



DUNDEE
WEALTH MANAGEMENT
BLUE-CHIP GROWTH

DUNDEE WEALTH MANAGEMENT INC.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2006

**DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED BALANCE SHEETS**

*As at March 31, 2006 and December 31, 2005
(expressed in thousands of dollars) (unaudited)*

	March 31, 2006	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 228,049	\$ 235,691
Securities owned	45,124	29,654
Accounts receivable	47,876	118,843
Client accounts receivable	487,725	361,861
Corporate investments	36,485	33,992
Deferred sales commissions	155,398	141,266
Capital and other assets	27,035	26,006
Goodwill and other intangible assets (note 3)	441,859	438,646
TOTAL ASSETS	\$ 1,469,551	\$ 1,385,959
LIABILITIES		
Bank indebtedness	\$ 17,498	\$ 33,169
Accounts payable and accrued liabilities	100,312	127,087
Securities sold short	10,136	6,099
Client deposits and related liabilities	455,727	349,892
Income taxes payable	9,708	23,188
Corporate debt (note 4)	13,200	12,648
Preference shares	54,537	64,537
Future income tax liabilities	65,174	56,923
	726,292	673,543
NON-CONTROLLING INTEREST	127,250	123,290
SHAREHOLDERS' EQUITY (note 5)		
Share capital		
Common and special shares	439,638	422,627
Contributed surplus	31,924	31,406
Deferred acquisition amount	(16,440)	(13,423)
Retained earnings	160,887	148,516
	616,009	589,126
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,469,551	\$ 1,385,959

The accompanying notes are an integral part of these consolidated financial statements.

Contingencies and commitments (note 8)

**DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS**

*For the three months ended March 31, 2006 and 2005
(expressed in thousands of dollars, except per share amounts) (unaudited)*

	March 31, 2006	March 31, 2005
REVENUES		
Management fees	\$ 88,915	\$ 65,750
Redemption fees	3,318	3,040
Financial services	107,872	88,415
	200,105	157,205
Investment income	1,534	569
	201,639	157,774
EXPENSES		
Selling, general and administrative	59,895	54,236
Variable compensation	70,374	60,455
Trailer service fees	24,243	17,211
Distribution fees	932	1,063
	155,444	132,965
EARNINGS BEFORE INTEREST, TAXES AND OTHER NON-CASH ITEMS		
	46,195	24,809
Amortization of deferred sales commissions	12,393	10,039
Depreciation and amortization	3,374	2,432
Interest expense	714	599
Dividends on preference shares	818	818
EARNINGS FROM OPERATIONS		
	28,896	10,921
Income taxes		
Current	4,560	999
Future	6,903	3,489
	11,463	4,488
Non-controlling interest	3,056	1,266
NET EARNINGS FOR THE PERIOD		
	\$ 14,377	\$ 5,167
NET EARNINGS PER SHARE (note 6)		
Basic	\$ 0.15	\$ 0.06
Diluted	\$ 0.14	\$ 0.05

The accompanying notes are an integral part of these consolidated financial statements.

**DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY**

*As at and for the three months ended March 31, 2006 and year ended December 31, 2005
(expressed in thousands of dollars) (unaudited)*

	<i>Common and Special Shares</i>	<i>Contributed Surplus</i>	<i>Deferred Acquisition Amount</i>	<i>Retained Earnings</i>	<i>Total</i>
Balance, December 31, 2004	\$ 349,826	\$ 27,263	\$ 1,860	\$ 130,693	\$ 509,642
Issuance of common shares for cash	54,130	-	-	-	54,130
Issue costs, net of taxes of \$721	(1,273)	-	-	-	(1,273)
Issuance of common shares on acquisition of KL Nova	13,650	-	(13,423)	-	227
Issuance of common shares for non-monetary consideration	2,548	-	-	-	2,548
Issuance of common shares in business acquisition	1,860	-	(1,860)	-	-
Issuance of common shares in settlement of preference share dividends	3,272	-	-	-	3,272
Exercise of stock options	637	-	-	-	637
Cancellation of shares under share incentive arrangements	(2)	(2)	-	(89)	(93)
Stock based compensation	-	6,635	-	-	6,635
Acquisition of common shares for cancellation	(2,021)	(2,490)	-	-	(4,511)
Common and special share dividends	-	-	-	(7,222)	(7,222)
Net earnings for the year	-	-	-	25,134	25,134
Balance, December 31, 2005	422,627	31,406	(13,423)	148,516	589,126
Issuance of common shares for cash	992	-	-	-	992
Issuance of common shares on acquisition of Harrington Lane (note 2)	3,763	-	(3,763)	-	-
Issuance of common shares for non-monetary consideration	1,381	-	-	-	1,381
Issuance of common shares in business acquisition	-	-	-	-	-
Issuance of common shares in settlement of preference share dividends	818	-	-	-	818
Exercise of stock options	141	(7)	-	-	134
Cancellation of shares under share incentive arrangements	(4)	(5)	-	-	(9)
Stock based compensation	-	636	-	-	636
Acquisition of common shares for cancellation	(80)	(106)	-	-	(186)
Conversion of third preference shares, Series A to common shares	10,000	-	-	-	10,000
Amortization of deferred acquisition amount	-	-	746	-	746
Common and special share dividends	-	-	-	(2,006)	(2,006)
Net earnings for the period	-	-	-	14,377	14,377
Balance, March 31, 2006	\$ 439,638	\$ 31,924	\$ (16,440)	\$ 160,887	\$ 616,009

The accompanying notes are an integral part of these consolidated financial statements.

**DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

*For the three months ended March 31, 2006 and 2005
(expressed in thousands of dollars) (unaudited)*

	March 31, 2006	March 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings for the period	\$ 14,377	\$ 5,167
Non-cash items in net earnings:		
Depreciation and amortization	15,767	12,471
Net investment gains	(100)	(19)
Future income taxes	6,903	3,489
Non-controlling interest	3,056	1,266
Other	1,946	1,476
	41,949	23,850
Changes in:		
Accounts receivable	70,967	5,205
Securities owned, net of securities sold short	(11,433)	113
Client accounts receivable, net of deposits and related liabilities	(20,029)	(8,530)
Income taxes payable	(13,480)	(5,471)
Bank indebtedness	(15,671)	12,741
Accounts payable and accrued liabilities	(27,400)	(7,642)
CASH PROVIDED FROM OPERATING ACTIVITIES	24,903	20,266
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales commissions incurred on distribution of mutual funds	(26,525)	(24,762)
Acquisitions of corporate investments	(2,407)	(1,938)
Proceeds on dispositions of corporate investments	14	-
Payment on acquisition of non-controlling interest	(1,000)	(1,000)
Cash disbursed in business combinations (note 2)	(3,879)	-
Additions to capital and other assets	(952)	(1,782)
CASH USED IN INVESTING ACTIVITIES	(34,749)	(29,482)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in corporate debt	1,552	(3,745)
Issuance of common shares, net of issue costs	1,944	50,148
Acquisition of common shares for cancellation	(186)	(35)
Cancellation of share incentive arrangements	(4)	(2)
Issuance of shares by subsidiary	904	196
Dividends paid on common and special shares	(2,006)	(1,376)
CASH PROVIDED FROM FINANCING ACTIVITIES	2,204	45,186
NET (DECREASE) INCREASE IN CASH DURING THE PERIOD	(7,642)	35,970
Cash and cash equivalents, beginning of period	235,691	150,837
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 228,049	\$ 186,807
Cash flows from operating activities include the following:		
Interest paid	\$ 714	\$ 599
Taxes paid	\$ 18,908	\$ 7,182

The accompanying notes are an integral part of these consolidated financial statements.

**DUNDEE WEALTH MANAGEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three months ended March 31, 2006 (tabular dollar amounts in thousands of dollars, except per share amounts) (unaudited)
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND BASIS OF PRESENTATION**

These interim consolidated financial statements of Dundee Wealth Management Inc. (the “Company” or “Dundee Wealth”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). These interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in note 1 to the Company’s audited consolidated financial statements as at and for the year ended December 31, 2005 (“2005 Audited Financial Statements”). The Company’s interim consolidated financial statements do not include all disclosures required by GAAP for annual consolidated financial statements and, accordingly, should be read in conjunction with the 2005 Audited Financial Statements.

The preparation of interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. BUSINESS COMBINATIONS

Harrington Lane Inc. (“Harrington”)

On February 28, 2006, the Company acquired all the outstanding shares of Harrington, a professional advisory company. The Company paid cash of \$2,000,000 on closing. In addition, the Company issued 350,000 common shares with a stated value of \$3,763,000 to the former principal shareholders of Harrington, who have committed themselves to the Company under employment contracts. These common shares are being held in escrow and will be released to the former principal shareholders of Harrington subject to certain conditions of employment, over the next five (5) years (note 5). The aggregate purchase price of \$5,763,000 has been deferred and will be charged as a period expense over a five (5) year period. Immediately following the acquisition, the Company’s interest in Harrington was transferred to its subsidiary, DWM Inc. (“DWM”) for aggregate consideration of \$5,763,000, including \$2,000,000 in cash and common shares of DWM with an aggregate stated value of \$3,763,000.

Central Ontario Financial Group Inc. (“COFG”)

Effective January 1, 2006, a subsidiary of the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of COFG, a company engaged in the sale of insurance-related products. The Company’s subsidiary paid cash of \$1,875,000 at closing and agreed to pay a further \$625,000 in cash which will become payable, subject to meeting certain revenue-related criteria, within three (3) years from the date of the transaction. The aggregate purchase price of \$2,500,000, together with tax thereon of \$1,414,000, has been allocated to customer relationships and has been included with “goodwill and other intangible assets” (note 3) on the Company’s consolidated balance sheet and will be amortized over an estimated life of five (5) years. Immediately following the acquisition, COFG was amalgamated with the Company’s other insurance subsidiary.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

	March 31, 2006			December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Goodwill	\$ 307,138	\$ -	\$ 307,138	\$ 307,134
Investment management contracts	105,015	-	105,015	105,015
Funds under administration	30,573	4,585	25,988	26,497
Customer relationships (note 2)	3,914	196	3,718	-
	\$ 446,640	\$ 4,781	\$ 441,859	\$ 438,646

4. CORPORATE DEBT

	March 31, 2006	December 31, 2005
\$22.3 million revolving term credit facility with a Canadian chartered bank	\$ 5,000	\$ 3,300
Income Trusts	8,129	8,313
Other	71	1,035
	\$ 13,200	\$ 12,648

During the first quarter of 2006, a subsidiary of the Company reached an agreement with Multi-Fund Income Trust ("Multi-Fund") to terminate its obligations to Multi-Fund for approximately \$1,111,000, subject to adjustment. The arrangement is subject to approval by Multi-Fund unitholders, which approval is expected during the second quarter of 2006. At March 31, 2006, the carrying value of the obligation to Multi-Fund was \$4,307,000.

5. SHARE CAPITAL

Common and Special Shares Issued and Outstanding

	Number of Shares	Amount
COMMON SHARES:		
Outstanding December 31, 2005	97,854,984	\$ 414,434
Transactions during the three-month period ended March 31, 2006		
Issuance of common shares on acquisition of Harrington	350,000	3,763
Issuance of common shares pursuant to share incentive plans	262,392	2,369
Issuance of common shares on exercise of stock options	20,577	141
Issuance of common shares in settlement of preference share dividends	82,216	818
Cancellation of common shares under normal course issuer bid	(18,500)	(80)
Conversion from third preference shares, Series A to common shares	1,000,000	10,000
Outstanding March 31, 2006	99,551,669	\$ 431,445
SPECIAL SHARES:		
Series C:		
Outstanding March 31, 2006 and December 31, 2005	508,571	\$ 5,086
Series D:		
Outstanding March 31, 2006 and December 31, 2005	250,000	\$ 2,500
Series E:		
Outstanding March 31, 2006	70,970	\$ 607
Total Common and Special Shares Issued and Outstanding March 31, 2006	100,381,210	\$ 439,638

Normal Course Issuer Bid

In the first quarter of 2006, the Company purchased 18,500 common shares for cancellation pursuant to its normal course issuer bid having an aggregate stated capital value of \$80,000. The Company paid \$186,000 to retire these shares. The excess of the purchase price over the value of stated capital, which totalled \$106,000, has been recorded as a reduction of contributed surplus.

Preference Shares Issued and Outstanding

In January 2006, the Company exercised its conversion right to convert the 1,000,000 Third Preference Shares, Series A previously issued as partial consideration for an acquisition completed in November 2005, to 1,000,000 common shares.

As at March 31, 2006, the Company had 5,453,668 First Preference Shares, Series X (“Series X Shares”) outstanding at a stated value of \$54,537,000. Each Series X Share is convertible, at the option of the holder, at any time, into common shares of the Company on a 1.2 for 1 basis, subject to adjustment for normal anti-dilution events.

Warrants

The Company has 1,800,000 warrants outstanding, each warrant entitling the holder to purchase one common share of the Company at \$7.75 per share at any time up to and including December 9, 2006.

Deferred Share Unit Plan

During the first three months of 2006, the Company granted 10,135 (2005 – nil) deferred share units under the terms of its deferred share unit plan (“DSUP”), increasing contributed surplus by \$105,000 (2005 – \$ nil). As at March 31, 2006, the Company had granted an aggregate of 168,831 units pursuant to the terms of its DSUP. Subsequent to March 31, 2006, the Company granted further awards of 9,298 units pursuant to its DSUP.

Contributed Surplus

	2006	2005
Balance as at December 31,	\$ 31,406	\$ 27,263
Transactions during the three-month period ended March 31,		
Stock based compensation, future share issuances	(187)	(334)
Stock based compensation, stock option plans	645	592
Future income tax benefit on stock options	66	-
Issuances under deferred share unit plan	105	-
Cancellation of common shares under normal course issuer bid	(106)	-
Cancellation of common shares under share incentive plans	(5)	(2)
Balance as at March 31,	\$ 31,924	\$ 27,519

Deferred Acquisition Amount

The deferred acquisition amount represents the unamortized value of contingent consideration issued in business combinations. During the first quarter of 2006, the Company added \$3,763,000 to the deferred acquisition amount representing the stated value of the 350,000 common shares issued in the acquisition of Harrington (note 2), which shares have been placed in escrow and will be released, subject to certain conditions, over the next five (5) years. This amount will be amortized as a period expense over the vesting period.

Stock Options

Under the terms of the Company’s share incentive plan, the Company may issue options to purchase common shares to eligible participants. As at March 31, 2006, there were 8,613,259 stock options outstanding, at an average exercise price of \$8.18.

On January 16, 2004, the Company granted certain stock options in an arrangement independent of its share incentive plans to financial advisors who previously held stock options to acquire common shares of a predecessor corporation. On March 31, 2006, there were 1,425,125 stock options outstanding pursuant to this arrangement, at an average exercise price of \$10.91.

6. EARNINGS PER SHARE

<i>For the three months ended March 31,</i>	<i>2006</i>	<i>2005</i>
Net earnings available to common and special shareholders	\$ 14,377	\$ 5,167
Weighted average number of shares outstanding	98,309,078	92,161,256
Basic earnings per share	\$ 0.15	\$ 0.06
Effect of dilutive securities on weighted average number of common and special shares outstanding	4,040,776	2,947,241
Diluted earnings per share	\$ 0.14	\$ 0.05

7. STOCK BASED COMPENSATION

Details of the Company's share incentive plans are disclosed in note 11 to the 2005 Audited Financial Statements. The following table details the recognition of stock based compensation expense and the issuance of shares under the Company's share incentive plans during the three months ended March 31, 2006 and 2005.

	<i>Three months ended March 31, 2006</i>					<i>Three months ended March 31, 2005</i>				
	<i>Number</i>		<i>Compensation Expense</i>			<i>Number</i>		<i>Compensation Expense</i>		
	<i>of</i>	<i>Employee</i>	<i>Treasury</i>	<i>Market</i>	<i>Future</i>	<i>of</i>	<i>Employee</i>	<i>Treasury</i>	<i>Market</i>	<i>Future</i>
	<i>Shares</i>	<i>Contributions</i>	<i>Shares</i>	<i>Purchases</i>	<i>Issuances</i>	<i>Shares</i>	<i>Contributions</i>	<i>Shares</i>	<i>Purchases</i>	<i>Issuances</i>
Share purchase plans	87,111	\$ 988	\$ (4)	\$ 992	\$ -	86,537	\$ 818	\$ 57	\$ 761	\$ -
Share bonus plans										
Issued for grants made prior to 2002	-	-	-	-	-	12,500	-	-	-	-
Issued for grants made after 2001	157,900	-	-	-	-	129,458	-	-	-	-
Share option plans	20,577	134	-	-	7	25,397	155	-	-	-
Stock option expense over vesting period (i)	-	-	-	-	645	-	-	-	-	592
Reserved shares										
Issued for grants made after 2001	17,381	-	-	-	-	17,059	-	-	-	-
Future share awards (ii)	-	-	-	-	1,194	-	-	-	-	828
Deferred share unit plan	-	-	-	-	105	-	-	-	-	-
			\$ (4)	\$ 992	\$ 1,951			\$ 57	\$ 761	\$ 1,420

- (i) *Stock Option Expense Over Vesting Period* – The Company recognizes the fair value of stock options over the applicable vesting period as an increase to compensation expense and an increase to contributed surplus. When options are exercised, the proceeds received, together with the amount previously accrued to contributed surplus, are added to common share capital. No expense is recognized for stock options granted before January 1, 2003.
- (ii) *Future Share Awards* – The Board of Directors of the Company has granted awards to employees and financial advisors under its share bonus, deferred share and reserved share arrangements, providing for the issuance of common shares conditional on those employees and financial advisors meeting certain performance-related or time-related criteria. As at March 31, 2006, a total of 1,720,026 common shares (March 31, 2005 – 1,469,387) were conditionally granted under these arrangements.

8. CONTINGENCIES AND COMMITMENTS

There have been no substantive changes to the description and nature of contingencies and commitments from those described in note 12 to the 2005 Audited Financial Statements.

9. SEGMENTED INFORMATION

Statements of Operations for the three months ended March 31, 2006 and 2005

	<i>Investment Management</i>		<i>Brokerage</i>		<i>Corporate</i>		<i>Intersegment</i>		<i>Total</i>	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	\$ 89,166	\$ 67,336	\$ 127,893	\$ 104,311	\$ 475	\$ 84	\$ (15,895)	\$ (13,957)	\$ 201,639	\$ 157,774
Expenses	47,224	36,279	118,627	103,210	3,481	4,947	(13,888)	(11,471)	155,444	132,965
EBITDA	41,942	31,057	9,266	1,101	(3,006)	(4,863)	(2,007)	(2,486)	46,195	24,809
Depreciation and amortization	14,159	11,287	1,741	1,241	828	702	(961)	(759)	15,767	12,471
Interest expense	142	409	535	167	37	23	-	-	714	599
Dividends on preference shares	-	-	-	-	818	818	-	-	818	818
Earnings (loss) from operations	\$ 27,641	\$ 19,361	\$ 6,990	\$ (307)	\$ (4,689)	\$ (6,406)	\$ (1,046)	\$ (1,727)	\$ 28,896	\$ 10,921

Balance Sheets as at March 31, 2006 and December 31, 2005

	<i>Investment Management</i>		<i>Brokerage</i>		<i>Corporate</i>		<i>Intersegment</i>		<i>Total</i>	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets										
Goodwill	\$ 126,048	\$ 126,048	\$ 181,090	\$ 181,086	\$ -	\$ -	\$ -	\$ -	\$ 307,138	\$ 307,134
Intersegment	22,943	12,407	3,097	7,653	100,750	102,242	(126,790)	(122,302)	-	-
Other	384,287	406,324	695,929	590,862	82,197	81,639	-	-	1,162,413	1,078,825
	\$ 533,278	\$ 544,779	\$ 880,116	\$ 779,601	\$ 182,947	\$ 183,881	\$ (126,790)	\$ (122,302)	\$ 1,469,551	\$ 1,385,959
Liabilities										
Intersegment	\$ 3,097	\$ 7,653	\$ 100,750	\$ 102,242	\$ 22,943	\$ 12,407	\$ (126,790)	\$ (122,302)	\$ -	\$ -
Other	136,641	159,480	540,706	445,868	48,945	68,195	-	-	726,292	673,543
	\$ 139,738	\$ 167,133	\$ 641,456	\$ 548,110	\$ 71,888	\$ 80,602	\$ (126,790)	\$ (122,302)	\$ 726,292	\$ 673,543

10. SUBSEQUENT EVENTS

During the first quarter of 2006, the Company agreed to acquire Dundee Wealth BHC from its parent, Dundee Corporation, for aggregate cash consideration of approximately \$25,000,000, subject to adjustments for costs incurred in Dundee Wealth BHC and its subsidiaries since December 31, 2005. Dundee Wealth BHC holds a 100% interest in Dundee Wealth Bank, a Canadian federally chartered Schedule I Bank, and a 100% interest in The Dundee Bank, a bank licensed with the Cayman Islands Monetary Authority. Dundee Corporation obtained a bank license for the Company in order for the Company to provide banking, savings and loan products and other banking services to its clients.

Regulatory approval of the transaction is pending. Once completed, the operations of Dundee Wealth BHC will be reported as a separate business segment.