding equity and securities convertible into equity as of the dates presented:

(# 000)	**December 31, 2018**	December 31, 2017
Common Shares	**72,721**	75,451
Common Shares held by the SIP Trust	**2,725**	2,725
Share options – vested	**1,684**	2,337
Share options – non-vested	**–**	312
Series B Preferred Shares	**3,565**	3,565
Series C Preferred Shares	**1,035**	1,035

As of the date hereof, vested share options are 1,151. There have been no other changes to the above table since December 31, 2018.

COMMON SHARES

COMMON SHARE ISSUANCE IN CONNECTION WITH FIRSTENERGY ACQUISITION

On September 30, 2016, GMP issued 11.2 million Common Shares to former FirstEnergy shareholders in connection with the acquisition of FirstEnergy. As at December 31, 2018, 2.9 million of such shares are subject to an escrow agreement to be released over a four-year period pursuant to the terms of the Purchase Agreement.

REPURCHASES, CANCELLATIONS, AND FORFEITURES

GMP's 2018 normal course issuer bid (2018 NCIB) program commenced on May 5, 2018, and will terminate on May 4, 2019, or until such earlier date on which purchases under the 2018 NCIB have been completed. Under the 2018 NCIB, GMP is authorized to purchase for cancellation up to 5.1 million of its Common Shares, representing 10% of the public float on April 20, 2018, by way of normal course purchases effected by GMP Securities through the facilities of the TSX or any other protected marketplace or alternative trading system in Canada. During 2018, GMP purchased for cancellation 2.7 million Common Shares under its normal course issuer bids (2017 – 3.4 million).

SHARE-BASED COMPENSATION

Share Incentive Plan Trust

In connection with the SIP, GMP established the SIP Trust for the purpose of purchasing Common Shares in the open market and delivering them to the SIP participants upon vesting. GMP consolidates the SIP Trust in accordance with IFRS 10, Consolidated Financial Statements. Consideration paid for GMP Common Shares held by the SIP Trust is deducted from shareholders' equity and the Common Shares are treated as cancelled in GMP's basic earnings per share calculation. During 2018, the SIP Trust did not purchase any Common Shares.

Options

During 2018, GMP did not grant any options to purchase Common Shares (2017 – 0.1 million). No options were exercised in 2018 or 2017. During 2018, 0.965 million options were forfeited or expired unexercised (2017 – 0.6 million).

For more information, refer to Note 20 to the 2018 Annual Financial Statements.

PREFERRED SHARES

RATING OF PREFERRED SHARES

The Preferred Shares are assigned a rating of Pfd-4 (high) with a stable trend; confirmed on June 14, 2018, by DBRS Limited (DBRS). The DBRS rating of Pfd-4 (high) is the highest sub-category within the fourth highest rating of the five standard categories of ratings utilized by DBRS for preferred shares. According to the DBRS preferred share rating scale, preferred shares rated Pfd-4 "are speculative, where the degree of protection afforded to dividends and principal is uncertain, particularly during periods of economic adversity. Companies with preferred shares rated Pfd-4 generally coincide with entities that have senior bond ratings ranging from the lower end of the BBB category through the BB category." DBRS further subcategorizes each rating by the designation of "high" and "low" to indicate where an entity falls within the rating category. The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A rating trend that is "Positive" or "Negative" acts as a signal indicating that there is a greater likelihood that the rating could change in the future that would be the case if a "Stable" trend was assigned to the security.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The foregoing rating assigned to Preferred Shares may not reflect the potential impact of all risks on the value of the Preferred Shares. A rating is therefore not a recommendation to buy, sell or hold securities (including the Preferred Shares) and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating organization at any time if in its judgment circumstances so warrant.

DIVIDENDS

GMP's philosophy is to return excess capital to its shareholders. The declaration and payment of dividends are at the sole discretion of the Board of Directors. The Board of Directors reviews GMP's dividend policy periodically in the context of the firm's overall profitability, free cash flow, regulatory capital requirements, legal requirements and other such factors that the Board of Directors determines to be relevant. On November 8, 2018, the Board of Directors approved the reinstatement of a quarterly cash dividend of $0.025 per Common Share, payable on December 3, 2018, to common shareholders of record on November 19, 2018.

Dividends, when declared on the Common Shares and Preferred Shares, are designated as "eligible dividends" for purposes of the Income Tax Act (Canada) and any similar provincial and territorial legislation unless indicated otherwise. For more information on dividends, refer to Note 19 to the 2018 Annual Financial Statements.

SPECIAL CASH DIVIDENDS

On March 1, 2018, the Board of Directors declared a special cash dividend of $0.10 per Common Share, payable on April 2, 2018, to common shareholders of record on March 15, 2018. On November 8, 2018, the Board of Directors declared an additional special cash dividend of $0.075 per Common Share, payable on December 3, 2018, to common shareholders of record on November 19, 2018. These special cash dividends represent excess capital arising from GMP's improved financial performance.

Related Party Transactions

Our related parties include the following persons and/or entities: associates, or entities which are controlled or significantly influenced by GMP, which currently include Richardson GMP; and key management personnel, which are comprised of directors and/or officers of GMP and those persons having authority and responsibility for planning, directing and controlling the activities of GMP.

Related party transactions with Richardson GMP include amounts due to or from Richardson GMP arising from the general services agreement and GMP Securities' role as carrying broker to Richardson GMP. GMP also makes available to Richardson GMP a subordinated loan facility and has made preferred share investments in Richardson GMP.

Transactions with key management personnel include security trades executed for key management personnel of GMP on either a cash or margin basis. Commission income on such transactions, in the aggregate, is not material in relation to our overall operations. Related party transactions for key management personnel also include loans associated with the executive common share loan plans and other employee loans, Common Share options, the SIP and other compensation provided for employment services rendered by key management personnel.

For further details on related party transactions, see Note 14 to the 2018 Annual Financial Statements.

Critical Accounting Policies and Estimates

The preparation of the 2018 Annual Financial Statements in accordance with IFRS required management to make estimates and exercise judgment that affects reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are made based on information available as at the date of issuance of financial statements. Accordingly, actual results may differ from these amounts. Accounting policies that require management's estimates and judgments are discussed below.

IMPAIRMENT OF GOODWILL

We review goodwill for potential impairment annually, or more frequently if events or circumstances indicate that impairment may have occurred. An impairment is required if the recoverable value of a cash-generating unit (CGU) is less than its carrying value. The recoverable value of a CGU is determined from internally developed valuation models that consider various factors and assumptions including revenue performance compared with forecast, cash earnings, growth rates, price-earnings multiples, discount rates, and terminal multiples. Management is required to use judgment in estimating the recoverable value of a CGU or a group of CGUs. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable. Any impairment of goodwill is expensed in the period in which the impairment is identified.

An impairment of $2.4 million was recorded in fourth quarter 2018 in connection with the allocation of goodwill to discontinued operations.

As at June 30, 2017, management performed an impairment test for the Capital Markets' operating segment resulting in a $52.0 million non-cash goodwill impairment charge to the Capital Markets operating segment.

As at December 31, 2018, and 2017, the carrying value of goodwill and intangible assets was $51.4 million and $52.7 million, respectively. For the purpose of the annual impairment test, goodwill is allocated to the group of CGUs that comprise GMP's Capital Markets' operating segment. Our annual impairment test indicated that there were no further indicators of impairment to our goodwill given that the estimated recoverable amount of the Capital Markets' operating segment exceeded its carrying value as at December 31, 2018. Further information regarding GMP's goodwill is included in Note 13 to the 2018 Annual Financial Statements.

INCOME TAXES

We compute an income tax provision in each of the tax jurisdictions in which we operate. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements. Additionally, the estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

SHARE-BASED COMPENSATION

We use estimates and judgment when determining the share-based compensation expense during a reporting period. The determination of the share-based compensation expense resulting from GMP's granting of employee share options and other deferred share-based awards depends on the use of option pricing models, which by their nature are subject to measurement uncertainty. These models require the use of subjective assumptions, including expected stock price volatility and the use of historical data that may not be reflective of future performance.

PROVISIONS

We are involved in a number of legal proceedings, including regulatory investigations, in the ordinary course of business. Contingent litigation loss provisions are recorded by GMP when it is probable that GMP will incur a loss and the amount of the loss can be reasonably estimated. Management and GMP's external experts are involved in assessing the likelihood and in estimating any amounts involved. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on GMP's consolidated financial position or results of operations.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Securities owned are measured at fair value through profit and loss requiring the use of judgment to estimate fair values when quoted market prices are not available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. GMP's securities owned include equity and debt securities and derivative financial assets which are comprised primarily of broker warrants. The majority of GMP's debt and equity securities and obligations related to securities sold short comprise or relate to actively traded securities, which are carried at fair value based on quoted market prices in an active market. Management believes its estimates of fair value are reasonable given its process for obtaining external market prices, consistent application of its approach from period to period and the validation of estimates through the actual settlement of transactions. Fair value is estimated on the basis of pricing models or other appropriate methods. GMP's investments in preferred shares issued by Richardson GMP are measured at fair value through other comprehensive income. These securities do not have a quoted market price and fair value is estimated on the basis of pricing models or other appropriate methods. For further information regarding the fair value disclosure of GMP's financial assets and financial liabilities, refer to Note 26 to the 2018 Annual Financial Statements.

Financial Instruments

A significant portion of the GMP Group's assets and liabilities are composed of financial instruments. GMP uses financial instruments for both trading and non-trading activities. GMP engages in trading activities which include the purchase and sale of securities in the course of facilitating client trades and, less frequently, taking principal trading positions with the objective of earning a profit. Non-trading activities generally include the business of investing in equity securities and hedging through the use of derivatives (see below discussion).

The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See "Risk Management" in this MD&A for details on how these risks are managed. For significant assumptions made in determining the valuation of financial and other instruments, refer to "Critical Accounting Policies and Estimates" in this MD&A. For additional information regarding GMP's financial instruments, refer to Note 25 to the 2018 Annual Financial Statements.

DERIVATIVE FINANCIAL INSTRUMENTS

GMP and its subsidiaries selectively utilize derivative instruments to manage financial risks, including foreign exchange, interest rate, and fair value risks. GMP's derivatives are carried at fair value with realized and unrealized gains and losses arising from changes in fair value recognized in the consolidated statements of income, recorded in principal transactions revenue. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques and other pricing models which include market-based data as inputs.

Future Changes in Accounting Policies or Estimates

GMP monitors continuously the potential changes proposed by the International Accounting Standards Board and analyzes the effect that changes in the standards may have on GMP. For a summary of future changes in accounting policies or estimates, refer to Note 3 to the 2018 Annual Financial Statements.

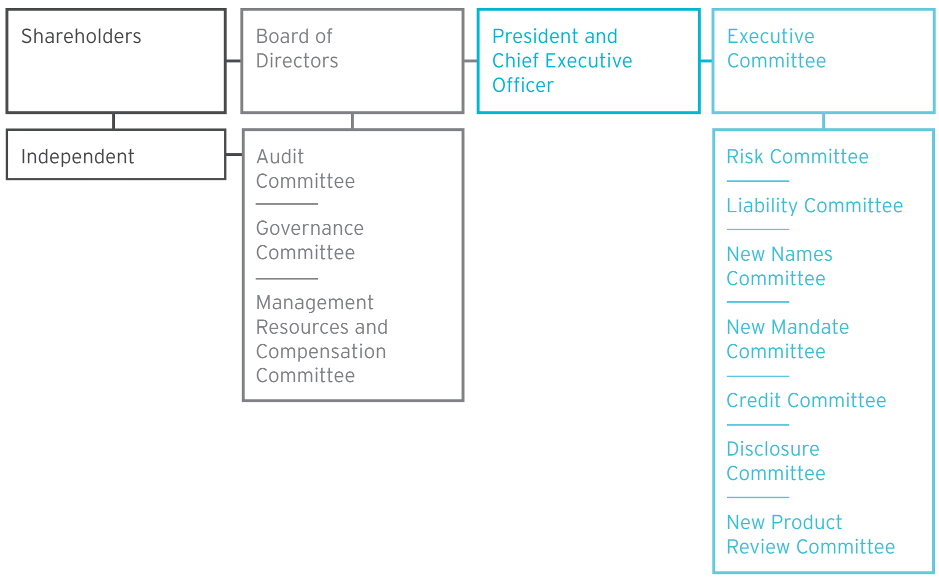
Risk Management

OVERSIGHT AND MONITORING

The securities business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets. Management believes that effective risk management is of primary importance to the ongoing success of the GMP Group. We have risk management processes in place to monitor, evaluate and manage the principal risks we assume in conducting our activities. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and compliance processes. Segregation of duties and management oversight are fundamental elements of our risk management process.

GOVERNANCE STRUCTURE

The Board of Directors and GMP's CEO support our risk management processes through involvement in the assessment of principal risks. Key risk metrics are reported regularly to the Board of Directors and executive management. Oversight and monitoring of risk are accomplished through a comprehensive committee structure which seeks to identify, measure, control and report on the significant risks facing the GMP Group.



KEY RISKS

MARKET RISK – RISK OF LOSS FROM CHANGES IN INTEREST RATES, SECURITIES PRICES, COMMODITIES PRICES, AND CURRENCY EXCHANGE RATES

We are exposed to market risk through our trading activities from our market-making, facilitation trading and investing activities and through our underwriting activities. The level of market risk to which we are exposed varies depending on market conditions, the movement in commodity prices, expectations of future price and yield movements and the composition of our security holdings. GMP segregates market risk into three categories: fair value risk, interest rate risk and currency risk. GMP seeks to manage market risks by diversifying exposures and controlling position sizes. The GMP Group does not take substantial principal positions in any one security or make large directional "bets" on the market. Capital limits for liability trading are recommended by senior management, approved by the Board of Directors and communicated to the executives responsible. Trading desk managers have the first line of responsibility for managing risk within prescribed limits. These managers have in-depth knowledge of the primary sources of risk in their respective markets and the instruments available to hedge their exposures. Trading activity and related capital usage are continually monitored by the GMP Group's compliance and finance personnel, respectively, and reviewed regularly by senior management.

The GMP Group uses a disciplined approval and risk management process to determine its participation in underwritten deals, imposing guidelines, approved by the Board of Directors, on maximum capital exposure on any given deal and requiring senior management approval on all transactions. In addition, the GMP Group limits its maximum risk exposure by limiting the deal size and participating in most financings on a syndicated basis.

OPERATIONAL RISK – RISK OF LOSS DUE TO INADEQUATE OR FAILED INTERNAL PROCESSES, PEOPLE AND SYSTEMS OR EXTERNAL EVENTS

Operational risk is embedded in all of our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can lead to failure in the management of other risks such as credit, market or regulatory risk.

We manage operational risk through the application of long-standing, but continuously evolving, firm-wide control standards: the training, supervision and development of our people; the active participation and commitment of senior management in a continuous process of identifying and mitigating key operational risks across the firm; and a framework of strong and independent control personnel that monitor operational risk on a daily basis. Together, these elements form a strong firm-wide control culture that serves as the foundation of our efforts to minimize events that create operational risk and the damage they can cause.

LEGAL AND REGULATORY RISK – RISK OF LOSS DUE TO ADVERSE LEGAL DEVELOPMENTS AND REGULATORY NON-COMPLIANCE

The GMP Group is subject to extensive regulation under securities laws of the jurisdictions in which we operate including Canada, the United Kingdom, the United States, and The Bahamas. Compliance with such regulations involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. Our regulatory compliance philosophy is to manage regulatory and legal risks through the promotion of a strong compliance culture and the integration of strong controls within the business and support areas. The GMP Group's compliance department directly supports our management of regulatory, compliance and legal risk through approval of our ethics and compliance program, which includes our code of conduct and enterprise compliance management framework, as well as specific policies and procedures in areas such as anti-money laundering, privacy and information protection, conflicts of interest, insider trading, corporate finance and sales and trading practices. It serves as the senior management focal point in initiating a response to and action on new and changing regulatory and compliance risks.

GMP's subsidiaries in the normal course of business are involved in legal proceedings, including regulatory investigations. An adverse resolution of any lawsuits against the GMP Group could materially affect the GMP Group's operating results and financial condition. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on GMP's consolidated financial position or results of operations.

CREDIT RISK – RISK OF LOSS ASSOCIATED WITH THE INABILITY OF A THIRD PARTY TO FULFILL ITS PAYMENT OBLIGATION

GMP is exposed to the risk that third parties that owe it money, securities or other assets, will not perform their obligations. These parties include trading counterparties, customers, clearing agents, stock exchanges, clearing houses and other financial intermediaries. A primary source of credit risk to GMP arises when GMP extends credit to its clients or to clients of its introducing broker, Richardson GMP, to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. GMP faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and GMP is unable to recover sufficient value from the collateral held. Credit risk is managed in a number of ways. For margin lending, management has established limits that are generally more restrictive than those required by applicable regulatory policies. Additionally, GMP manages its credit risk in certain types of trading activities through the establishment of aggregate limits by individual counterparty, reviewing security and loan concentrations, and marking to market collateral provided on certain transactions. Policies authorized by GMP prescribe the level of approval and the amount of credit exposure GMP may assume to a counterparty taking into account collateral or other credit risk mitigants where applicable. GMP did not incur material loss arising from a counterparty default in 2018 or 2017.

LIQUIDITY RISK – RISK OF FAILURE TO MEET A DEMAND FOR CASH OR FUND OBLIGATIONS AS THEY BECOME DUE

Management oversees GMP's liquidity to ensure access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations both under normal and stress conditions. For further discussion regarding liquidity risk and how we ensure such risks are minimized, refer to "Liquidity and Capital Resources" in this MD&A.

INVOLVEMENT WITH NEW AND EMERGING INDUSTRIES, INCLUDING THE U.S. CANNABIS INDUSTRY

The Company provides financial advisory, underwriting and other services to, and trade the securities of issuers that are involved with new and emerging industries, including the U.S. cannabis industry. Activities within such industries, including the U.S. cannabis industry, typically have not had the benefit of a history of successful operating results. In addition to the economic uncertainties associated with new industries, new activities and new issuers, the laws applicable to such industries or activities, particularly the U.S. cannabis industry and the activities of issuers in that industry, and the effect or enforcement of such laws are undetermined, conflicting and uncertain. With respect to the U.S. cannabis industry, cannabis continues to be a controlled substance under the United States Controlled Substances Act and as such, there is a risk that certain issuers, while in compliance with applicable state law, may be prosecuted under federal law. Accordingly, the Company has adopted policies and procedures reasonably designed to ensure compliance with the United States Currency and Foreign Transactions Reporting Act of 1970 and the guidance issued by the United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-G001 (the FinCEN Guidance) relating to providing financial services to marijuana-related businesses in the United States (as that term is used in the FinCEN Guidance). While the Company takes steps to identify the risks associated with emerging industries, including the U.S. cannabis industry, and only provides services to those issuers where it determines that there is no material risk to the Company or where any risk is unlikely to result in a material adverse consequence to the Company, there is a risk that the Company could be the subject of third-party proceedings, which may have a material adverse effect on the Company's business, revenue, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

For further information refer to Note 25 to the 2018 Annual Financial Statements.

Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to GMP is accumulated and communicated to GMP's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to allow for timely decisions regarding required disclosure and to ensure that information required to be disclosed in GMP's annual and interim filings and other reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

As of December 31, 2018, management evaluated the effectiveness of our disclosure controls and procedures as defined under the Canadian Securities Administrators' National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. This evaluation was performed under the supervision of, and with the participation of, the CEO and CFO. Based on the evaluation conducted as at December 31, 2018, the CEO and CFO concluded that GMP's disclosure controls and procedures were effective as of December 31, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting for GMP.

As of December 31, 2018, management evaluated the effectiveness of GMP's internal control over financial reporting taking into account the nature and size of GMP's business and using the framework and criteria established in the *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that GMP's internal control over financial reporting was effective as of December 31, 2018, and that there were no material weaknesses that have been identified in our internal control over financial reporting as of December 31, 2018.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

To the best of the knowledge and belief of the CEO and CFO, no changes were made in GMP's internal control over financial reporting in 2018 that have materially affected or are reasonably likely to have a material affect on GMP's internal control over financial reporting.

Risk Factors

An investment in securities of GMP involves a number of risks in addition to those described under "Forward-Looking Information" and "Risk Management" in this MD&A. These risks and uncertainties are not the only ones facing the GMP Group. In many cases, risks which are inherent to our industry and our activities are beyond our control and are not easily detected or mitigated. In addition to other information contained or incorporated by reference in this MD&A, the "Risk Factors" section in our AIF dated March 1, 2019, should be given careful consideration. Additional risks and uncertainties not currently known to GMP, or that GMP currently considers immaterial, may also impair the operations of the GMP Group. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the GMP Group, and the ability of GMP to pay dividends could be materially adversely affected.

Supplemental Information – Richardson GMP

The following supplemental information reflects how Richardson GMP's management assesses the financial performance of Richardson GMP.

Richardson GMP's management assesses performance on both a reported and an adjusted Non-GAAP basis and considers both bases to be useful in assessing underlying, ongoing business performance. Presenting results on both bases also permit readers to assess the impact of specified items on financial results. Richardson GMP presents earnings before interest, income tax, depreciation and amortization (EBITDA) which excludes:

- Interest expense recorded primarily in connection with subordinated loan financing arrangements.
- Income tax expense (benefit) recorded.
- Depreciation and amortization expense recorded primarily in connection with equipment and leasehold improvements.
- Transition assistance loan amortization in connection with investment advisor loan programs. Richardson GMP views these loans as an effective recruiting and retention tool, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

Richardson GMP also presents an adjusted EBITDA which excludes the following (adjusted EBITDA):

- Share-based compensation costs recorded in connection with awards granted to employees and investment advisors of Richardson GMP.

EBITDA and adjusted EBITDA do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of Richardson GMP's performance, liquidity, cash flows, and profitability. Richardson GMP's management believes adjusting results by excluding the impact of the specified items is more reflective of ongoing financial performance and cash generating capabilities and provides readers with an enhanced understanding of how management views Richardson GMP's core performance.

The following table shows the consolidated financial results of Richardson GMP for the periods indicated:

($000, except as otherwise noted)	2018	2017	% increase/ (decrease)
Revenue	290,079	289,405	–
Expenses	269,968	267,907	1
Employee compensation and benefits	190,337	192,614	(1)
Non-compensation expenses	79,631	75,293	6
Income tax expense (recovery)	6,459	6,381	1
Net income – reported	13,652	15,117	(10)
Pre-tax impact of adjusting items			
Interest	7,067	3,607	96
Income tax	6,459	6,381	1
Depreciation and amortization	5,205	5,154	1
Transition assistance loan amortization	10,402	11,451	(9)
EBITDA[1]	42,785	41,710	3
Share-based compensation	2,580	2,255	14
Adjusted EBITDA[1]	45,365	43,965	3
Number of advisory teams	166	182	(9)
AUA at period-end ($ millions)	27,408	30,519	(10)

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers.

FINANCIAL PERFORMANCE

2018 vs. 2017

Richardson GMP reported net income of $13.7 million in 2018 compared with $15.1 million in 2017. Net income attributable to common shareholders was $9.0 million in 2018 compared with $8.2 million in 2017. On an adjusted basis, Richardson GMP reported adjusted EBITDA of $45.4 million and $44.0 million in 2018 and 2017, respectively.

Total revenues were largely unchanged in 2018 compared with 2017, as higher investment management fees and higher interest revenue were offset by lower commissions. Total expenses increased by 1% primarily due to higher interest expense. Employee compensation and benefits decreased by 1%.

2018 BUSINESS HIGHLIGHTS

- Ended the year with AUA of $27.4 billion administered by 166 advisor teams, average AUA per team of nearly $165 million.
- Consistently ranked as a top wealth management firm by *Investment Executive* in their Annual Brokerage Report Card
- Launched a refreshed brand: *The Next Generation of Wealth*, reframing and simplifying conversations around wealth

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of **GMP Capital Inc.** (GMP), were prepared by management, who are responsible for the integrity and fairness of all information presented in the consolidated financial statements and management's discussion and analysis (MD&A) for the year ended December 31, 2018. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. Financial information presented in the MD&A is consistent with these consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the basis of preparation and significant accounting policies summarized in Notes 2 and 3, respectively, of the consolidated financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the consolidated financial statements.

The board of directors of GMP (Board of Directors) oversees management's responsibilities for financial reporting through GMP's audit committee (Audit Committee), which is composed entirely of independent directors. Among other things, the mandate of the Audit Committee includes the review of the consolidated financial statements of GMP on a quarterly basis, advising the Board of Directors on auditing matters and financial reporting issues and recommending the consolidated financial statements to the Board of Directors for approval. The Audit Committee has full access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters.

Ernst & Young LLP performed an independent audit of the consolidated financial statements, as outlined in the auditors' report contained herein. Ernst & Young LLP had, and has, full and unrestricted access to management of GMP, the Audit Committee and the Board of Directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.

"Harris Fricker"

HARRIS A. FRICKER
President and Chief Executive Officer

"Deborah Starkman"

DEBORAH J. STARKMAN
Chief Financial Officer and Corporate Secretary

Toronto, Canada
February 28, 2019

Independent Auditor's Report

To the Shareholders of
GMP Capital Inc.

OPINION

We have audited the consolidated financial statements of GMP Capital Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pam Fowler.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 28, 2019

Consolidated Balance Sheets

As at December 31, (thousands of Canadian dollars)	Note	2018	2017
ASSETS			
Cash and cash equivalents		515,955	642,075
Assets held for sale	8	18,042	–
Securities owned	5	110,392	94,924
Receivable from			
Clients		421,902	520,760
Brokers		70,494	112,504
Employee and other loans receivable	10	2,408	4,121
Other assets	6	446,097	464,850
Investment in associate	7	78,953	78,435
Equipment and leasehold improvements	12	2,681	4,224
Goodwill and intangible assets	13	51,416	52,705
Deferred income tax assets	18	5,080	3,442
Total assets		**1,723,420**	**1,978,040**
LIABILITIES			
Liabilities directly associated with assets held for sale	8	7,625	–
Obligations related to securities sold short	5	11,131	14,893
Payable to			
Clients		1,216,385	1,451,349
Brokers		113,565	121,655
Issuers		7,736	2,072
Accounts payable and accrued liabilities		41,510	53,319
Other liabilities	16	6,521	1,286
Promissory note	17	28,699	39,822
Deferred tax liabilities	18	218	218
Total liabilities		**1,433,390**	**1,684,614**
EQUITY			
Shareholders' equity		290,030	293,426
Total liabilities and equity		**1,723,420**	**1,978,040**

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

On behalf of the Board of Directors:

"Harris Fricker"

Director

HARRIS A. FRICKER
President and Chief Executive Officer

"Donald Wright"

Director

DONALD A. WRIGHT
Chair of the Board of Directors

Consolidated Statements of Income (Loss)

Years ended December 31, (thousands of Canadian dollars, except as noted)	Note	2018	2017
Continuing Operations			(Restated)
REVENUE			
Investment banking		**122,560**	83,914
Commissions		**26,841**	35,722
Principal transactions		**(501)**	(1,240)
Interest		**12,268**	10,229
Other income	23	**16,636**	26,015
		177,804	154,640
EXPENSES			
Employee compensation and benefits		**109,866**	93,175
Selling, general and administrative		**39,433**	42,873
Interest		**8,632**	7,533
Depreciation and amortization		**1,912**	1,931
Goodwill impairment		**–**	52,000
		159,843	197,512
Share of net income of associate	7	**2,949**	2,578
Income (loss) before income taxes from continuing operations		**20,910**	(40,294)
Income tax expense	18		
Current		**7,374**	2,225
Deferred		**(1,637)**	1,758
		5,737	3,983
Net income (loss) from continuing operations		**15,173**	(44,277)
Net loss from discontinued operation	8	**(12,628)**	(2,844)
NET INCOME (LOSS)		**2,545**	(47,121)
Net income (loss) per common share (dollars) from continuing operations:	24		
Basic		**0.16**	(0.70)
Diluted		**0.14**	(0.70)
Net income (loss) per common share (dollars):	24		
Basic		**(0.03)**	(0.74)
Diluted		**(0.03)**	(0.74)

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

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, (thousands of Canadian dollars)	2018	2017
		(Restated)
NET INCOME (LOSS)	**2,545**	(47,121)
Other comprehensive income (loss), net of income taxes:		
Foreign currency translation gains (losses) from continuing operations	**2,067**	(2,354)
Foreign currency translation gains (losses) from discontinued operation	**2,100**	(2,083)
Total other comprehensive income (loss)	**4,167**	(4,437)
TOTAL COMPREHENSIVE INCOME (LOSS)	**6,712**	(51,558)
Total comprehensive income (loss) attributable to:		
GMP shareholders	**6,712**	(51,558)
Total comprehensive income (loss) attributable to GMP shareholders		
Continuing operations	**17,240**	(46,631)
Discontinued operation	**(10,528)**	(4,927)

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

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars and thousands of shares)	Note	Preferred shares #	Preferred shares $	Common shares #	Common shares $	Share purchase loans $	Deferred share-based awards $	Contributed surplus $	Accumulated other comprehensive loss $	(Accumulated deficit) $	Shareholders' equity $
Balance, December 31, 2016		4,600	112,263	78,171	348,467	(7,870)	(37,433)	40,745	18,665	(138,730)	336,107
Net foreign currency translation loss		–	–	–	–	–	–	–	(4,437)	–	(4,437)
Share-based compensation	11, 20	–	–	698	1,743	6,495	1,287	13,480	–	107	23,112
Common shares purchased for cancellation	19	–	–	(3,418)	(15,238)	–	–	–	–	5,116	(10,122)
Dividends on Series B Preferred Shares	19	–	–	–	–	–	–	–	–	(3,219)	(3,219)
Dividends on Series C Preferred Shares	19	–	–	–	–	–	–	–	–	(894)	(894)
Net loss		–	–	–	–	–	–	–	–	(47,121)	(47,121)
Balance, December 31, 2017		4,600	112,263	75,451	334,972	(1,375)	(36,146)	54,225	14,228	(184,741)	293,426
Net foreign currency translation gain		–	–	–	–	–	–	–	**4,167**	–	**4,167**
Share-based compensation	11, 20	–	–	–	–	**1,048**	**21,548**	**(5,407)**	–	**30**	**17,219**
Common shares purchased, cancelled and forfeited	19	–	–	**(2,730)**	**(12,124)**	–	–	–	–	**4,436**	**(7,688)**
Common share dividends	19	–	–	–	–	–	–	–	–	**(15,357)**	**(15,357)**
Dividends on Series B Preferred Shares	19	–	–	–	–	–	–	–	–	**(3,219)**	**(3,219)**
Dividends on Series C Preferred Shares	19	–	–	–	–	–	–	–	–	**(1,063)**	**(1,063)**
Net income		–	–	–	–	–	–	–	–	**2,545**	**2,545**
Balance, December 31, 2018		**4,600**	**112,263**	**72,721**	**322,848**	**(327)**	**(14,598)**	**48,818**	**18,395**	**(197,369)**	**290,030**

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

Consolidated Statements of Cash Flows

Years ended December 31, (thousands of Canadian dollars)	Note	2018	2017
OPERATING ACTIVITIES			
Net income (loss)		**2,545**	(47,121)
Add (deduct) items not involving cash			
Depreciation and amortization		**2,299**	2,528
Fixed asset write-offs	12	**1,030**	–
Impairment charges	13	**2,426**	52,000
Lease inducements		**(257)**	(293)
Deferred tax expense		**(1,637)**	1,457
Share-based compensation expense		**16,111**	13,480
Accretion expense		**789**	789
Share of net income of associate		**(2,949)**	(2,578)
		20,357	20,262
Net change in non-cash operating items	27	**(107,920)**	88,482
Cash (used) provided by operating activities		**(87,563)**	108,744
FINANCING ACTIVITIES			
Partial repayment of promissory note		**(11,912)**	–
Dividends paid on common shares		**(15,357)**	–
Dividends on Series B Preferred Shares		**(3,219)**	(3,219)
Dividends on Series C Preferred Shares		**(1,063)**	(894)
Common shares repurchased and cancelled		**(7,688)**	(10,122)
Cash used in financing activities		**(39,239)**	(14,235)
INVESTING ACTIVITIES			
Common share dividend from associate		**5,295**	2,589
Equity investment in associate		**(2,874)**	(3,612)
Partial redemption of preferred share investments in associate		**–**	25,078
Equipment and leasehold improvements, net expenditures		**(714)**	(242)
Application software, net expenditures		**–**	(14)
Cash provided by investing activities		**1,707**	23,799
Effect of foreign exchange on cash balances		**744**	(580)
Net (decrease) increase in cash and cash equivalents		**(124,351)**	117,728
Cash and cash equivalents, beginning of year		**642,075**	524,347
Cash and cash equivalents, end of year[1]		**517,724**	642,075
Supplemental cash flow information			
Interest paid		**6,867**	5,447
Interest received		**11,788**	10,532
Income taxes paid		**1,203**	3,320

1 Cash and cash equivalents, end of year 2018 include $1,769 classified as held for sale, refer to Note 8.

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

Notes to the Consolidated Financial Statements

(thousands of Canadian dollars and shares, except where noted and per share information)

Note 1. Corporate Information

GMP Capital Inc. (or the Company) is a leading independent diversified financial services firm providing a wide range of financial products and services to a global client base that includes corporate clients, institutional investors and high-net-worth individuals through two integrated business segments: Capital Markets and Wealth Management.

GMP is incorporated under the laws of the Province of Ontario, Canada and has its registered office and principal place of business located at 145 King Street West, Toronto, Ontario. GMP also has offices in the United Kingdom, and The Bahamas. GMP's common and preferred shares are listed on the Toronto Stock Exchange (TSX) under the symbols GMP, GMP.PR.B, and GMP.PR.C, respectively.

These consolidated financial statements were authorized for issuance by GMP's board of directors (Board of Directors) on February 28, 2019.

Note 2. Basis of Preparation

A. BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). GMP's consolidated financial statements are prepared on a going concern basis, under the historical cost convention, modified to include the fair valuation of certain financial instruments to the extent required or permitted under accounting standards as set out in the relevant accounting policies.

On December 11, 2018, GMP announced that it had entered into a definitive agreement in respect of a transaction that subsequently resulted in the sale of GMP USA, GMP's institutional fixed income trading operations. Management determined that GMP USA met the criteria under *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* as a discontinued operation as at December 31, 2018. The results of discontinued operations are presented separately in the consolidated statements of income and consolidated statements of comprehensive income with comparative information restated accordingly. The consolidated balance sheets have not been restated. For further details, refer to Note 8. For segment reporting purposes the Capital Markets segment excludes the results of discontinued operations for the periods presented. Refer to Note 26.

Table of Contents

Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousand.

B. PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

These consolidated financial statements include the assets and liabilities and financial performance of GMP and its subsidiaries after elimination of inter-company transactions and balances.

Subsidiaries, which include an employee benefit trust, are entities over which GMP has control. GMP controls an entity when (i) it has the power to govern and direct the activities of the entity; (ii) it is exposed to the risks and/or returns arising from the entity; and (iii) it is able to use its power to affect the risks and/or returns to which it is exposed. Subsidiaries continue to be consolidated until the date that such control ceases.

ASSOCIATES

Associates are entities over which GMP has significant influence, but not control, over the operating and financial management policy decisions of the entity. Ownership of 20 to 50 percent of the voting shares of an investee would generally indicate that GMP has significant influence. Investments in associates are accounted for using the equity method and initially recorded at cost and subsequently adjusted for changes in GMP's share of the net assets of the associate. Such adjustments are reflected in the consolidated statements of income.

C. CRITICAL ACCOUNTING ESTIMATES AND USE OF JUDGMENT

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise judgment that affect reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are made based on information available as at the date of issuance of the consolidated financial statements that are believed to be reasonable. Accordingly, actual results may differ from these estimates. Accounting policies that require management's estimates and judgments are discussed below.

IMPAIRMENT OF GOODWILL

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. The recoverable amount of a cash-generating unit (CGU) or group of CGUs is determined from internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates, discount rates and terminal multiples. Management is required to use judgment in estimating the recoverable value of a CGU or a group of CGUs. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable.

INCOME TAXES

GMP computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

SHARE-BASED COMPENSATION

GMP uses estimates and judgment when determining the share-based compensation expense during a reporting period. The determination of the share-based compensation expense resulting from GMP's granting of employee share options and other deferred share-based awards depends on the use of option pricing and probability weighted models, which by their nature are subject to measurement uncertainty. These models require the use of subjective assumptions, including expected stock price volatility and the use of historical data that may not be reflective of future performance.

PROVISIONS

GMP may become involved in legal proceedings, including regulatory investigations, in the ordinary course of business. Contingent litigation loss provisions are recorded by GMP when it is probable that GMP will incur a loss and the amount of the loss can be reasonably estimated. Management and GMP's external experts are involved in assessing likelihood and in estimating any amounts involved. Provisions related to restructuring costs are also recorded when the recognition criteria for provisions are met.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Determining the fair value of financial instruments involves the use of judgment to estimate fair values when quoted market prices are not available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Note 3. Significant Accounting Policies

A. CASH AND CASH EQUIVALENTS

Cash is comprised of cash on deposit and cash equivalents including highly liquid investments such as interest-bearing treasury bills and bankers' acceptances that are convertible into cash with original maturities of three months or less.

B. FOREIGN CURRENCY TRANSLATION

The Canadian dollar is the functional and presentation currency of GMP. Each of GMP's subsidiaries determines its own functional currency and items included in the financial statements of each subsidiary and associate are measured using that functional currency.

Assets and liabilities of foreign operations that have a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of equity.

Foreign currency denominated monetary assets and liabilities of GMP and its Canadian dollar functional currency subsidiaries are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in other income. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

C. FINANCIAL INSTRUMENTS

As of January 1, 2018, the Company adopted *IFRS 9, Financial Instruments (IFRS 9)*. The new standard replaces IAS 39 *Financial Instruments: Recognition and Measurements (IAS 39)*. The transition to the new standard had no material impact on the Company's classification and measurement of financial instruments. The Company applied the standard retrospectively, with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39.

<u>Classification and measurement:</u> Under IFRS 9, financial instruments are measured at fair value through profit or loss (FVPL), amortized cost, or through other comprehensive income (loss) (FVOCI). The classification is based on two criteria: the business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments and interest on the principal amount outstanding (SPPI criterion).

The new classification and measurement of the Company's financial instruments are as follows:

Preferred share investments in associate are measured at FVOCI, with no gains or losses recycled to profit or loss on recognition. Such instruments all qualify as equity of the issuer as defined in IAS 32 *Financial Instruments: Presentation,* and are not held for trading. These financial instruments meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, GMP's preferred share investments in associate were classified as available-for-sale.

Financial assets measured at FVPL comprise quoted equity instruments and derivatives that GMP had not irrevocably elected to classify at FVOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell. Under IAS 39, GMP's financial assets measured at FVPL were classified as trading assets.

The assessment of the Company's business models was made as of the date of initial application, and then applied retrospectively. The assessment of whether contractual cash flows on the debt instruments are solely composed of principal and interest was made based on the facts and circumstances at the initial recognition of the assets.

DERIVATIVE FINANCIAL INSTRUMENTS

GMP and its subsidiaries selectively utilize derivative instruments to manage financial risks, including foreign exchange, interest rate and fair value risks. GMP's derivatives are carried at fair value with realized and unrealized gains and losses arising from changes in fair value recognized in the consolidated statements of income, recorded in principal transactions revenue. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques and other pricing models which include market-based data as inputs.

D. IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach, requiring the Company to record an allowance for ECLs for loans and debt financial assets not held at FVPL. The Company has applied the standard's simplified approach for corporate finance receivables and has calculated ECLs based on lifetime expected credit losses (lifetime ECLs). The Company uses a historical-based provision matrix adjusted for forward-looking factors. With respect to the Company's preferred share investments in associate at FVOCI, the ECL is based on a 12-month ECL representing the portion of lifetime ECLs exposed to default within a year.

E. CLIENT BALANCES

Client security transactions are entered into on either a cash, cash on delivery or margin basis and are recorded on the trade date of the transaction. Amounts are due from clients on the settlement date of the transaction for cash accounts. Margin loans are due on demand and are collateralized by the financial assets in the client's account. Amounts loaned to any client are restricted by GMP's credit limits, which are generally more restrictive than those required by the Investment Industry Regulatory Organization of Canada (IIROC) and are subject to GMP's credit review and daily monitoring procedures. Interest earned on margin loans and interest paid on client cash deposits are based on a floating rate.

F. SECURITIES BORROWING AND LENDING

GMP engages in securities borrowing and lending primarily to facilitate the securities settlement process. These arrangements are typically short-term in nature. These transactions are fully collateralized and subject to daily margin calls for any deficiency between the market value of the security loaned and the amount of collateral received. GMP manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions.

Securities lent to counterparties are retained on the consolidated balance sheets when substantially all of the risks and rewards of ownership of the securities remain with GMP. Cash received as collateral is recorded on the consolidated balance sheets with a corresponding liability recognized in payable to brokers. Cash collateral received generally exceeds the market value of the securities loaned. Fees earned, net of interest paid on cash collateral, are recorded in interest income.

When GMP borrows securities under stock borrow arrangements and the risks and rewards of ownership do not pass to GMP, the securities borrowed are not recorded by GMP on its consolidated balance sheets. The claim relating to cash or other collateral deposited with the lender is recorded in receivable from brokers. The cost of borrowing the securities, net of interest received on the cash collateral deposited, is recorded in interest expense.

G. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment in value, if any. Depreciation is recorded on a straight-line basis over the following expected useful lives:

Furniture and equipment	7 to 8 years
Computer hardware	3 years
Leasehold improvements	Lease term plus first renewal period, if renewal is reasonably assured

Residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted, if appropriate.

H. GOODWILL

Goodwill represents the excess purchase price paid over the net fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is allocated to a CGU or group of CGUs that are expected to benefit from synergies of the business combination regardless of whether any assets acquired and liabilities assumed are assigned to the CGU or group of CGUs. A CGU is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows from other assets or group of assets. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within GMP at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

I. INTANGIBLE ASSETS

GMP's intangible assets consist of a non-competition agreement and application software that are initially recognized at fair value and amortized over their estimated useful lives on a straight-line basis:

Non-competition agreement	5 years
Application software	3 years

J. IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying values of non-financial assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. In addition, long-lived assets that are not amortized, such as investments in associates, are subject to an annual impairment assessment. GMP evaluates impairment losses for potential reversals when events or changes in circumstances warrant such consideration.

GOODWILL

Goodwill is tested for impairment at the CGU or group of CGUs level annually or more frequently if events or circumstances suggest that there may be impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. A write-down is recognized if the recoverable amount of the CGU, determined as the greater of the estimated fair value less costs to sell or its value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the CGU.

INTANGIBLE ASSETS

Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Identifiable finite-life intangible assets are amortized over their estimated useful lives on a straight-line basis. The amortization period and the method of amortization for an intangible asset with a finite useful life is reviewed at least annually, at each financial year-end. At each balance sheet date, intangible assets are assessed for indicators of impairment. If indicators are present, these assets are subject to an impairment review. Any loss resulting from the impairment of intangible assets is expensed in the period the impairment is identified.

K. REVENUE RECOGNITION

As of January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers (IFRS 15)*. The transition to the new standard had no material impact on the measurement or recognition of revenue of prior periods; however, required, additional disclosures have been added. The Company elected to apply the standard on a full retrospective basis, whereby the cumulative effect of adoption is applied to the earliest comparative period presented. For the Company, the earliest period presented is the comparative period beginning January 1, 2017. The Company applied certain practical expedients, as permitted by the standard in determining the impact on transition. Specifically, the Company did not evaluate the transition impact for contracts that begin and end during the same annual reporting period and completed contracts prior to the beginning of the earliest period presented of January 1, 2017.

The main types of revenue contracts are as follows:

Underwriting fees: Underwriting fees represent the spread between the price the Company pays the issuer of securities and the public offering price. Underwriting mandates can be on a "bought-deal" basis where the underwriting is performed on a firm-commitment basis or agency basis where the underwriting is performed on best-efforts basis. Generally, the underwriting of the securities will be the only performance obligation, and therefore, the performance obligation is satisfied and related revenue is recognized on close of an underwriting mandate.

Advisory fees: Advisory fees represent payments received by the Company in return for assisting clients complete transactions including providing of pre-transaction services, advice on strategic alternatives, selection of counterparty, deal negotiation and fairness opinions. Each advisory contract is assessed individually to identify distinct performance obligations. The majority of the advisory services included in typical advisory contracts, such as delivery of a fairness opinion or sale of a business, involve a specified outcome and are satisfied at a point in time. Certain performance obligations are satisfied over time because the customer simultaneously receives and consumes the benefit of the services as the Company performs its obligations under the contract. The amount of variable consideration recognized on advisory contracts is limited to the amount for which it is probable a significant revenue reversal will not occur. This is assessed at each reporting period. The vast majority of performance obligations included in typical advisory contracts involve a specified outcome with the related consideration contingent on that outcome and earned at that point in time. The related fee is typically highly susceptible to factors outside of the Company's control; therefore, most fees found in advisory contracts will be recognized at the completion of the contingent event.

Commissions: Commissions represent fees to the Company for executing and settling trades for clients and are recognized at a point in time (trade date) as the performance obligation is satisfied. The adoption of IFRS 15 did not have an impact on the timing or measurement of commission income.

Carrying broker income: The Company provides carrying broker and administrative services to an associate. Fees earned in connection with such services are recorded over time as performance obligations are satisfied. Such fees are reflected in other income. The adoption of IFRS 15 did not have an impact on the timing or measurement of carrying broker fees.

Revenue associated with principal transactions and investment income are excluded from the scope of IFRS 15.

L. SHARE-BASED COMPENSATION

DEFERRED SHARE-BASED AWARDS

GMP uses the fair value method to measure the cost of common share awards granted to certain employees. Under this method, the cost of the share awards is measured at the grant date and recognized over the vesting period, taking into account an estimated forfeiture rate and the likelihood of performance vesting conditions being met. The estimate of share awards expected to vest relating to non-market vesting conditions is revisited at each reporting period and re-measured as required.

SHARE OPTION AWARDS

GMP uses the fair value method to measure the cost of share options awarded to directors and employees. The fair value of the share option award is estimated at grant date using valuation techniques that take into account its exercise price, its expected life, the risk-free interest rate, the expected volatility and dividends of GMP's common shares and the expected level of forfeitures. For share option awards with graded vesting, the fair value of each tranche is treated as a separate grant with a different vesting date and a different fair value. The fair value of the share option awards is recognized as an expense over the applicable vesting period over which all specified vesting conditions are satisfied, with a corresponding increase to contributed surplus.

At each reporting date, GMP re-assesses its estimate of the number of share-based awards and share option awards that are expected to vest and recognizes the impact of the change in estimate in forfeitures through the consolidated statements of income in the current reporting period.

M. PROVISIONS

Provisions represent a liability to GMP for which the amount or timing is uncertain. Provisions are recognized when GMP has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

N. INCOME TAXES

GMP records the current and deferred taxes relating to transactions that have been included in the consolidated financial statements using the provisions of the related jurisdiction's tax laws and rates.

CURRENT INCOME TAX

Current income tax is measured as the amounts expected to be paid to or recovered from the taxation authorities based on taxable income or loss. Taxable income or loss may differ from income reported on GMP's consolidated statements of income since taxable income excludes certain items that are taxable or deductible in other years and also excludes items that are never taxable or deductible for tax purposes. Changes in taxes arising from a change in tax rates and laws will be recognized in the period when the tax rate or law is substantively enacted. Current tax assets and liabilities are offset when the legally enforceable right to offset exists and GMP itself intends to net settle the amounts.

DEFERRED INCOME TAX

Deferred tax expense and/or benefit is calculated using the liability method with reference to temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable income will be available against which unused tax losses and deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when the legally enforceable right exists to offset and the deferred tax assets and liabilities relate to income taxes levied on the same tax reporting entity by the same taxation authority. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

O. FUTURE CHANGES IN ACCOUNTING POLICIES

GMP monitors the potential changes in standards proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on GMP's operations.

IFRS 16, LEASES (IFRS 16)

IFRS 16 was issued in January 2016 replacing the previous lease standard, IAS 17, *Leases*, and related interpretations. The new standard requires lessees to recognize right-of-use assets and lease liabilities for most leases and recognize the associated expenses to depreciation and interest expense, respectively. The standard is effective for annual periods beginning on or after January 1, 2019. GMP has reviewed all of its leasing arrangements in the light of the new standard. GMP expects to recognize a right-of-use asset of approximately $17,950 on January 1, 2019 (inclusive of discontinued operations), and reduce retained earnings by approximately $32. GMP is electing to apply IFRS 16 using the modified retrospective approach using the following practical expedients:

1. In accordance with IFRS 16.C3, the election is being taken to not reassess whether a contract is or contains a lease at the date of initial application, and instead to only apply IFRS 16 to contracts that were in the scope of IAS 17;
2. In accordance with IFRS 16.C10(a), the election is being taken to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
3. In accordance with IFRS 16.C10(b), the election is being taken to rely on the IAS 37 assessment of whether leases are onerous instead of performing an impairment review;
4. In accordance with IFRS 16.C10(c), the election is being taken to exclude leases for which the term ends within 12 months from January 1, 2019;
5. In accordance with IFRS 16.C10(d), the election is being taken to exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019;
6. In accordance with IFRS 16.C10(e), the election is being taken to use hindsight to determine lease terms;
7. In accordance with IFRS 16.15, the election is being taken, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

IFRS INTERPRETATION COMMITTEE INTERPRETATION 23, UNCERTAINTY OVER INCOME TAX TREATMENTS (IFRIC 23)

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. GMP does not expect IFRIC 23 to have a material impact on its accounting policies.

Note 4. Revenue from Contracts with Customers

The following table presents disaggregated revenue information for each reportable segment.

	Capital Markets		Wealth Management		Corporate		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Investment banking:								
Underwriting	**86,573**	57,563	**–**	–	**–**	–	**86,573**	57,563
Advisory	**35,987**	26,351	**–**	–	**–**	–	**35,987**	26,351
Commissions	**26,841**	35,721	**–**	–	**–**	–	**26,841**	35,721
Carrying broker fees	**–**	–	**–**	–	**10,684**	9,145	**10,684**	9,145
Revenue – contracts with customers	**149,401**	119,635	**–**	–	**10,684**	9,145	**160,085**	128,780
Timing								
Point in time	**149,401**	119,635	**–**	–	**–**	–	**149,401**	119,635
Over time	**–**	–	**–**	–	**10,684**	9,145	**10,684**	9,145
Other revenue	**13,333**	8,639	**2,345**	14,448	**2,041**	2,773	**17,719**	25,860
Total revenue	**162,734**	128,274	**2,345**	14,448	**12,725**	11,918	**177,804**	154,640

Total contract assets and liabilities were nil in 2018 and 2017.

Note 5. Securities Owned and Obligations Related to Securities Sold Short

As at December 31,	2018		2017	
	Trading Assets	**Securities Sold Short**	Trading Assets	Securities Sold Short
Debt securities:				
Canadian and U.S. federal government debt	**59,169**	**5,317**	57,639	7,745
Canadian provincial and municipal government debt	**8,278**	**3,938**	10,180	4,231
Corporate and other debt	**10,575**	**1,876**	11,168	2,696
Equity securities	**26,751**	**–**	10,906	221
Derivative financial instruments	**5,619**	**–**	5,031	–
	110,392	**11,131**	94,924	14,893

As at December 31, 2018, debt securities have a weighted-average maturity of January 2021 (as at December 31, 2017 — weighted-average maturity of April 2020) with a weighted-average yield of 3.69% (as at December 31, 2017 — 1.88%). Certain securities owned have been pledged as collateral for securities borrowing transactions.

Note 6. Other Assets

As at December 31,	2018	2017
Accounts receivable	**15,146**	14,317
Income taxes recoverable	**–**	514
Funds deposited in trust	**429,211**	447,137
Prepaid deposits and other	**1,740**	2,882
	446,097	464,850

Accounts receivable consists of accrued fee income relating to investment banking activities and interest, dividends, and rebate fees receivable. Impairment losses recognized on accounts receivable in accordance with IFRS 9 were nil in 2018 and 2017.

Funds deposited in trust represent client amounts held in trust for registered retirement savings plans and similar accounts. The related liability is included in payable to clients.

Note 7. Interests in Other Entities

A. INTERESTS IN SUBSIDIARIES

Certain of GMP's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. GMP Securities L.P. (GMP Securities) is a registered investment dealer subject to regulation primarily by the Investment Industry Regulatory Organization of Canada (IIROC). Sources of financial statement capital for IIROC regulatory capital purposes include unitholders' equity of GMP Securities in addition to subordinated loans, when drawn. Griffiths McBurney Corp. (GMC) and GMP Securities, LLC (GMP USA) are registered as broker dealers in the United States and are subject to regulation primarily by the Financial Industry Regulatory Authority (FINRA). FirstEnergy Capital LLP is authorized and regulated by the Financial Conduct Authority in the United Kingdom and is a member of the London Stock Exchange. GMP Securities Asia Limited is authorized and regulated by the Securities and Futures Commission of Hong Kong. GMP Securities Emerging Markets Corp. is authorized and regulated by the Securities Commission of The Bahamas.

Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require GMP to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash dividend. As at and during the years ended December 31, 2018, and 2017, GMP's subsidiaries were in compliance with their respective capital requirements.

B. INVESTMENT IN ASSOCIATE

As at December 31, 2018, GMP had an approximate 33% ownership interest in Richardson GMP (2017 — 32%) and has significant influence over its operations. Richardson GMP is a Canadian-controlled private corporation incorporated on November 12, 2009, pursuant to the laws of Canada. Richardson GMP is a member of the IIROC and has a registered office and principal place of business located at 145 King Street West, Toronto, Ontario. Richardson GMP provides comprehensive wealth management and investment services to affluent Canadian individuals. GMP Securities provides carrying broker, administrative and financing services to Richardson GMP.

GMP accounts for its equity investment in Richardson GMP using the equity method. Preferred share investments in Richardson GMP are measured at FVOCI. The following table details GMP's equity and non-equity investments in Richardson GMP:

	2018	2017
Equity investment as at January 1	47,320	43,719
Additional investment	2,874	3,612
Common share dividend	(5,295)	(2,589)
Share of net income of associate	2,949	2,578
Equity investment as at December 31	47,848	47,320
Preferred share investments:		
Class B preferred shares	30,422	30,422
Special preference shares	683	693
Total investment as at December 31	78,953	78,435

During 2018, GMP made an additional equity investment in Richardson GMP of $2,874 (2017 – $3,612) pursuant to a Richardson GMP internal liquidity process. The Class B preference shares are non-voting, entitle the holder to cumulative cash dividends at the prime rate of interest plus 4% and are non-redeemable. The special preference shares are non-voting, non-redeemable and holders are not entitled to dividends. In 2017, Richardson GMP redeemed its Class A preference shares and part of its Class B preference shares, generating proceeds to GMP of $25,078. During 2018, GMP received $2,261 (2017 – $14,416) in preferred dividends from Richardson GMP.

CREDIT ARRANGEMENTS WITH ASSOCIATE

In order to accommodate short-term funding requirements, GMP makes available to Richardson GMP a revolving line of credit up to a maximum of $8,000. The loan, when drawn, is unsecured, bears interest at the prime rate of interest plus 4% and is repayable on demand subject to certain conditions, including IIROC approval. At December 31, 2018, Richardson GMP had nil outstanding under this facility (2017 – nil).

The following table summarizes Richardson GMP's assets and liabilities on an aggregate basis without adjusting for GMP's proportionate interest:

As at December 31,	2018	2017
Current assets	81,055	77,394
Non-current assets	220,278	238,783
Total assets	301,333	316,177
Current liabilities	119,711	127,676
Total liabilities	119,711	127,676

The following table summarizes Richardson GMP's revenue, expenses and net income on an aggregate basis without adjusting for GMP's proportionate interest:

For the year ended December 31,	2018	2017
Revenue	290,079	289,405
Expenses	269,968	267,907
Net income before income tax	20,111	21,498
Deferred income tax expense	6,459	6,381
Net income	13,652	15,117
Less: Cumulative preferred dividends	(4,626)	(6,892)
Net income attributable to common shareholders	9,026	8,225

Note 8. Discontinued Operation

On December 11, 2018, GMP announced that it had entered into a definitive agreement in respect of a transaction that subsequently resulted in the sale of GMP USA, GMP's institutional fixed income trading operations (the transaction). The transaction was completed in January 2019 and allows GMP to sharpen its focus on its Canadian business.

As at December 31, 2018, GMP USA is presented as held for sale. The following tables present the financial performance and cash flow information of the discontinued operation for the years ended December 31, 2018, and 2017:

For the year ended December 31,	2018	2017
Revenues	19,224	32,195
Expenses	31,852	35,039
Loss from discontinued operation	**(12,628)**	(2,844)
Foreign currency translation gains (losses)	**2,100**	(2,083)

Expenses in 2018 include a goodwill impairment of $2,426, other asset impairments and provisions of $2,728 and transaction related costs of $1,251.

Years ended December 31,	2018	2017
Cash used in operating activities	(1,117)	(222)
Cash used in financing activities	–	(72)
Cash used in investing activities	(5)	(52)
Effects of foreign exchange on cash balance	188	(173)
Net decrease in cash and cash equivalents	**(934)**	(519)

As at December 31, 2018, GMP USA was carried at fair value less cost to sell. During first quarter 2019, management expects to record a gain in connection with the transaction related to the reclassification of accumulated foreign currency translation adjustments to net income.

The following table shows the assets and liabilities of GMP USA that were classified as held for sale as at December 31, 2018:

As at December 31,	2018
Assets held for sale:	
Cash and cash equivalents	1,769
Trading assets	5,012
Receivable from broker	11,236
Other assets	25
Total assets	**18,042**
Liabilities associated with assets held for sale:	
Obligations related to securities sold short	1,231
Accounts payable and accrued liabilities	6,287
Other liabilities	107
Total liabilities	**7,625**

Note 9. Securities Borrowed and Lent

The following table details the fair value of securities borrowed and lent as at December 31, 2018, and 2017, as well as the amount and type of collateral delivered and received in connection with this activity:

			Borrowed			Lent
As at December 31,	Cash delivered as collateral	Securities delivered as collateral	Securities borrowed	Cash received as collateral	Securities received as collateral	Securities lent
2018	**43,430**	**–**	**42,733**	**62,239**	**–**	**56,395**
2017	32,546	–	32,780	41,584	3,565	42,445

Note 10. Employee and Other Loans Receivable

Employee and other loans receivable include $2,408 (2017 – $4,121) in loans made to certain employees of Richardson GMP in connection with its creation in 2009. These loans bear interest at a variable rate, which is currently set at the prime rate of interest plus 2.5% and are required to be repaid in full to GMP on the earlier of the date the Richardson GMP employee ceases to be an employee or on the date they cease to hold all of their shares. Interest earned by GMP for the year ended December 31, 2018, related to these loans is $203 (2017 – $242).

Note 11. Share Purchase Loans

GMP previously offered the GMP Capital Share Loan Plan and GMP Securities 2011 Executive Common Share Loan Plan (collectively, the Share Loan Plans) whereby GMP advanced funds to participating executives representing the purchase price, or a portion thereof, of GMP common shares acquired in the market. Upon the satisfaction of certain conditions, including continued employment, GMP was obligated to pay cash bonuses to the executives that fully, or partially, repaid the loans. No further funds will be advanced to executives under the Share Loan Plans; however, outstanding loans will continue to be subject to the terms of each respective Share Loan Plan.

As at December 31, 2018, amounts owing to GMP related to the Share Loan Plan were $327 (2017 – $1,375) and are included in share purchase loans in shareholders' equity.

Note 12. Equipment and Leasehold Improvements

	Furniture and equipment		Computer hardware		Leasehold improvements		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Cost								
Balance at January 1	**2,657**	2,680	**4,754**	4,756	**11,292**	11,303	**18,703**	18,739
Additions	**213**	55	**410**	36	**91**	151	**714**	242
Disposals and write-offs[1]	**(1,350)**	–	**(672)**	–	**(2,738)**	–	**(4,760)**	–
Foreign exchange	**114**	(78)	**54**	(38)	**208**	(162)	**376**	(278)
Cost at December 31	**1,634**	2,657	**4,546**	4,754	**8,853**	11,292	**15,033**	18,703
Accumulated depreciation								
Balance at January 1	**1,309**	1,027	**4,529**	4,134	**8,641**	7,953	**14,479**	13,114
Depreciation	**350**	333	**232**	420	**757**	782	**1,339**	1,535
Disposals and write-offs[1]	**(1,127)**	–	**(659)**	–	**(1,953)**	–	**(3,739)**	–
Foreign exchange	**84**	(51)	**52**	(25)	**137**	(94)	**273**	(170)
Accumulated depreciation at December 31	**616**	1,309	**4,154**	4,529	**7,582**	8,641	**12,352**	14,479
Net book value at December 31	**1,018**	1,348	**392**	225	**1,271**	2,651	**2,681**	4,224

1. Includes write-offs in connection with the sale of GMP USA, refer to Note 8.

Note 13. Goodwill and Intangible Assets

	Goodwill		Non–Competition Intangible		Application Software		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Cost								
Balance at January 1	**101,075**	105,180	**3,687**	3,687	**2,885**	2,888	**107,647**	111,755
Additions	**–**	–	**–**	–	**–**	14	**–**	14
Disposals		–	**–**	–	**(278)**	–	**(278)**	–
Other	**–**	(611)	**–**	–	**–**	–	**–**	(611)
Foreign exchange	**4,346**	(3,494)	**–**	–	**24**	(17)	**4,370**	(3,511)
Cost at December 31	**105,421**	101,075	**3,687**	3,687	**2,631**	2,885	**111,739**	107,647
Accumulated amortization and impairment								
Balance at January 1	**51,117**	–	**1,085**	217	**2,740**	2,626	**54,942**	2,843
Amortization	**–**	–	**868**	868	**92**	126	**960**	994
Impairments	**2,426**	52,000	**–**	–	**(269)**	–	**2,157**	52,000
Foreign exchange	**2,242**	(883)	**–**	–	**22**	(12)	**2,264**	(895)
Accumulated amortization and impairment at December 31	**55,785**	51,117	**1,953**	1,085	**2,585**	2,740	**60,323**	54,942
Net book value at December 31	**49,636**	49,958	**1,734**	2,602	**46**	145	**51,416**	52,705

Goodwill is tested for impairment annually on October 31, and more frequently if events or circumstances indicate that it may be impaired. When determining whether an impairment test is required at a given balance sheet date, GMP considers factors such as revenue performance compared with forecast and the relationship between the Company's market capitalization and its book value. During fourth quarter 2018, management determined that GMP USA met the criteria under *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* as a discontinued operation.

An impairment of $2,426 was recorded in connection with the allocation of goodwill to discontinued operation as at December 31, 2018, refer to Note 8. In consideration of the allocation of goodwill to the discontinued operations and a review of the factors, management completed an impairment test on the group of CGUs in the Capital Markets operating segment. An impairment is required if the recoverable amount of the Capital Markets operating segment, determined as the greater of the estimated fair value less cost to sell (FVLCS) or its value-in-use (VIU), is less than the carrying value. The carrying value of the Capital Markets operating segment, including allocated goodwill, was compared to its recoverable amount as at October 31, 2018, and December 31, 2018. The recoverable amount of the group of CGUs was determined based on its VIU. In assessing VIU, estimated future cash flows are discounted using an appropriate pre-tax discount rate.

The discounted cash flow method was based on estimated future cash flows over a five-year period referenced to financial forecasts approved by management and actual historical results, discounted to present value and depend on various factors and assumptions. Cash flows beyond this five-year period are extrapolated using a long-term growth rate of 2.5% (2017 – 2.5%). The pre-tax discount rate used was 15.4% (2017 – 14.8%). The discount rate reflects current market assessment of the risks specific to the Capital Markets operating segment and is dependent on its risk profile and capital requirements. While the use of different assumptions and estimates could influence the recoverable amount for the Capital Markets group of CGUs, management believes that the assumptions and estimates used are reasonable. Such estimates are categorized as Level 3 in the fair value hierarchy.

For purposes of the impairment test as at December 31, 2018, the estimated recoverable amount of the Capital Markets operating segment exceeded its carrying value by $11,000 and no impairment loss was recognized. Sensitivity testing was conducted as part of the annual impairment test of goodwill. The sensitivity testing included assessing the impact that reasonably possible declines in revenue estimates for the year ending December 31, 2019, and increases in the discount rate would have on the recoverable amounts of the Capital Markets operating segment, with other assumptions being held constant. GMP's annual impairment testing has determined that reasonably possible adverse changes in the key assumptions in respect of the Capital Markets operating segment may cause an impairment loss to be recognized. For example a $2,000 decrease in the estimated revenues for the year ending December 31, 2019, or a 0.6 percent increase in the pre-tax discount rate would cause the estimated recoverable amount to equal the carrying value and consequently any further reductions could cause an impairment loss to be recognized. These sensitivities are indicative only and should be considered with caution, as the effect of the variation in each assumption on the estimated recoverable amount is calculated in isolation without changing any other assumptions. The extent of any such impairment loss would be determined after incorporating any consequential effects of that change on estimated net income and on other factors.

Note 14. Related Party Transactions and Balances

GMP's related parties include the following persons and/or entities:

a. associate or entities that are controlled or significantly influenced by GMP including subsidiaries of associate and

b. key management personnel, including those entities that are controlled (directly or indirectly) by key management personnel.

A. RELATED PARTY BALANCES

The following reflects outstanding balances with related parties as at December 31, 2018:

	Associate	Key Management	Total
Assets			
Receivable from clients	–	3,234	3,234
Liabilities			
Payable to clients	–	5,634	5,634
Accounts payable and accrued liabilities	11,041	–	11,041

The following reflects outstanding balances with related parties as at December 31, 2017:

	Associate	Key Management	Total
Assets			
Receivable from clients	–	9,025	9,025
Liabilities			
Payable to clients	–	4,839	4,839
Accounts payable and accrued liabilities	13,473	–	13,473
Shareholders' equity			
Share purchase loans	–	204	204

The following table reflects related party transactions recorded in GMP's consolidated statements of income:

	Associate		Key Management		Total	
For the years ended December 31,	2018	2017	2018	2017	2018	2017
Revenue						
Interest income	–	265	189	279	189	544
Other income	12,945	23,561	–	–	12,945	23,561

ASSOCIATE

Accounts payable and accrued liabilities include outstanding current obligations to Richardson GMP representing cash held by GMP Securities in its role as carrying broker, which relates primarily to revenues earned by Richardson GMP.

Other income includes trade execution, technology and administration service fees associated with GMP Securities' role as carrying broker pursuant to a services agreement with Richardson GMP. During 2018, other income also include $2,261 (2017 – $14,416) in dividends on GMP's preferred share investments in Richardson GMP.

KEY MANAGEMENT PERSONNEL

Key management personnel consists of the Board of Directors and officers of GMP and other persons having authority and responsibility for planning, directing and controlling the activities of GMP. Receivables from clients and payables to clients represent outstanding transactions where GMP executes security trades on either a cash or margin basis for key management personnel. Commission income on such transactions in the aggregate is not material in relation to the overall operations of GMP. Interest on margin loans is based on terms and conditions applicable to all clients. Employee and other loans receivable include loans granted to certain key management personnel to purchase common shares of GMP. Share purchase loans are described in Note 11.

Key management personnel compensation for services rendered is as follows:

For the years ended December 31,	**2018**	2017
Fixed salaries and benefits	**2,674**	2,658
Variable incentive-based compensation	**14,173**	12,675
Share-based compensation	**362**	1,003
Directors fees	**945**	812
	18,154	17,148

Note 15. Credit Facilities

GMP borrows money primarily to facilitate the securities settlement process for both client and proprietary transactions. As at December 31, 2018, GMP has credit facilities with Schedule I Canadian chartered banks and a U.S. bank of $754,269 (2017 – $745,737). The facilities consist of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities is based on floating rates.

GMP has in place an unsecured committed standby facility in the amount of $17,500 to provide additional regulatory capital for GMP Securities. The facility provides for an unsecured subordinated loan at an annual interest cost of the prime rate of interest plus 4% when drawn, that is repayable on demand subject to prior approval of the IIROC. The financial covenants require that regulatory risk adjusted capital be a minimum of $45,000 on the day prior to the drawdown request date and a minimum of $50,000, including the drawn amount, on the drawdown date and each day thereafter. The required shareholder capital to subordinated debt ratio is 3.25:1. At December 31, 2018, and 2017, GMP had no amounts outstanding under any of these facilities.

Note 16. Other Liabilities

As at December 31,	**2018**	2017
Income taxes payable	**5,915**	314
Deferred lease inducements	**252**	509
Other	**354**	463
	6,521	1,286

Deferred lease inducements relate to GMP's Toronto and Montreal offices. The lease inducements received are amortized on a straight-line basis over the term of the respective lease as a reduction to rent expense.

Note 17. Promissory Note

In connection with the acquisition of FirstEnergy Capital Holdings Corp. (FirstEnergy), GMP issued to former FirstEnergy shareholders an unsecured promissory note bearing interest at 3.61% compounded annually. The promissory note is subject to adjustments and is to be repaid based upon certain financial metrics over a maximum five-year period pursuant to the terms of the purchase agreement. During the year ended December 31, 2018, GMP paid down $11,912 of principal on the promissory note and recorded accretion expenses of $789.

Note 18. Income Taxes

The components of income tax expense for 2018 and 2017, are as follows:

Years ended December 31,	**2018**	2017
Current tax expense		
Current year	**7,727**	2,136
Adjustments for prior years	**(353)**	89
Total current tax expense	**7,374**	2,225
Deferred tax expense		
Origination and reversal of temporary differences	**(1,637)**	1,758
Total income tax expense	**5,737**	3,983

The majority of income tax expense relates to domestic operations, although GMP is also subject to tax in the United Kingdom. The differences between income tax expense reflected in the consolidated statements of income (loss) and the amounts calculated at the combined Canadian federal and provincial statutory tax rates are as follows:

Years ended December 31,	2018		2017	
	Amount	Rate	Amount	Rate
Income tax payable (recovery) at the combined Canadian federal and provincial statutory tax rate	5,562	26.6%	(10,718)	26.6%
Increase (decrease) in income tax expense due to:				
Non-deductible expenses	5,113	24.5	5,230	(13.0)
Non-taxable income	(2,521)	(12.1)	(5,255)	13.0
Tax losses and other temporary differences not recognized	282	1.3	1,172	(2.9)
Goodwill impairment	–	–	13,832	(34.3)
Benefit of losses carried back	(2,560)	(12.2)	(74)	0.2
Adjustment for prior years	(353)	(1.7)	89	(0.2)
Rate difference in foreign jurisdictions	89	0.4	(350)	0.9
Other	125	0.6	57	(0.1)
Income tax expense and effective rate	5,737	27.4%	3,983	(9.8)%

The major components of GMP's deferred tax assets and liabilities before offsetting are as follows:

As at December 31,	2018	2017
Deferred tax assets		
Deductible temporary differences:		
Compensation and benefits	2,615	2,415
Tax losses carried forward	3,661	2,151
Transaction costs	232	275
Equipment and leasehold improvements	258	202
Onerous contracts	157	353
	6,923	5,396
Deferred tax liabilities		
Taxable temporary differences:		
Trading assets	(1,371)	(1,324)
Non-competition intangible	(462)	(692)
Other	(10)	62
	(1,843)	(1,954)
Deferred income tax asset	5,080	3,442
Deferred tax liabilities		
Taxable temporary differences:		
Unrealized foreign exchange gain	(218)	(218)
Deferred tax liabilities	(218)	(218)

GMP recognized a deferred tax asset of $3,661 relating to loss carry forwards in Canada which can be carried forward for 20 years and will begin expiring in 2036. In aggregate, GMP has tax loss carry forwards of $7,182 (2017 – $14,933) for which a deferred tax asset has not been recognized as they relate to subsidiaries outside of Canada that have a history of losses and future economic benefit of these losses is uncertain.

Note 19. Share Capital

GMP is authorized to issue an unlimited number of Common Shares. Each Common Share has equal rights and privileges and entitles the holder to one vote at all meetings of common shareholders. GMP is also authorized to issue an unlimited number of preferred shares (other than the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares), issuable at any time and from time to time in one or more series. The designation, rights, privileges, restrictions and conditions attaching to the preferred shares will be determined by the Board of Directors of GMP prior to issue.

A. PREFERRED SHARES

Issued and outstanding are 3,565 cumulative 5-Year Rate Reset Preferred Shares, Series B (Series B Preferred Shares) and 1,035 Cumulative Floating Rate Preferred Shares, Series C (Series C Preferred Shares) recorded at the aggregate net proceeds of $112,263. Quarterly cumulative cash dividends on Series B Preferred Shares, if declared, will be paid at an annual rate of 3.611% for the five-year period ending on March 31, 2021.

Thereafter, the dividend rate is reset every five years at a rate equal to the sum of the then current five-year Government of Canada (GOC) bond yield plus 2.89%. The Series B Preferred Shares are redeemable by GMP, in whole or in part, at its option on March 31, 2021 and on March 31 of every fifth year thereafter at a cash redemption price per share of $25.00 together with all accrued and unpaid dividends. Holders of Series B Preferred Shares have the right, at their option, to convert their shares into Series C Preferred Shares, subject to certain conditions and GMP's right to redeem the Series B Preferred Shares as described above, on March 31, 2021 and on March 31 of every fifth year thereafter.

Holders of the Series C Preferred Shares are entitled to receive cumulative quarterly floating dividends at a rate equal to the sum of the then 90-day GOC yield plus 2.89%, as and when declared by the Board of Directors. Holders of the Series C Preferred Shares may convert their shares into Series B Preferred Shares on a one-for-one basis, subject to certain conditions and GMP's right to redeem the Series C Preferred Shares as described below, on March 31, 2021 and on March 31 every fifth year thereafter. The Series C Preferred Shares are redeemable in whole or in part by GMP, at its option, at a cash redemption price per share of $25.00 together with all accrued and unpaid dividends in the case of redemptions on March 31, 2021 and on March 31 every fifth year thereafter or $25.50 per share together with all accrued and unpaid dividends in the case of redemptions on any other date after March 31, 2016.

B. DIVIDENDS

COMMON SHARE DIVIDENDS

GMP declared the following common share dividends during the year ended December 31, 2018:

Record date	Payment date	Cash dividend per common share	Total dividend amount
March 15, 2018	April 2, 2018	**0.10**	**7,812**
November 19, 2018	December 3, 2018	**0.10**	**7,545**
Total		**0.20**	**15,357**

On February 28, 2019, the board of directors declared a regular cash dividend of $0.025 per common share, payable on April 1, 2019, to common shareholders of record on March 15, 2019.

PREFERRED SHARE DIVIDENDS

GMP declared the following Preferred Share dividends during the year ended December 31, 2018:

Record date	Payment date	Cash dividend per Series B Preferred Share	Cash dividend per Series C Preferred Share	Total dividend amount
March 15, 2018	April 2, 2018	**0.2257**	**0.2319**	**1,045**
June 15, 2018	July 3, 2018	**0.2257**	**0.2531**	**1,066**
September 14, 2018	October 1, 2018	**0.2257**	**0.2640**	**1,078**
December 15, 2018	January 2, 2019	**0.2257**	**0.2790**	**1,093**
Total				**4,282**

On February 28, 2019, the Board of Directors approved a cash dividend of $0.2257 per Series B Preferred Share and $0.2837 per Series C Preferred Share payable on April 1, 2019, to preferred shareholders of record on March 15, 2019.

C. SHARE REPURCHASES AND FORFEITURES

During 2018, GMP purchased for cancellation 2,724 Common Shares (2017 – 3,418) under its normal course issuer bid program at an average price $2.81 per share (2017 – $2.96) for a total cost of $7,656 (2017 – $10,122). The discount of the purchase price under the carrying amount of the shares of $4,436 was recorded as a reduction to accumulated deficit. In 2017, the discount of the purchase price under the carrying amount of the shares of $5,116 was recorded as a reduction to accumulated deficit. During 2018, six common shares that were issued under an escrow share plan were forfeited and cancelled for a share capital reduction of $32.

D. SHARE INCENTIVE PLAN (SIP)

In connection with the SIP (see Note 20), GMP has established an employee benefit plan trust (the SIP Trust) for the purpose of purchasing GMP common shares in the open market and delivering the common shares to the SIP participants upon vesting. GMP consolidates the SIP Trust in accordance with IFRS 10, *Consolidated Financial Statements*. Consideration paid for GMP Common Shares held by the SIP Trust is deducted from shareholders' equity and the Common Shares are treated as cancelled in GMP's basic earnings per share calculation.

During the year ended December 31, 2018, the SIP Trust did not purchase any common shares.

A summary of the status of the SIP Trust as at December 31, 2018, and the changes during the year then ended is as follows:

	Number of common shares (thousands)
Balance, December 31, 2016	3,423
Acquired – Granted	–
Acquired – Dividends	–
Released on Vesting	(698)
Activity during the year	(698)
Balance, December 31, 2017	2,725
Acquired – Granted	–
Acquired – Dividends	–
Released on Vesting	–
Activity during the year	–
Balance, December 31, 2018	**2,725**

Note 20. Share Options and Deferred Share-Based Awards

A. SHARE OPTIONS

Under GMP's common share option plan (Share Option Plan), GMP may grant options to acquire up to 10% of the issued and outstanding common shares of GMP to directors, officers, employees and service providers of GMP or any of its subsidiaries. The maximum term of an option is ten years from the date of grant. Options may be granted by reference to GMP's common share price on the TSX. The related vesting period over which share-based compensation expense is recognized is up to four years. Each share option awarded under the Share Option Plan is equity-settled and the share-based compensation expense is based on the fair value estimate on the business day prior to the grant date.

A summary of the status of the Share Option Plan as at December 31, 2018, and 2017, and the changes during the years then ended is as follows:

	Number of common share options (thousands)	Weighted-average exercise price
Balance, December 31, 2016	3,190	7.77
Common share options granted	55	2.50
Forfeitures	(596)	8.22
Balance, December 31, 2017	2,649	7.56
Forfeitures	**(965)**	**8.49**
Balance, December 31, 2018	**1,684**	**7.02**

Common share options outstanding and vested under the Share Option Plan as at December 31, 2018, are as follows:

Range of exercise prices	Number outstanding (thousands)	Weighted-average exercise price	Weighted-average remaining contractual life	Number vested
6.00	**165**	**6.00**	**2.86**	**165**
6.35	**490**	**6.35**	**1.23**	**490**
7.45	**669**	**7.45**	**0.20**	**669**
7.60	**360**	**7.60**	**2.25**	**360**
Balance, December 31, 2018	**1,684**			**1,684**

As at December 31, 2018, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 2.23% (December 31, 2017 – 3.39%).

For the year ended December 31, 2018, GMP recorded $10 (2017 – $48) in share-based compensation expense relating to the Share Option Plan with a corresponding increase to contributed surplus.

B. DEFERRED SHARE-BASED AWARDS

SHARE INCENTIVE PLAN

GMP adopted the SIP to provide eligible employees (Participants) with compensation opportunities to encourage ownership of common shares, to attract, retain and motivate key personnel and reward certain officers and employees of GMP for significant performance. Pursuant to the terms of the SIP, GMP awards restricted share units (RSUs) and performance share units (PSUs) to certain Participants. The RSUs awarded are subject to service vesting conditions.The PSUs awarded are subject to market and non-market performance vesting conditions including both absolute and relative shareholder return, return on equity, and adjusted net income per common share with a minimum performance factor of zero and maximum performance factor of 150% of the original grant. The expense related to the PSUs varies based on GMP's performance and is determined based on a probability-weighted-average of outcomes at each reporting date. During the vesting period, dividend equivalents accrue to the Participants in the form of additional share units.

The fair value of the RSUs is determined based on the five-day average of the closing price of GMP's common shares on the grant date and is amortized over the vesting period of generally three years. The weighted-average fair value of RSUs awarded to Participants during the year ended December 31, 2018, was $1,400 (2017 – nil). The compensation expense relating to the RSUs recorded during the year was $1,187 (2017 – $2,965).

The fair value of the PSUs is determined in accordance with IFRS 2, *Share-Based Payments* and is amortized over the vesting period of generally three years. The weighted-average fair value of PSUs awarded to Participants during the year ended December 31, 2018, was nil (2017 – nil). The compensation expense relating to the PSUs recorded during the year was nil (2017 – $205).

A summary of the status of GMP's Share Incentive Plan as at December 31, 2018, and the changes during the year then ended is as follows:

	Number of RSUs (thousands)	Number of PSUs (thousands)
Balance, December 31, 2016	2,862	426
Granted	–	–
Dividends credited	–	–
Vested	(698)	–
Forfeited	(359)	(426)
Balance, December 31, 2017	1,805	–
Granted	**750**	–
Dividends credited	**146**	–
Vested	**–**	–
Forfeited	**(477)**	–
Balance, December 31, 2018	**2,224**	–

OTHER SHARE-BASED AWARDS

Other share-based awards represent the unamortized value of share awards granted to certain employees of GMP in connection with the acquisition of FirstEnergy. In 2016, GMP issued 11,162 common shares of which 7,442 were subject to vesting conditions with a fair value of $37,433 to former shareholders of FirstEnergy. Holders of these shares are entitled to receive dividends as and when declared by the Board of Directors and have voting rights consistent with those of other common shareholders. Such shares are subject to an escrow agreement with vesting occurring over a four-year period ending in September 2020. The fair value of the common shares issued is expensed over the vesting period with a corresponding increase to contributed surplus.

For the year ended December 31, 2018, GMP recorded $14,911 (2017 – $13,265) in share-based compensation expense with a corresponding increase to contributed surplus. During 2018, $21,516 (2017 – $1,287) of vested share awards were reclassified from contributed surplus and $32 (2017 – nil) of forfeited and cancelled share awards were reclassified from share capital.

Note 21. Provisions, Contingencies, and Commitments

A. PROVISIONS

GMP recognizes provisions when it is probable that it has a present legal or constructive obligation arising from a past event which will result in an outflow of resources that can be reliably estimated. GMP assesses the adequacy of its provisions, if any, at each reporting period. A summary of GMP's provisions as at December 31, 2018, and 2017 and the changes during the years are as follows:

	Restructuring Provisions	Onerous Contracts	Total Provisions[1]
Balance, December 31, 2016	3,483	3,103	6,586
Additions	–	–	–
Payments	(3,483)	(1,352)	(4,835)
Recoveries	–	(384)	(384)
Balance, December 31, 2017	–	1,367	1,367
Additions	**–**	**–**	**–**
Payments	**–**	**(622)**	**(622)**
Recoveries	**–**	**42**	**42**
Balance, December 31, 2018	**–**	**787**	**787**

1. Total provisions at December 31, 2018, includes $167 classified as liabilities associated with the assets held for sale, refer to Note 8.

B. CONTINGENT LIABILITIES

GMP in the normal course of business is involved in legal proceedings, including regulatory investigations. Contingent litigation loss provisions are recorded by GMP when it is probable that GMP will incur a loss and the amount of the loss can be reasonably estimated. Management and GMP's external legal counsel are involved in assessing likelihood and in estimating any amounts involved. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, GMP does not expect that the outcome of any of these matters, individually or in the aggregate, would have a material adverse effect on GMP's financial position or results of operations.

The Company provides financial advisory, underwriting and other services to, and trade the securities of issuers that are involved with new and emerging industries, including the U.S. cannabis industry. Activities within such industries, including the U.S. cannabis industry, typically have not had the benefit of a history of successful operating results. In addition to the economic uncertainties associated with new industries, new activities and new issuers, the laws applicable to such industries or activities, particularly the U.S. cannabis industry and the activities of issuers in that industry, and the effect or enforcement of such laws are undetermined, conflicting and uncertain. With respect to the U.S. cannabis industry, cannabis continues to be a controlled substance under the *United States Controlled Substances Act* and as such, there is a risk that certain issuers, while in compliance with applicable state law, may be prosecuted under federal law. Accordingly, the Company has adopted policies and procedures reasonably designed to ensure compliance with the *United States Currency and Foreign Transactions Reporting Act* of 1970 and the guidance issued by the United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-G001 (the FinCEN Guidance) relating to providing financial services to marijuana-related businesses in the United States (as that term is used in the FinCEN Guidance). While the Company takes steps to identify the risks associated with emerging industries, including the U.S. cannabis industry, and only provides services to those issuers where it determines that there is no material risk to the Company or where any risk is unlikely to result in a material adverse consequence to the Company, there is a risk that the Company could be the subject of third-party proceedings, which may have a material adverse effect on the Company's business, revenue, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

C. OPERATING LEASES

GMP has entered into lease agreements for premises and equipment for periods up to the calendar year 2023. Aggregate future minimum annual lease payments pertaining to continuing operations for the fiscal years ending December 31 and thereafter are as follows:

2019	3,060
2020	2,712
2021	1,282
2022	1,277
2023	100
Thereafter	–
	8,431

D. INVESTMENT COMMITMENTS

Pursuant to the Richardson GMP shareholders' agreement, in the event that Richardson GMP requires additional capital to fund ongoing capital expenditures, ongoing operating expenses or general contingencies, Richardson GMP has the ability to require Richardson Financial Group Limited (RFGL) and GMP, or in each case an affiliate thereof, to contribute additional Class B preferred share capital to Richardson GMP (Capital Call). Capital Call amounts, which are to be funded jointly by RFGL and GMP, will be based on the annual budgeted cash requirements for the relevant fiscal year, provided that RFGL and GMP may at any time mutually agree that the maximum Capital Call amounts shall not apply in respect of one or more Capital Calls. If either or both of GMP and/or RFGL defaults in its obligation to contribute all or any portion of a required contribution, Richardson GMP will issue an incremental capital call to its common shareholders.

Note 22. Financial Guarantees

GMP Securities as required by IIROC has executed a cross guarantee arrangement with Richardson GMP which stipulates that, in the event of default, GMP Securities guarantees Richardson GMP's outstanding obligations to clients up to GMP Securities' risk-adjusted capital, as prescribed by IIROC. In return, Richardson GMP has guaranteed GMP Securities' obligations to clients, in the event of default, up to that percentage of Richardson GMP's risk-adjusted capital that corresponds to GMP's percentage ownership interest of Richardson GMP. The Company has not recorded an allowance for expected credit loss in connection with this arrangement. Refer to Note 3d.

In the normal course of business, the articles of incorporation provide for the indemnification of GMP's officers, former officers, directors and former directors against any and all costs, charges and expenses, including amounts paid to settle an action or satisfy a judgment, reasonably incurred in respect of any civil, criminal or administrative action or proceeding in which they are involved by reason of being or having been a director or officer of GMP or its subsidiaries.

Note 23. Other Income

Years ended December 31,	**2018**	2017
Brokerage services	**10,684**	9,145
Preferred dividend from associate	**2,261**	14,416
Foreign exchange and other	**3,691**	2,454
	16,636	26,015

Note 24. Net Income (Loss) Per Common Share

In the case of a net loss, the impact of shares pledged on share purchase loans and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share will be anti-dilutive; therefore, basic and diluted net loss per common share will be the same.

Net income (loss) per common share consists of the following:

Years ended December 31,	2018	2017
Net income (loss) from continuing operations	15,173	(44,277)
Less: Dividends on Series B Preferred Shares	(3,219)	(3,219)
Less: Dividends on Series C Preferred Shares	(1,063)	(894)
Net income (loss) attributable to common shareholders from continuing operations	10,891	(48,390)
Net loss from discontinued operation	(12,628)	(2,844)
Net loss attributable to common shareholders	(1,737)	(51,234)
Weighted-average number of common shares outstanding:		
Basic		
Common shares	76,777	80,157
Common shares pledged on share purchase loans	(150)	(433)
Common shares held by the SIP Trust	(2,725)	(3,370)
Contingently returnable common shares awarded to employees	(6,192)	(7,323)
	67,710	69,031
Diluted		
Dilutive effect of shares pledged on share purchase loans	150	–
Dilutive effect of common shares held by the SIP Trust	2,725	–
Dilutive effect of contingently returnable common shares awarded to employees	6,192	–
	76,777	69,031
Net income (loss) per common share – Basic		
Continuing operations	$0.16	($0.70)
Discontinued operation	($0.19)	($0.04)
Total	($0.03)	($0.74)
Net income (loss) per common share – Diluted		
Continuing operations	$0.14	($0.70)
Discontinued operation	($0.19)	($0.04)
Total	($0.03)	($0.74)

Note 25. Financial Risk Management

A. FINANCIAL INSTRUMENTS

IFRS 13, *Fair Value Measurement*, as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or a liability as of the measurement date.

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange.

Level 2. Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange.

Level 3. Inputs for the asset or liability that are not based on observable market data.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimizes the use of unobservable inputs to the extent possible. Level 2 debt and money market securities are priced using securities industry market data providers based on aggregated trade data or reference prices based on yield, maturity and risk rating. Level 2 equities are valued using last trade price or based on recent offerings or financings. Level 3 equities are broker warrants that are valued using the intrinsic value method based on the observable data of the underlying security. Gains and losses recognized during the periods were recorded through FVPL in the principal transactions line of the consolidated statements of income (loss).

The following tables present the level within the fair value hierarchy of GMP's financial assets and liabilities carried at fair value:

As at December 31, 2018	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities Owned				
Debt securities				
Canadian and US federal government debt	57,604	1,565	–	59,169
Provincial and municipal government debt	–	8,278	–	8,278
Corporate debt and other	1	10,574	–	10,575
Equity securities	24,629	2,122	–	26,751
Derivative financial assets	–	–	5,619	5,619
Financial Assets at FVPL	82,234	22,539	5,619	110,392
Preferred share investments in associate				
Class B Preferred Shares	–	–	30,422	30,422
Special preference shares	–	–	683	683
Financial Assets at FVOCI	–	–	31,105	31,105
Financial assets carried at fair value	82,234	22,539	36,724	141,497
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and US federal government debt	–	5,317	–	5,317
Provincial and municipal government debt	–	3,938	–	3,938
Corporate debt and other	–	1,876	–	1,876
Financial liabilities at FVPL	–	11,131	–	11,131
Financial liabilities carried at fair value	–	11,131	–	11,131

As at December 31, 2017	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trading Assets				
Debt securities				
Canadian and US federal government debt	56,455	1,184	–	57,639
Provincial and municipal government debt	–	10,180	–	10,180
Corporate debt and other	2	11,166	–	11,168
Equity securities	8,425	2,481	–	10,906
Derivative financial assets	–	–	5,031	5,031
Trading Assets	64,882	25,011	5,031	94,924
Available-for-sale investments				
Preferred share investments in associate				
Class B Preferred Shares	–	–	30,422	30,422
Special preference shares	–	–	693	693
Available-for-sale investments	–	–	31,115	31,115
Financial assets carried at fair value	64,882	25,011	36,146	126,039
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and US federal government debt	–	7,745	–	7,745
Provincial and municipal government debt	–	4,231	–	4,231
Corporate debt and other	1	2,695	–	2,696
Equity securities	221	–	–	221
Financial liabilities carried at fair value	222	14,671	–	14,893

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy:

Balance, December 31, 2017	36,146
Net unrealized gain before income taxes	2,672
Sales and redemptions	(2,094)
Balance, December 31, 2018	**36,724**

FAIR VALUE ESTIMATION

Preferred share investments in associate include GMP's investments in Richardson GMP preferred shares which have an estimated fair value of $30,422 as at December 31, 2018 (2017 – $30,422). The current fair value reflects an expected required market yield of 7.95%. An increase or decrease in this yield of 100 basis points would cause an increase or decrease in other comprehensive income of approximately $550.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, GMP segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

FAIR VALUE RISK

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. GMP incurs fair value risk through its trading positions, underwriting activities and portfolio of securities owned.

i. Fair Value Sensitivity Analysis

The following tables include GMP's significant financial instruments recorded on the consolidated balance sheet as at December 31, 2018, and 2017, at fair value and demonstrates the sensitivity of GMP's net income and OCI, to reasonable changes in fair value of those instruments.

As at December 31, 2018	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Securities owned, net of obligations related to securities sold short	99,261	7,283	(7,283)

As at December 31, 2017	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Securities owned, net of obligations related to securities sold short	80,031	5,874	(5,874)

INTEREST RATE RISK

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. GMP incurs interest rate risk on its own cash and cash equivalent balances, on its client account cash balances, cash delivered or received in support of securities borrowing or lending activities, preferred dividends received on its preferred share investments in Richardson GMP, interest earned on loans provided to certain Richardson GMP employees and on its subordinated loan provided to Richardson GMP and interest paid on its subordinated loan when drawn.

All cash and cash equivalent balances mature within three months. GMP's subordinated loan to Richardson GMP, when drawn, bears interest at the prime rate of interest plus 4%. Interest rates on client account cash balances are based on floating interest rates that vary depending on the amount of cash deposited or borrowed by GMP's clients. GMP's preferred share investments in Richardson GMP is currently entitled to receive cumulative cash dividends at the prime rate of interest plus 4% when declared. GMP's loans provided to certain Richardson GMP employees currently bear interest at the prime rate of interest plus 2.5%.

i. Interest Rate Sensitivity Analysis

The tables below provide the potential impact of an immediate and sustained 100 basis point (bp) increase or 50 bp decrease in interest rates on net income applied to the balances outstanding at December 31, 2018, and 2017. The analysis assumes that all other variables remain constant.

As at December 31, 2018	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 50bp decrease in market interest rates on net income
Cash and cash equivalents	**515,955**	**3,786**	**(1,893)**
Securities owned, net of securities sold short	**99,261**	**729**	**(364)**
Funds deposited in trust	**429,211**	**3,149**	**(1,575)**
Preferred share investments in associate	**31,105**	**228**	**(114)**
Employee and other loans receivable	**2,408**	**18**	**(9)**
Receivable from clients	**421,902**	**3,095**	**(1,548)**
Payable to clients	**1,216,385**	**(8,925)**	**–**
Securities borrowing and lending, net	**18,809**	**(138)**	**69**
Promissory note	**28,699**	**477**	**(238)**

As at December 31, 2017	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 50bp decrease in market interest rates on net income
Cash and cash equivalents	642,075	4,712	(2,356)
Securities owned, net of securities sold short	80,031	587	(294)
Funds deposited in trust	447,137	3,281	(1,641)
Preferred share investments in associate	31,115	228	(114)
Employee and other loans receivable	4,121	30	(15)
Receivable from clients	520,760	3,822	(1,911)
Payable to clients	1,451,349	(10,651)	–
Securities borrowed and lent, net	9,038	(66)	33
Promissory note	39,822	477	(239)

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. GMP incurs currency risk primarily on its net investments in foreign subsidiaries which conduct their activities primarily in their respective local currency. GMP does not undertake any hedging of its net investments in foreign subsidiaries. GMP also incurs currency risk on financial instruments held by the operating subsidiaries of GMP denominated in currencies other than their functional currency, which includes cash and cash equivalents, client account cash balances and broker receivables and payables.

i. Currency Risk Sensitivity Analysis

The tables below summarize the effects on net income and OCI as a result of a 10% change in the value of certain foreign currencies against the Canadian dollar as at December 31, 2018, and 2017. The analysis assumes that all other variables remain constant.

As at December 31, 2018	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income	Effect of a 10% increase in foreign exchange rates on OCI	Effect of a 10% decrease in foreign exchange rates on OCI
British pound sterling	**90**	**(90)**	**261**	**(261)**
United States dollar	**153**	**(153)**	**2,343**	**(2,343)**

As at December 31, 2017	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income	Effect of a 10% increase in foreign exchange rates on OCI	Effect of a 10% decrease in foreign exchange rates on OCI
British pound sterling	70	(70)	236	(236)
United States dollar	12	(12)	1,646	(1,646)

CREDIT RISK

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. GMP is exposed to the risk that third parties owing money, securities or other assets to it will not perform their obligations. These parties include trading counterparties, customers, clearing agents, stock exchanges, clearing houses and other financial intermediaries.

A primary source of credit risk to GMP arises when GMP extends credit to its clients or to clients of its introducing broker, Richardson GMP, to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. GMP faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and GMP is unable to recover sufficient value from the collateral held. GMP also faces credit risk due to the default or deterioration in credit quality of a counterparty or an issuer of securities held in connection with the facilitation of client transactions relating to GMP's fixed income trading activities.

Credit risk is managed in a number of ways. For margin lending, management has established limits that are generally more restrictive than those required by applicable regulatory policies. Additionally, GMP manages its credit risk in certain types of trading activities through the establishment of aggregate limits by individual counterparty, reviewing security and loan concentrations and marking to market collateral provided on certain transactions. Policies authorized by GMP prescribe the level of approval and the amount of credit exposure GMP may assume to a counterparty taking into account collateral or other credit risk mitigants where applicable. GMP has not incurred any material loss arising from a counterparty default in 2018. As at December 31, 2018, GMP has an allowance for credit losses of nil (2017 – nil).

The maximum exposure to credit risk relating to client and broker receivables, accounts receivable balances, employee and other loans receivable and share purchase loans without consideration of collateral is represented by the carrying value on GMP's consolidated balance sheets as at December 31, 2018, and 2017.

LIQUIDITY RISK

Liquidity risk is the risk that GMP cannot meet a demand for cash or fund its obligations as they come due. Management oversees GMP's liquidity to ensure access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations both under normal and stress conditions. The table below sets forth GMP's obligations and when they are expected to become due.

	Carrying value	Expected term to maturity
Payable to clients	**1,216,385**	Due on demand
Payable to brokers	**113,565**	Due within one month
Payable to issuers	**7,736**	Due within one month
Accounts payable and accrued liabilities	**41,510**	Due within three months
Income taxes payable[1]	**5,915**	Due within three months
Promissory note	**28,699**	Due within two to four years
	1,413,810	

1 This amount is included in other liabilities on the consolidated balance sheets.

GMP holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are short-term in nature and are comprised of highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. GMP considers Canadian federal government debt (such as treasury bills) with original maturities from three to six months as highly liquid investments. Although these securities are not classified as cash equivalents on the consolidated balance sheets, they form an important part of GMP's overall cash management practices to address liquidity risk. There has been no change to GMP's cash management practices during fiscal 2018. GMP's inventory of trading securities, which results from its facilitation of trades for its institutional clients and its own proprietary holdings, is recorded at fair value. Payables and receivables to and from brokers and dealers represent open transactions that generally settle within the normal two-day settlement cycle and also include collateralized securities borrowed and/or loaned in transactions that can be closed on demand within a few days. Client receivables are secured by readily marketable securities and are reviewed on an ongoing basis for impairment in value and collectability.

B. CAPITAL MANAGEMENT

GMP requires capital to fund existing and future operations, future dividends and regulatory capital requirements. The liquidity of GMP's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. GMP's policy is to maintain sufficient and appropriate levels of capital through a variety of sources including credit facilities as discussed in Note 15.

The following table sets forth GMP's capital resources at the dates indicated:

Sources and (Uses) of Capital

As at December 31,	2018	2017
Preferred shares	112,263	112,263
Common shares	322,848	334,972
Share purchase loans	(327)	(1,375)
Deferred share-based awards	(14,598)	(36,146)
Contributed surplus	48,818	54,225
Accumulated deficit	(197,369)	(184,741)
	271,635	279,198

Note 26. Segmented Information

GMP's operating results are categorized into two business segments and a Corporate segment. The two business segments are as follows: Capital Markets and Wealth Management. The business segments are based upon the products and services provided and the types of clients served. The financial reporting of GMP's two business segments is consistent with the manner in which management currently evaluates the operating segment performance.

CAPITAL MARKETS

This segment consists of GMP's investment banking, including advisory and underwriting services, institutional research and sales and trading serving corporate and institutional clients.

WEALTH MANAGEMENT

The Wealth Management segment consists of GMP's non-controlling ownership interest in Richardson GMP. This segment also includes dividend revenue recognized by GMP on its investment in Richardson GMP Preference Shares following dividend declarations made by Richardson GMP from time to time.

CORPORATE

The Corporate segment includes enterprise-wide items and third-party revenue received in relation to carrying broker and other administrative support services provided by GMP Securities to Richardson GMP. Additionally, related employee compensation and benefits, clearing and execution costs and other expenses associated with providing such services to Richardson GMP are included in this segment.

The following table presents selected financial results of continuing operations by segment for the years ended December 31, 2018, and 2017:

	Capital Markets		Wealth Management		Corporate		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	162,734	128,274	2,345	14,448	12,725	11,918	177,804	154,640
Expenses								
Employee compensation and benefits	90,128	74,829	–	–	19,738	18,346	109,866	93,175
Selling, general and administrative	26,937	29,755	79	76	12,417	13,042	39,433	42,873
Interest expense	6,457	5,030	–	–	2,175	2,503	8,632	7,533
Depreciation and amortization	1,890	1,910	–	–	22	21	1,912	1,931
Goodwill impairment	–	52,000	–	–	–	–	–	52,000
	125,412	163,524	79	76	34,352	33,912	159,843	197,512
Share of net income of associate	–	–	2,949	2,578	–	–	2,949	2,578
Income (loss) before income taxes	37,322	(35,250)	5,215	16,950	(21,627)	(21,994)	20,910	(40,294)

Note 27. Net Change in Non-Cash Operating Items

Year ended December 31,	2018	2017
Securities owned	(19,911)	(2,691)
Receivable from clients and brokers	130,677	47,920
Employee and other loans receivable	1,713	1,096
Other assets	18,788	16,862
Deferred tax assets	–	(611)
Obligations related to securities sold short	(2,670)	(538)
Payable to clients, brokers and issuers	(237,389)	36,471
Accounts payable and accrued liabilities and other liabilities	872	(10,027)
	(107,920)	88,482

Officers and Directors

GMP CAPITAL INC.

OFFICERS

Harris A. Fricker
President and Chief Executive Officer

Kevin M. Sullivan
Deputy Chairman

Deborah J. Starkman
Chief Financial Officer and Corporate Secretary

Christopher M. Hill
Chief Compliance Officer

BOARD OF DIRECTORS

Donald A. Wright
Chair

David G. Brown
David C. Ferguson
Harris A. Fricker
Kish Kapoor
Julie A. Lassonde
Fiona L. Macdonald
Eugene C. McBurney
Kevin M. Sullivan

GMP SECURITIES L.P.

OFFICERS[1]

Harris A. Fricker
President and Chief Executive Officer

Kevin M. Sullivan
Deputy Chairman

Deborah J. Starkman
Chief Financial Officer and Corporate Secretary

Christopher M. Hill
Chief Compliance Officer

EXECUTIVE COMMITTEE

Harris Fricker
Trent Boehm*
Chris Bond
Stephen Harris
Nicholas Johnson*
Bryan Lopushinsky*
Deborah Starkman
Kevin Sullivan
Robert Weir

MANAGING DIRECTORS

Erik Bakke*
Michael Barman
Jason Beales
Steven Butler
Steven Buytels*
Krista Coburn
Michael Deng
Eric Desrosiers
Adham El-Behairy
Robert Fitzmartyn*
Ian Gillies*
Deepak Kaushal
Cody Kwong*
Martin Landry
Steven Ottaway
Ian Parkinson
David Perlman
Anoop Prihar
Benjamin Scholten
Jarrad Segal
Kenrick Sylvestre
Rosemary Teixeira
Timothy Williams
Dean Willner*

DIRECTORS

Sharon Aujla
Paul Bissett
Rocco Colella
Jason Currie
Michael Dunn*
Kyle Gould
Ben Jekic
Justin Keywood
Rina Kim
Maria Kouvas
Ashley Kowal
Pierre Laliberte
Derek Lithwick
Joey Mack
Craig Mills
Darren Molloy
Shawn Nodder
Mark Pearson*
Ben Perlman
Diana Quinn
Kim Ritchie
Scott Robertson*
Kris Rychlik
James Thomson
Simon Tremblay
Alex Tyszkiewicz
Michael Wampler*
Erick Yoon
David Zavitz

SENIOR VICE PRESIDENTS

Cynthia Bruce
Dionne Lawrence
Joe Riga
Charlene Rzepiela
Nokkeo Vong
Gordon Wu

VICE PRESIDENTS

Tanya Alexander
Natalie Alves
Adrian Ball*
David Becker
Greg Bowie
John Breen*
Barbara Cooke
Himanshu Gupta
Chuck Hoang
Carli Huether
Jeannie Huether
David La Rocque*
David Mak
Marino Meggetto
Sarah-Rose Neil
Elizabeth Pires-Velez
John Prins*
Paul Stephenson
Peter Sweeney
Nathan Trainor*
Cihan Tuncay

1. Officers of Griffiths McBurney Canada Corp., general partner to GMP Securities L.P.
* GMP FirstEnergy. GMP FirstEnergy is a trade name and division of GMP Securities L.P.

FIRSTENERGY CAPITAL LLP

EXECUTIVE MANAGING DIRECTOR
Hugh Sanderson

CHIEF OPERATING OFFICER
Adrian Penny

MANAGING DIRECTORS
Harry Charles Baker
Stephane Foucaud
Rupert Holdsworth Hunt
Mark Llamas
Jonathan Wright

DIRECTORS
Paul Bannister

GMP SECURITIES EMERGING MARKETS CORP.

Eugene McBurney
Chairman

RICHARDSON GMP LIMITED[1]

BOARD OF DIRECTORS
Kevin Sullivan
Chairman

Neil Bosch
Director and Portfolio Manager/ Branch Manager

Marc Dalpé
Portfolio Manager

Harris Fricker
Director

Kish Kapoor
Director

Andrew Marsh
Chief Executive Officer and President

H. Sanford Riley
Director

EXECUTIVE MANAGEMENT TEAM
Paul Adair
Mike Ankers
Lynne Brejak
Dan Dervaitis
Elliot Muchnik
James Price
Scott Stennett
Sarah Widmeyer
Michael Williams

INVESTMENT ADVISORS
Michael Andersen
Rick Arora
Inder Arya
Peter Bacsalmasi
Scott Baillie
Joseph Bakish
Nick Bakish
Chris Ballanger
Fred Banwell
Marc Beauchamp
Brian Becker
Mark Begg
Keith Bekker
Bruce Bennett
Jody Bent
Randy Bergh
Greg Bieber
Hal Biren
Neil Bosch
Martin Boulianne
Leah Bourgeois
Dean Bowe
Michelle Bradet-Simpson
Stephen Brice
Michael Brook
Adam Brookes
Jeffrey Brumer
Robert Byler
Lou Caci
Robert Caldwell
Matthew Campbell
Robert Campbell
Michael Cann
Dawn Carey
Cielo Carin
David Carmody
Frank Cestnik
Rahim Chatur
Julia Cheng
Serena Cheng
Nevin Chernick
Colin Chovin
Trevor Chow
Brad Conacher
Ty Cooke
Chris Cottier
Kent Coulter
Thomas Courteau
Stephen Cudmore
Gregory Cunningham
Marc Dalpé
Blake Dalton
Steve Damberger
Charles de Kovachich
James Dennis
Annie Deveault
Garth Doiron
Diana Dowhaluk
Peter Dunham
Lewis Dyck
Mounir El-Ayari
William Ellis
Mohamed El Tagi
Tim Engelbert
Fadi Ephtimios

1. GMP has a non-controlling ownership interest in Richardson GMP Limited

RICHARDSON GMP LIMITED[1] (CONTINUED)

INVESTMENT ADVISORS (CONTINUED)

Beverly Evans
Eric Falkenberg-Poetz
Garreth Fallis
Edoardo Farina
Allan Fenerdjian
Matt Finlay
George Fisher
James Fray
David Friesen
Matthew Froggatt
James Gellman
René Gendreau
Robert Goldberger
Douglas Goodman
Ian Gray
Randall Gray
Neil Gregory
Peter Guidote
Brad Gustafson
George Halkidis
Elizabeth Harding
Darren Harrold
Wynn Harvey
Richard Herman
Darren Heywood
Theodore Hochman
Darrin Hopkins
Alexandra Horwood
John Horwood
Rebecca Horwood
Rosemary Horwood
Chris Housepian
Mike Hryn
David Hunt
Brad Hunter
Ronald Hutner
Marc Istanboulie
Tessy Karolia
Lily Khosla
Robert Kruzel
Joel Kruzich
Matt Langsford
Wilma Larratt-Smith
Susan Latremoille
Tricia Leadbeater
Joanne Lee
Lloyd Leonard
Marc Le Sieur
Raymond Li
Hilliard MacBeth
Jason MacDonald
Peter MacDougald
Grant MacEachern
Kenneth MacNeal
Craig Machel
Jamie Mackie
Jeffrey Mackie
Cathy Macleod
Jon MacLeod
Ken MacNeal
Lynn MacNeil
William Mactaggart
Douglas Mair
Chris Martin
Ken Martin
Kim McCartney
Walter McCormick
Garry McCulloch
Robert McDermott
Tracey McGrath
Maryanne McIntyre
Neil McIver
Paul McKenna
Brian McKenzie
Sean McLean
Kathy McMillan
Don McPherson
Darren Midgley
Benji Miles
Jean-Marc Milette
Antonio Minicucci
Tom Morrissey
Lane Mosby
Grant Mutch
Alan Nelson
John Nelson
Nancy Nicol
Ida Khajadourian Nowak
Paula O'Brien
Rory O'Connor
Anne O'Farrell
Yaron Orgil
Diana Orlic
Francis Ortencio
Sheetal Pallana
Robert Panes
Simon Partington
Kurt Pedersen
Greg Phillips
Matthew Phillips
Michael Pickard
Michael Pidhirniak
Timothy Pinkoski
David Porter
Tim Pritchard
Blair Pytak
Guylaine Raby
Kent Racz
Andy Rafelman
Mark Ramage
Gary Rasiuk
John Reyes
Eric Richards
Philip Richmond
James Rogers
David Rosin
Jonathan Ross
Francis Sabourin
John Sanchez
Glenn Schaefer
Margaret Schvarcz
Lorne Searle
Sean Seidman
Alex Senkiw
Jack Shrieves
Michael Skrypnek
Robert Smith
Scott Starratt
Tyler Steele
Greg Stevenson
Christian Strigl
Jari Stromberg
Barry Takemura
Todd Tanchak
Patrick Tenpenny
Jeffrey Torchia
Robert Townsend
Robert Tranchemontagne
Nick Twyman
Dustin Van Der Hout
Kris Viel
Lori Vooys
Lou Voticky
Nick Waddell
Gareth Watson
Stanley Wei
Michael Will
John Wiman
Valerie Wowryk
Kathleen Wronski
Ernest Wyder
Ryan Yeo
Vincent Yu
Dirk Yzenbrandt
Andy Zylstra

1. GMP has a non-controlling ownership interest in Richardson GMP Limited

Shareholder Information

TRANSFER AGENT AND REGISTRAR

AST Trust Company (Canada)
1 Toronto Street
Suite 1200
Toronto, ON
M5C 2VC

Toll Free: (800) 387-0825
Email:
inquiries@astfinancial.com
Website: *www.astfinancial.com*

CORPORATE HEAD OFFICE

GMP Capital Inc.
145 King Street West
Suite 300
Toronto, ON
M5H 1JB

Toll Free: (888) 301-3422
Email:
investorrelations@gmpcapital.com

SHAREHOLDER INQUIRIES

For all other shareholder inquiries or to request a copy of GMP's 2018 annual report, please contact GMP Investor Relations at *investorrelations@gmpcapital.com* or call (416) 941-0894.

REGULATORY FILINGS

With the Canadian Securities Administrators at *www.sedar.com*.

INDEPENDENT AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Goodmans LLP

FISCAL YEAR-END

December 31

WEBSITE

www.gmpcapital.com

ANNUAL MEETING OF COMMON SHAREHOLDERS

Thursday, May 2, 2019
11 a.m. (EST)

TMX Broadcast Centre, Gallery
130 King St. West
Toronto, ON
M5X 1J2

STOCK EXCHANGE LISTINGS

STOCK	LISTING	TICKER	CUSIP
Common Shares	Toronto Stock Exchange	GMP	380134106
Preferred Shares, Series B	Toronto Stock Exchange	GMP.PR.B	380134205
Preferred Shares, Series C	Toronto Stock Exchange	GMP.PR.C	380134304

Office Locations

GMP CAPITAL INC.

TORONTO
145 King Street West
Suite 300
Toronto, Ontario
Canada, M5H 1J8

Telephone: (416) 367-8600

RICHARDSON GMP LIMITED[1]

TORONTO (HEAD OFFICE)
145 King Street West
Suite 500
Toronto, Ontario
Canada, M5H 1J8

Telephone: (416) 943-6696
Toll Free: (866) 263-0818

GMP SECURITIES

CANADA

TORONTO (HEAD OFFICE)
145 King Street West
Suite 300
Toronto, Ontario
Canada, M5H 1J8

Telephone: (416) 367-8600
Toll Free: (888) 301-3244

CALGARY
311 – 6th Avenue S.W.
Suite 1100
Calgary, Alberta
Canada, T2P 3H2

Telephone: (403) 262-0600

MONTREAL
1250 Rene Levesque Blvd West
Suite 1500
Montreal, Quebec
Canada, H3B 4W8

Telephone: (514) 288-7774

INTERNATIONAL

LONDON (FIRSTENERGY CAPITAL LLP AND GMP EUROPE)
85 London Wall
London, United Kingdom
EC2M 7AD

Telephone:
+44 (0) 207 448 0200

GMP SECURITIES EMERGING MARKETS CORP.
Nassau, Bahamas
P.O. Box N 1812

Telephone: (416) 943-6101

1. GMP has a non-controlling ownership interest in Richardson GMP Limited.

GMP's Guiding Principles

GMP Capital Inc. (GMP) is a leading independent diversified financial services firm headquartered in Toronto, Canada, providing a wide range of financial products and services to a client base that includes corporate clients, institutional investors and high-net-worth individuals in two integrated reporting segments: Capital Markets and Wealth Management.

OUR CLIENTS

We are differentiated as a firm by the depth of our relationships with our clients. Their interests must always come first. Their success begets our own.

OUR PEOPLE

Our people are our most valuable asset. We seek to recruit and retain the very best and to provide them a work environment in which the sole determinant of their advancement is excellence.

OUR BUSINESS MODEL

Our capital and profits are critical to the sustainability of our business model. We must continually strive to find the right balance between maximizing profit and safeguarding our liquidity.

OUR BRAND

Each of us is a custodian of the firm's brand and reputation and must govern both our professional and personal conduct accordingly.

OUR CULTURE

Our culture is unique and is founded upon the principles of entrepreneurship, accountability and partnership. Complacency and entitlement have no place in our firm.

OUR WAY OF THINKING

We believe that informed action is always preferable to inaction and that wealth creation is often rooted in creative disruption. We believe in the motto, "Who Dares, Wins."

OUR APPROACH

We take great pride in our ability to execute. Our approach is based upon a simple formula:

1. Identify the opportunity.
2. Do the analysis.
3. Create the solution.
4. Get it done.

GMP Capital Inc.