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AGF MANAGEMENT LIMITED
Second Quarter Report to Shareholders for the three and six months ended May 31, 2007

AGF MANAGEMENT LIMITED REPORTS STRONG SECOND QUARTER FINANCIAL RESULTS

Record setting mutual fund gross sales and financial performance. Net income from continuing operations up 128%.

Toronto | June 27, 2007

AGF Management Limited (AGF) today announced record financial results for the second quarter ended May 31, 2007 and historical highs for sales of mutual funds, reporting $0.9 billion of net sales of long-term funds during the second quarter of fiscal 2007. As a result, AGF is ranked first among all Canadian non-bank mutual fund firms and third overall for the three-month period ended May 31, 2007. Sales in June have also been strong with AGF recording $141.6 million in net sales as of the close of business on June 25, 2007.

“AGF has had another very strong quarter for financial results and business performance,” said Blake C. Goldring, chairman and chief executive officer, AGF. “We appreciate the support of our clients and will continue to serve them by focusing on excellence in money management, providing great products and delivering world class service.”

In the second quarter of fiscal 2007, consolidated revenue from continuing operations rose to $204.9 million compared with $152.2 million in the second quarter of the prior year. Consolidated revenue in the quarter included an $8.0 million securitization gain ($0.06 per share after tax) from the sale of RSP loans by our Trust Company Operations segment.

Consolidated net income from continuing operations for the three months ended May 31, 2007, was up 128 per cent to $49.1 million or $0.54 per share diluted compared with $21.5 million or $0.24 per share diluted for the same period last year. Not including the securitization gain, net income from continuing operations was up 104 per cent in the second quarter of fiscal 2007 over the same quarter in 2006. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were $98.0 million, compared with $64.6 million for the quarter ended May 31, 2006.

Total assets under management increased by 47.9 per cent, rising to $55.8 billion at the end of the second quarter of 2007 from $37.7 billion as at May 31, 2006. Over the same period, institutional and private client assets grew 79.4 per cent and mutual fund assets rose 29.2 per cent. Institutional and private client assets are up due to investment performance, new mandates and the acquisition of Highstreet Partners Limited. The Highstreet acquisition, which closed on December 1, 2006 added $4.8 billion in AUM. The Trust Company Operations segment continued to grow significantly with total loan assets rising 75.2 per cent.

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, performance and opportunities. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important factors such as level of assets under our management, volume of sales and redemption of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. Please see the 'Factors that May Affect Future Results' section for a further discussion of factors that may affect actual results.

Dear fellow shareholders

During the second quarter of 2007, we celebrated our 50th anniversary. In 1957, my father, Warren Goldring and Allan Manford had a unique vision to create the American Growth Fund to pool the funds of Canadian investors, giving them greater access to the U.S. stock market. Using the initials from the name of the first fund, our co-founders set out to build a company that was innovative, focused on clients and driven by superior investment management.

Over the 50 years in business, AGF has grown from a mutual fund company to a global investment management firm. Today we have not only mutual fund assets under management, but also significant institutional and private client assets, as well as a thriving trust business. We have strong roots and our financial position today has never been better.

In the second quarter, we continued the tradition of excellence. Our investment management business set records for mutual fund gross sales, and institutional and private client assets increased. AGF Trust, part of a unique value proposition for our clients, continued with its impressive rate of growth.

Our stated focus is to translate business growth into improved financial performance and this trend continued into the second quarter of 2007. Consolidated revenue was $204.9 million, compared with $152.2 million in the second quarter of the prior year. Consolidated net income from continuing operations for the three months ended May 31, 2007 was $49.1 million, compared with $21.5 million for the same period last year. Earnings before interest, taxes, depreciation and amortization[1] (EBITDA) from continuing operations were $98.0 million, compared with $64.6 million for the three months ended May 31, 2006.

For the three months ended May 31, 2007, AGF reported cash flow from continuing operations[1] (before net change in non-cash balances related to operations) of $84.4 million, compared with $52.4 million one year ago. Free cash flow[1] (cash flow from continuing operations less selling commissions paid) was $34.8 million, compared with $22.5 million one year ago.

On April 30, 2007, we announced the sale of Investmaster Holdings Limited. With the divestiture of Unisen in 2005 and now Investmaster, AGF's remaining operations represent our core businesses. With increased focus, we are in a position to continue to deliver results.

AGF is an independent Canadian company with a proud history. Our experience has been a key factor in our ability to thrive in a consolidating industry with increased competition. We will continue to focus on our investment management discipline and rigour, and on providing great products and service. By listening to our clients, we are confident that we will continue to build value for our shareholders.

Blake C. Goldring, CFA
Chairman and Chief Executive Officer
May 31, 2007

[1] Cash flow from continuing operations, free cash flow and EBITDA are non-GAAP measures. Please refer to page 4 and 5 of this report.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three and six months ended May 31, 2007

This Management's Discussion and Analysis ('MD&A') presents an analysis of the financial condition of AGF Management Limited and its subsidiaries as at May 31, 2007, compared with November 30, 2006, and the results of operations for the three and six months ended May 31, 2007, compared with the corresponding periods of 2006. This discussion should be read in conjunction with our 2006 annual MD&A and 2006 annual audited Consolidated Financial Statements and Notes. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ('GAAP'). Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the 2006 annual MD&A: 'Factors that May Affect Future Results', 'Disclosure Controls', 'Off Balance Sheet Arrangements', 'Contractual Obligations', 'Intercompany and Related Party Transactions' and 'Government Regulations'. There has been additional disclosure with respect to the adoption of new accounting policies, which are discussed in the 'Critical Accounting Policies' section of this MD&A. The 'Key Performance Indicators and Non-GAAP Measures' section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

AGF Management Limited ('AGF'), with approximately $56 billion in assets under management ('AUM'), is one of Canada's largest independent mutual fund and investment management companies, with operations in Canada, the United Kingdom, Ireland and Asia. During the quarter we celebrated our 50th anniversary. We commenced operations in 1957 with one of the first mutual funds available to Canadians wishing to invest internationally and, as at May 31, 2007, we offered over 50 mutual funds, as well as wrap products (sold under our Elements and Harmony brands). Today, we also have substantial institutional and private client businesses along with a very successful trust company.

For purposes of this discussion, the operations of AGF and our subsidiary companies are referred to as 'we', 'us', 'our' or the 'Company'. The financial results relating to the operations have been reported in three segments: Investment Management Operations, Trust Company Operations and Other.

The Investment Management Operations segment includes the results of our mutual fund, institutional, sub-advisory and private client businesses. This segment also includes the operations of Highstreet Partners Ltd. ('Highstreet'), which wholly owns Highstreet Asset Management Inc. AGF acquired 79.9% of Highstreet on December 1, 2006. The Trust Company Operations segment includes the results of AGF Trust Company, and the Other segment includes our equity interest in Smith and Williamson Holdings Limited ('S&WHL').

Investmaster Holdings Limited ('Investmaster') was divested on April 30, 2007 and as such, Investmaster's results have been reported as discontinued operations.

Strategy and Highlights

As stated in our 2006 annual MD&A, our overall business strategy is to help identify and facilitate opportunities for our business segments and ensure segment strategies are aligned with the overall corporate strategy of targeting sustainability, profitability and value for our shareholders over the long term.

During the second quarter of 2007, we achieved the following:

- Our client-centric approach resulted in record sales in our core mutual fund business. During the second quarter of 2007, we recorded over $2.0 billion in gross sales which is a record amount for any second quarter in the history of our firm. Net sales were $0.9 billion, which placed us first among all Canadian non-bank mutual fund firms for the three-month period ended May 31, 2007.
- We delivered value directly to our shareholders through dividend payments. Dividends paid on Class A Voting Common Shares ('Class A shares') and Class B Non-Voting Shares ('Class B shares') increased 11% to $17.9 million in Q2 2007, compared with $16.1 million in 2006. On January 31, 2007, we announced an additional 11% increase in the dividend rate to 20 cents per share from 18 cents per share on Class A and Class B shares for the April 2007 scheduled dividend payment.

- We continued to support the growth of our Trust Company Operations ('AGF Trust') and invested $16.0 million during the three months ended May 31, 2007, bringing our total investment in debt and equity capital to $183.3 million. This compares with the investment of $16.0 million for the three months ended May 31, 2006. During the period, AGF Trust also received cash of $252.9 million from the securitization of approximately $263.6 million of loans. AGF Trust real estate secured loan assets grew 101.8% over the prior year and investment loans grew 56.3%
- We concluded the sale of Investmaster on April 30, 2007, completing our initiative to sell non-core business operations.
- During the quarter the Company increased it's revolving term loan to a maximum of $300.0 million from $200.0 million further strengthening our financial position.
- In spite of our record sales, which requires payment of deferred selling commissions, and further funding of the Trust Company Operations we were able to generate significant cash and reduce our bank debt by $15 million over the February 28, 2007 balance.

We remain focused on our strategy and are pleased with the results to date.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our business strategies using a number of key performance indicators ('KPIs'), which are outlined below. With the exception of revenue, the following KPIs are not measurements in accordance with Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of KPIs that are relevant to each segment.

Consolidated Operations

Revenue

Revenue is a measurement defined by Canadian GAAP and is recorded net of fee rebates, sales taxes and distribution fees paid to limited partnerships. Revenue is indicative of the potential to deliver cash flow.

We derive our revenue principally from a combination of:

- management and advisory fees based on AUM
- administration fees earned on Harmony, institutional and private investment management AUM
- deferred sales charges ('DSC') earned from investors when mutual fund securities sold on a DSC basis are redeemed
- net interest income earned on AGF Trust's loan portfolio

EBITDA

We define EBITDA as income before interest expense, income taxes, depreciation and amortization. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts in understanding and comparing results. We believe this is an important measure as it allows us to assess our investment management businesses without the impact of amortization. EBITDA for the Trust Company Operations segment includes interest expense related to deposits. These deposits fund our investment loan and real estate secured loan programs and therefore are considered an operating cost directly related to generating interest revenue. We include this interest expense in Trust Company Operations EBITDA to provide a meaningful comparison to our other business segments and our competitors.

Please see the 'Consolidated Operating Results' section on page 11 of this MD&A for a schedule showing how EBITDA reconciles to our GAAP financial statements.

Cash Flow from Operations
We report cash flow from operations before net changes in non-cash balances related to operations. Cash flow from operations helps to assess the ability of the business to generate cash, which is used to pay dividends, repurchase shares, pay down debt and fund other needs.

($ millions)	Three months ended May 31, 2007	Three months ended May 31, 2006	Six months ended May 31, 2007	Six months ended May 31, 2006
Net cash provided by continuing operating activities	$ 102.6	$ 66.0	$ 158.4	$ 81.7
Less: net changes in non-cash balances related to operations	18.2	13.6	5.3	(19.6)
Cash flow from continuing operations	$ 84.4	$ 52.4	$ 153.1	$ 101.3

Free Cash Flow
We define free cash flow as cash flow from operations before net changes in non-cash balances related to operations less selling commissions paid. This is a relevant measure in the investment management business, as a substantial amount of cash is spent on upfront commission payments. Free cash flow represents cash available for distribution to our shareholders or for general corporate purposes.

($ millions)	Three months ended May 31, 2007	Three months ended May 31, 2006	Six months ended May 31, 2007	Six months ended May 31, 2006
Cash flow from continuing operations (defined above)	$ 84.4	$ 52.4	$ 153.1	$ 101.3
Less: selling commissions paid	49.6	29.9	93.3	52.2
Free cash flow	$ 34.8	$ 22.5	$ 59.8	$ 49.1

Return on Equity (ROE) and Return on Investment (ROI)
We monitor ROE to assess the profitability of the consolidated company. We calculate ROE by dividing net income by average shareholders' equity. ROI is a KPI that we utilize to assess prospective investments and to monitor past investments. ROI measures cash flow in relation to the original amount invested and incorporates the time value of money.

Investment Management Operations

Assets Under Management ('AUM')
The amount of AUM is critical to our business as it is from these assets that we generate fees from our mutual fund, institutional and private investment management relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions.

Mutual fund AUM determines a significant portion of our expenses, as we pay upfront commissions and trailing commissions to investment advisors as well as investment advisory fees based on the value of AUM.

Investment Performance (Market Appreciation of Investment Portfolios)
Investment performance, which is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders and, in turn, we benefit from higher revenues. Alternatively, poor relative investment performance may result in redemptions, which reduce our AUM and management fee revenues. Strong relative investment performance may also contribute to gross sales growth or reduced levels of redemptions.

Net Sales
One of the goals of our mutual fund business is to generate positive net sales on an annual basis, which in turn allows for increasing revenues. Gross sales and redemptions as a percentage of AUM are monitored separately, and the sum of these two amounts comprises net sales. Net sales, together with investment performance, and fund expenses determine the level of

average daily mutual fund AUM, which is the basis on which management fees are charged. The average daily mutual fund AUM is equal to the average daily net asset value.

We monitor inflows and outflows in our private client and institutional business separately. Due to the reporting systems utilized in these businesses, we do not compute an average daily AUM figure for these businesses.

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe EBITDA margin is a valuable measure, as it assesses the extent to which we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	**2007**	**2006**	**2007**	**2006**
EBITDA	$ 76.7	$ 56.8	$ 147.6	$ 110.2
Divided by revenue	171.8	136.7	328.2	264.5
EBITDA margin	44.6%	41.6%	45.0%	41.7%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe pre-tax profit margin is a valuable measure, as it assesses the extent to which we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	**2007**	**2006**	**2007**	**2006**
Income before taxes and non-segmented items	$ 45.5	$ 24.2	$ 86.5	$ 44.9
Divided by revenue	171.8	136.7	328.2	264.5
Pre-tax profit margin	26.5%	17.7%	26.4%	17.0%

Trust Company Operations

Loan Asset Growth

In the Trust Company Operations segment, we focus on the growth in our investment and real estate secured loans. New originations net of repayments drive the outstanding balance of loans, on which we charge interest. Loan asset growth increases our revenue and assists with our ability to grow our profits in the Trust Company Operations segment.

Net Interest Income

Net interest income is a common lending industry performance indicator. We monitor this figure to evaluate the growth of the financial contribution of AGF Trust. The figure is calculated by subtracting interest expense from interest income earned from AGF Trust loan assets.

Efficiency Ratio

The efficiency ratio is a lending industry KPI. We utilize this ratio to ensure that expenses are contained as AGF Trust grows. The ratio is calculated from AGF Trust results by dividing non-interest expenses by the total of net interest income and non-interest income.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2007	2006	2007	2006
Selling, general and administrative expense	$ 9.3	$ 5.9	$ 17.8	$ 11.2
Add: amortization expense	0.4	0.3	0.7	0.6
Non-interest expense	$ 9.7	$ 6.2	$ 18.5	$ 11.8
Other revenue	$ 1.7	$ 1.1	$ 2.7	$ 2.3
Gain from securitization and related items	9.2	0.8	10.0	10.7
Non-interest income	$ 10.9	$ 1.9	$ 12.7	$ 13.0
Net interest income	$ 19.1	$ 11.1	$ 36.6	$ 21.2
Add: non-interest income	10.9	1.9	12.7	13.0
Total of net interest income and non-interest income	$ 30.0	$ 13.0	$ 49.3	$ 34.2
Efficiency ratio	32.3%	47.7%	37.5%	34.5%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of the operating performance in our Trust Company Operations segment. We believe pre-tax profit margin is a valuable measure, as it assesses the extent to which we are able to earn profit from each dollar of net interest income. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to total revenue.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2007	2006	2007	2006
Income before taxes and non-segmented items	$ 17.8	$ 5.0	$ 25.6	$ 18.1
Divided by revenue	30.0	13.0	49.3	34.2
Pre-tax profit margin	59.3%	38.5%	51.9%	52.9%

Critical Accounting Policies

In the six months ended May 31, 2007, additional significant accounting policies were adopted by the Company and are supplemental to the 'Critical Accounting Policies' section of the 2006 annual MD&A. These policies are as follows:

1) Financial Instruments, Hedges and Comprehensive Income

On December 1, 2006, the Company adopted the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges; and Section 1530 Comprehensive Income. These standards require that all financial assets be classified as either available for sale ('AFS'), trading, held to maturity ('HTM') or loans and receivables. Financial liabilities are classified as either trading or other. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value, with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS, HTM, loans and receivables, and deposits are generally capitalized and are then amortized over the expected life of the instrument.

Financial assets and financial liabilities held for trading are measured at fair value, with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with changes in fair value reported in other comprehensive income ('OCI') until the financial asset is disposed of, or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

Accumulated other comprehensive income ('AOCI') is a new component of shareholders' equity. The Consolidated Statements of Changes in Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. The Consolidated Statements of Comprehensive Income have also been added to the Company's financial statements. Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income will include unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

Classification of Financial Instruments

Available-for-sale assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM or held for trading. Available-for-sale assets are measured at fair value with unrealized gains and losses included in accumulated other comprehensive income until sale or other-than-temporary impairment when the cumulative gain or loss is transferred to the Consolidated Statement of Operations. Assets included in this category are investments and retained interest from securitization. Upon adoption of Section 3855, the following adjustments were recorded:

a) Investments have been re-measured to reflect the unrealized gains and losses on these securities. This gave rise to an adjustment to accumulated other comprehensive income of $3.2 million ($2.7 million net of tax).
b) Retained interests from securitization have been re-measured to reflect the fair value. This gave rise to an adjustment to accumulated other comprehensive income of $1.4 million ($1.0 million net of tax).

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. They do not include debt securities or loans and receivables designated as held for trading or AFS. Assets included in this category are accounts receivable and real estate secured and investment loans. The adoption of the CICA Handbook Section 3855 gave rise to a reclassification of $15.9 million of related transaction costs from accounts receivable and $1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

On an ongoing basis, available-for-sale assets are measured at fair value, with unrealized gains and losses included in other comprehensive income.

Hedge Accounting

Derivative instruments are used to manage the Company's exposure to interest risks. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair value hedge transactions predominately use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in the fair value are recognized in the Consolidated Statement of Income under investment income. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the Consolidated Statement of Income under investment income, with a corresponding adjustment to the carrying amount of the hedged items in the Consolidated Balance Sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in investment income in the periods during which the hedged item affects income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged item is then immediately recognized in investment income.

In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the Consolidated Statement of Income. As a result, the opening balance of retained earnings was adjusted by $0.025 million, as a result of the adoption of Section 3865.

During the three and six months ended May 31, 2007, the ineffective portion of accumulated changes in the fair value of hedging relationships recognized in the income statement amounted to a loss of $0.9 million and $1.0 million, respectively, as it relates to fair value hedging relationship.

As required, a transition adjustment has been recognized in the opening balance of retained earnings as at December 1, 2006 for the following: i) financial instruments that the Company classifies as held for trading and that were not previously recorded at fair value and ii) the difference in the carrying amount of loans and deposits at December 1, 2006 and the carrying amount calculated using the effective interest rate from inception of the loan or deposit. A transition adjustment has been recognized in the opening balance of AOCI relating to adjustments arising due to the re-measuring of financial assets classified as available for sale. Prior-period balances have not been restated, except for the reclassification of the foreign currency translation balances.

2) Trust Operations Net Interest Income

Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to present net deposit interest expense and other interest expense in net interest income, as detailed in note 11. Comparative periods presented have been restated, with interest and investment income being reclassified from administration fees, interest and other revenue, and other interest expense being reclassified from interest on Trust Company deposits and selling, general and administrative expenses.

3) Purchase Price Allocations and Amortization of Intangible Assets

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. The purchase price of $74.4 million including expenses related to the acquisition has been allocated to the following asset categories.

($ thousands)	
Net tangible assets	410
Management contracts	26,010
Customer contracts	14,160
Goodwill	45,895
Trademarks	1,935
Future income taxes	(14,014)
	74,396

Management contracts, trademarks and goodwill are not amortized but are subject to an annual impairment test. The estimated useful life of customer contracts acquired is seven years; accordingly, this finite-life asset will be amortized on a straight-line basis over seven years.

Changes in Internal Controls over Financial Reporting

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for the design of internal controls over financial reporting (or caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the six-month period ended May 31, 2007, there was no significant change to the systems of internal controls within our company, except as noted below.

Changes in Information Technology Systems

Effective December 1, 2006, we converted our general ledger and financial reporting system to the Multiview Financials Software. The conversion was implemented successfully.

Consolidated Operating Results

Our consolidated operating results for the three and six months ended May 31, 2007 and May 31, 2006 are as follows:

	Three Months Ended May 31,			Six Months Ended May 31,		
($ millions, except per share amounts)	2007	2006	% change	2007	2006	% change
Revenue						
Investment management operations	$ 171.8	$ 136.7	25.7%	$ 328.2	$ 264.5	24.1%
Trust company operations	30.0	13.0	130.8%	49.3	34.2	44.2%
Other	3.1	2.5	24.0%	4.5	3.1	45.2%
	204.9	152.2	34.6%	382.0	301.8	26.6%
Expenses						
Investment management operations	95.1	79.9	19.0%	180.6	154.3	17.0%
Trust company operations	11.8	7.7	53.2%	23.0	15.5	48.4%
	106.9	87.6	22.0%	203.6	169.8	19.9%
EBITDA[1] (continuing operations)	98.0	64.6	51.7%	178.4	132.0	35.2%
Amortization	31.6	32.9	(4.0%)	61.8	65.9	(6.2%)
Interest Expense	3.2	0.8	300.0%	4.3	1.3	230.8%
Non-controlling interest	0.2	0.0	n/m	0.5	0.0	n/m
Income Taxes	13.9	9.4	47.9%	24.7	19.9	24.1%
Net income from continuing operations	$ 49.1	$ 21.5	128.4%	$ 87.1	$ 44.9	94.0%
Gain on early retirement of debt, net of tax	0.0	13.3		0.0	13.3	
Loss on dissolution of Limited Partnerships, net of tax	0.0	0.0		(2.1)	0.0	
Gain (loss) on sale of discontinued operations, net of tax	4.7	(2.1)		4.7	(2.1)	
Net earnings from discontinued operations, net of tax	(0.2)	0.3		0.3	1.0	
Net income	$ 53.6	$ 33.0	62.4%	$ 90.0	$ 57.1	57.6%
Earnings per share from continuing operations – diluted	$ 0.54	$ 0.24	125.0%	$ 0.96	$ 0.50	92.0%

[1] As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue for the three and six months ended May 31, 2007 increased by 34.6% and 26.6% from the corresponding periods in 2006 and all of our operations experienced significant growth. Revenue in the Investment Management Operations segment was up 25.7% and 24.1% for the three and six months ended May 31, 2007 corresponding to higher levels of AUM, which were a result of improved net sales and market performance and the acquisition of 80% of Highstreet. The Trust Company Operations segment reported increases in revenue of 130.8% and 44.2% for the three and six months ended May 31, 2007. The first quarter in 2006 included a $9.9 million securitization gain from the sale of RSP loans and the second quarter in 2007 included an $8.0 million securitization gain. Excluding the impact of the securitization gain, revenue for the Trust Company Operations segment increased 69.2% in Q2 2007 over Q2 2006. Revenues for Other, which includes the results of our 30.4% equity interest in S&WHL, were higher for the three months ended May 31, 2007, compared with the corresponding period in 2006.

Expenses for the three and six months ended May 31, 2007 increased by 22.0% and 19.9%, respectively, as compared with the corresponding periods in 2006, with increases in the Investment Management Operations and Trust Company Operations segments. The increases for both the Investment Management Operations and Trust Company Operations

segments are primarily attributable to strong sales results and substantially higher assets and loan levels discussed in greater detail under the segment discussions.

The revenue and expense impact contributed to the increase in EBITDA of 51.7% and 35.2% for the three and six months ended May 31, 2007, respectively, from the corresponding periods of 2006. Excluding the impact of the securitization gain from the sale of RSP loans in AGF Trust, which occurred in the three months ended May 31, 2007, EBITDA increased 39.3% in the second quarter of 2007, compared with the prior year period.

Amortization expenses decreased 4.0% and 6.2% in the three and six months ended May 31, 2007, compared with the corresponding periods in 2006. The decline was primarily due to a decrease in amortization of customer contracts, which was $1.2 million lower as certain contracts became fully amortized in the fourth quarter of 2006. For the three and six months ended May 31, 2007, amortization of deferred selling commissions in the Investment Management Operations segment accounted for $27.2 million and $53.7 million (2006 – $27.2 million and $54.4 million) of the total amortization expense .

Interest expense increased to $3.2 million and $4.3 million for the three and six months ended May 31, 2007 from $0.8 million and $1.3 million in the corresponding periods of 2006. The increase is mainly the result of higher average outstanding loan balances and higher interest rates.

Income tax expense for the three months ended May 31, 2007 was $13.9 million as compared with $9.4 million in the second quarter of 2006. For the six months ended May 31, 2007, income tax expense was $24.7 million, as compared with $19.9 million in the corresponding period in 2006. The effective tax rate for the first six months of 2007 was 22.1%, as compared with 30.7% in the corresponding period in 2006 with the change being attributable to the impact of declining substantially enacted Canadian tax rates and the impact of improved profitability of foreign operations.

The impact of the above revenue and expense items resulted in net income from continuing operations of $49.1 million in the quarter ended May 31, 2007, as compared with $21.5 million in the comparable period of 2006. For the six months ended May 31, 2007, net income from continuing operations was $87.1 million, compared with $44.9 million in the prior-year period. Basic and fully diluted earnings per share from continuing operations were $0.55 and $0.54 in the second quarter of 2007 as compared with $0.24 per share in the second quarter of 2006

Net income was $53.6 million in the quarter ended May 31, 2007, as compared with $33.0 million in the comparable period of 2006. For the six months ended May 31, 2007, net income was $90.0 million, compared with $57.1 million in the prior-year period. The three and six month periods ended May 31, 2007 included a gain of $4.7 million net of tax related to the gain on sale of discontinued operations, and the six-month period ended May 31, 2007 included a loss of $2.1 million net of tax related to the dissolution of Limited Partnerships.

A further discussion of the results of each business segment for the three and six months ended May 31, 2007 as compared with May 31, 2006 follows.

Business Segment Performance

We report on three business segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of AGF investment products and services, including retail mutual fund operations and high-net-worth client investment counselling services. This segment also includes the operations of Highstreet. The Trust Company Operations segment offers a wide range of trust services and products, including GICs, real estate secured loans and investment loans. The Other segment includes the results of S&WHL, which is accounted for by the equity method, as well as the interest expense on our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

Investment Management Operations

Business and Industry Profile

Our Investment Management Operations segment provides products and services across the wealth continuum, including fund- of-funds products, mutual funds, wrap products and private investment management. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies, brokers and consultants.

Investment management remains a highly competitive business, with numerous domestic and foreign players serving the market. We believe that although the mutual fund business is reaching the early stages of maturity, there are opportunities for growth.

Segment Strategy & Highlights

The strategic priorities for our investment management operations, which are detailed in the 2006 annual MD&A, are to build predictable excellence in three core areas: investment management, relationship management and product management.

Consistent with our stated strategy, during the second quarter of fiscal 2007 we achieved the following:

- Our client-centric approach resulted in record sales in our core mutual fund business. During the second quarter of 2007, we recorded more than $2.0 billion in gross sales which is a record amount for any second quarter in the history of our firm. Net sales were $0.9 billion, which placed us first among all Canadian non-bank mutual fund firms for the three-month period ended May 31, 2007.
- We successfully promoted international funds. AGF manages its product shelf proactively, with an aim to ensure there is sufficient product breadth to satisfy changing client needs. During the current fiscal year, AGF has emphasized international investing because Canadians are committing more investment dollars outside of Canada. Net sales of international equity funds for the quarter ended May 31, 2007 were $344.9 million, versus net redemptions of $92.4 million reported in the same period last year.
- On April 26, 2007 we announced that we were increasing the foreign content limits on seven equity funds. This change gives our portfolio managers another tool to gain greater access to the numerous attractive opportunities abroad. Portfolio managers will also have more securities within sectors to choose from to enhance portfolio diversification.
- We continued to build on the rigour and discipline of our investment management process. This has resulted in AGF maintaining its industry-leading investment performance.
- Our efforts in relationship management have continued. During the quarter we worked to solidify our relationships with financial advisors in the domestic market. On the institutional side, we furthered our plans to expand our reach both in Canada and abroad.

Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations segment are management and advisory fees. The amount of management and advisory fees is dependent on the level and composition of AUM (AUM is equal to the net asset value of each fund). Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional and private investment management AUM. As a result, the level of AUM has a significant influence on financial results. The following table illustrates the composition of the changes in total AUM during the three and six months ended May 31, 2007 and May 31, 2006:

($ millions)	Three Months Ended May 31, 2007	Three Months Ended May 31, 2006	Three Months Ended May 31, % change	Six Months Ended May 31, 2007	Six Months Ended May 31, 2006	Six Months Ended May 31, % change
Mutual fund AUM, beginning of period	$ 28,798	$ 23,505	22.5%	$ 26,857	$ 22,209	20.9%
Gross sales of mutual funds	2,013	1,196	68.3%	4,184	2,342	78.7%
Redemptions of mutual funds	(1,110)	(1,142)	(2.8%)	(2,239)	(2,387)	(6.2%)
Net mutual fund sales (redemptions)	903	54	n/m	1,945	(45)	n/m
Market appreciation of fund portfolios	905	122	641.8%	1,804	1,517	18.9%
Mutual fund AUM, end of period	$ 30,606	$ 23,681	29.2%	$ 30,606	$ 23,681	29.2%
Institutional AUM[1]	21,092	10,948	92.7%	21,092	10,948	92.7%
Private client AUM[1]	4,071	3,082	32.1%	4,071	3,082	32.1%
Total AUM, end of period	$ 55,769	$ 37,711	47.9%	$ 55,769	$ 37,711	47.9%
Average daily mutual fund AUM for the period	$ 30,045	$ 24,358	23.3%	$ 29,049	$ 23,783	22.1%

[1] – Institutional assets previously categorized as Private Investment Management are now classified as Institutional.

Strong investment performance and net sales of more than $900 million resulted in an increase in mutual fund AUM to $30.6 billion at May 31, 2007 from $28.8 billion at February 28, 2007. The average daily mutual fund AUM for the three and six months ended May 31, 2007 increased by 23.3% and 22.1%, respectively, to $30.0 billion and $29.0 billion. During the past 12 months, institutional AUM increased by $10.2 billion to $21.1 billion as a result of strong investment performance and new mandates, and private client AUM increased by $1.0 billion to $4.1 billion. These increases resulted in total AUM increasing by 47.9% to $55.8 billion.

Stock market performance influences the level of AUM. During the three and six months ended May 31, 2007, the Canadian-dollar-adjusted S&P 500 Index performance was flat and increased 3.4%, the Canadian-dollar-adjusted NASDAQ Index declined 1.4% and increased 0.4%, and the S&P/TSX Composite Index rose 8.4% and 11.6%. The aggregate market appreciation of our mutual fund portfolios for the three and six months ended May 31, 2007 divided by the average daily mutual fund AUM for the periods was 3.0% and 6.2%, after management fees and expenses paid by the funds.

The impact of the U.S. dollar decrease relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2006 has been a decrease in AUM of $0.4 billion. Since February 28, 2007, the impact of the U.S. dollar decrease has been a decrease in AUM of $0.6 billion.

Financial and Operational Results

The Investment Management Operations segment results for the three and six months ended May 31, 2007 and May 31, 2006 are as follows:

	Three Months Ended May 31,			Six Months Ended May 31,		
($ millions)	2007	2006	% change	2007	2006	% change
Revenue						
Net management and advisory fees	$ 136.9	$ 109.2	25.4%	$ 261.4	$ 211.3	23.7%
Administration fees and other revenue	28.3	20.8	36.1%	55.0	39.1	40.7%
Deferred sales charges	5.2	7.1	(26.8%)	10.0	14.4	(30.6%)
Investment income	1.4	(0.4)	n/m	1.8	(0.3)	n/m
	171.8	136.7	25.7%	328.2	264.5	24.1%
Expenses						
Selling, general and administrative	49.5	41.5	19.3%	92.5	80.0	15.6%
Trailing commissions	42.4	31.3	35.5%	80.9	60.3	34.2%
Investment advisory fees	3.2	7.1	(54.9%)	7.2	14.0	(48.6%)
	95.1	79.9	19.0%	180.6	154.3	17.0%
EBITDA[1]	76.7	56.8	35.0%	147.6	110.2	33.9%
Amortization	31.2	32.6	(4.3%)	61.1	65.3	(6.4%)
Income before taxes and non-segmented items	$ 45.5	$ 24.2	88.0%	$ 86.5	$ 44.9	92.7%

[1] As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Revenue

For the three- and six-month periods ended May 31, 2007, revenue for the Investment Management Operations segment increased by 25.7% and 24.1%, respectively, from the previous-year periods, with changes in the categories as follows:

Net Management and Advisory Fees

The 23.3% higher average daily mutual fund AUM in the second quarter of fiscal 2007 contributed to a 25.4% increase in net management and advisory fee revenue from the corresponding period in 2006. For the six months ended May 31, 2007, average daily mutual fund AUM was up 22.1%, contributing to a 23.7% increase in net management and advisory fee revenue as compared with the corresponding period in 2006.

Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities of $2.2 million (2006 – $2.8 million) for the three months ended May 31, 2007 and $4.5 million (2006 – $5.7 million) for the six months ended May 31, 2007.

Administration Fees and Other Revenue

Administration fees and other revenue, which includes fees earned on Harmony, institutional and private investment management AUM, increased by 36.1% in the three months ended May 31, 2007, as compared with the corresponding period in 2006. Administration fees and other revenue increased 40.7% for the six months ended May 31, 2007, as compared with the corresponding period in 2006. This was attributable to strong growth in Harmony revenues and the acquisition of Highstreet, as well as organic growth in institutional and private client AUM.

Deferred Sales Charges

We receive deferred sales charges ('DSC') upon redemption of securities sold on the contingent DSC or 'back-end' commission basis for which we financed the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of 'back-end' assets.

DSC revenues for the three and six months ended May 31, 2007 decreased by 26.8% and 30.6%, respectively, from the corresponding periods in 2006, reflecting lower retail mutual fund redemptions of DSC AUM that are less than seven years in age.

Expenses

For the three- and six-month periods ended May 31, 2007, expenses increased by 19.0% and 17.0%, respectively, from the previous-year periods. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ('SG&A') for the three- and six-month periods ended May 31, 2007 were $49.5 million and $92.5 million, respectively, representing a 19.3% and 15.6% increase over the comparable periods in 2006. The increases are made up of the following amounts:

	Three months ended May 31,	Six months ended May 31,
($ millions)	**2007**	**2007**
Decrease in fund absorption expenses	$ (4.2)	$ (6.2)
Increase in compensation-related expenses	6.5	12.4
Increase in other expenses	3.7	2.6
Highstreet expenses (Highstreet was acquired December 1, 2006)	2.0	3.7
	8.0	12.5

The following are explanations for expense changes in the three- and six- month period ended May 31, 2007, compared with the prior-year periods:

- Our estimates for absorption expense are lower due to increases in our assets under management. A substantial portion of the fund expenses are fixed in nature.
- Compensation-related expenses increased due to performance-related bonuses and increases in stock options, RSUs and PSUs.
- Other expenses increased primarily as a result of increased spending on sales and marketing initiatives.
- Highstreet was purchased on December 1, 2006 and therefore there were no expenses recorded in the prior-year period.

Trailing Commissions

Trailing commissions paid to investment dealers are dependent on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis, and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.564% for the three months ended May 31, 2007 from 0.514% in the comparable 2006 period. For the six months ended May 31, 2007, annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.557% from 0.507% in the 2006 period. The changes are due to an increased proportion of mutual fund AUM sold on a front-end basis and a change in the mix of assets toward managed products, such as Harmony and Elements, which generally have higher trailers.

Investment Advisory Fees

External investment advisory fees decreased by 54.9% and 48.6%, respectively, for the three- and six-month periods ended May 31, 2007 compared with the prior-year periods. The average AUM managed by sub-advisors was lower for the three- and six- months ended May 31, 2007, compared with the same periods in 2006, due to the decision to have AGF International Advisors Company Limited assume the role of Portfolio Advisor to AGF International Value Fund and AGF International Value Class.

EBITDA

EBITDA for the Investment Management Operations segment were $76.7 million for the three months ended May 31, 2007, an increase of 35.0% from $56.8 million for the same period of fiscal 2006. For the six months ended May 31, 2007, EBITDA was $147.6 million compared with $110.2 million in the prior-year period, representing an increase of 33.9%.The increases are primarily due to higher assets under management, lower absorption, lower investment advisory fees and the impact of the acquisition of Highstreet.

Amortization

The largest item in this category is amortization of deferred selling commissions. Amortization also includes amortization of property, equipment and other intangible assets and amortization of customer contracts.

We internally finance all selling commissions paid. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was $27.2 million and $53.7 million, respectively, in the three and six months ended May 31, 2007, compared with $27.2 million and $54.4 million in the comparable periods in 2006.

During the second quarter of fiscal 2007, we paid $49.6 million in selling commissions, compared with $29.9 million in 2006. As at May 31, 2007, the unamortized balance of deferred selling commissions stood at $308.2 million, an increase of $22.6 million from the February 28, 2007 balance of $285.6 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at May 31, 2007 were estimated to be approximately $400.2 million (Q1 2007 – $381.3 million).

Trust Company Operations

Business and Industry Profile

Through AGF Trust, we offer financial solutions including GICs, real estate secured and investment loans, including Home Equity Lines of Credit ('HELOCs').

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through financial advisors. The market for these products is healthy and growing due to the efforts of financial advisors who continue to broaden their suite of products as they service the needs of their customers. AGF Trust has a competitive edge in the advisor channel as we leverage AGF's mutual fund wholesaler relationships. AGF mutual fund wholesalers have operated successfully in the advisor channel for 50 years.

We offer real estate secured loans to Canadians who have sound credit, but in some cases have not met the requirements of Canada's large banks to qualify for their lowest rate real estate secured loan products. Real estate secured loan products are distributed primarily through mortgage brokers. The mortgage broker channel has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided real estate secured loans in this channel to reduce distribution costs.

Segment Strategy & Highlights

We strive to earn a high financial return as well as maximize synergies with the Investment Management Operations segment. Specific strategies include:

- continuing to expand mortgage distribution geographically within Canada – there are plans to expand AGF Trust's mortgage distribution to include Atlantic Canada and the Prairie provinces;
- introducing new products that directly serve advisor needs;
- developing effective, targeted marketing;
- using disciplined loan-underwriting standards and cost control measures.

In the second quarter of 2007, we continued to expand our dedicated sales staff to promote investment lending and mortgage products. The investment loan program had record originations during the second quarter, due to increased advisor channel penetration, strong mutual fund performance (which tends to benefit investment loan sales), and an interest rate environment that remained supportive of the sale of loans based on the prime rate. AGF Trust also continued to support AGF investment management wholesalers with the aim to make it easier for AGF wholesalers to serve their clients and promote trust products to advisors.

AGF Trust will continue to maximize operational synergies with our investment management business through trust products that assist financial advisors in broadening and deepening their relationship with clients. In addition, we will focus on expanding returns by increasing our investment and real estate secured loan portfolios. We are constantly evaluating new opportunities, including deposit products.

We anticipate that execution of AGF Trust's stated strategy will result in continued growth. Our growth plans require investing in product development initiatives and expanding our sales and administrative teams. As a result, non-interest expenses may rise more than the corresponding increase in total interest margin over the remaining quarters of the 2007 fiscal year.

Securitization Transaction

On March 30, 2007, AGF Trust securitized $263.6 million of RSP loans through the sale of these loans to a securitization trust. This represented the second securitization transaction completed by AGF Trust. As at May 31, 2007, the balance of all securitized loans outstanding was equal to $369.5 million. When RSP loan receivables are securitized, the transaction is recognized as a sale. Based on assumptions such as prepayments, expected credit losses and the remaining term, a gain or loss on sale of the loan receivables is recognized immediately in income. The related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained and a servicing liability is incurred. A gain of $8.0 million was recognized upon the close of the securitization transaction on March 30, 2007. Each quarter, an amount will be included in the financial results of AGF Trust that relates to the amortization of retained interest and servicing liability as well as any change in assumptions.

Financial and Operational Results

The Trust Company Operations segment results for the three and six months ended May 31, 2007 and May 31, 2006 are as follows:

	Three Months Ended May 31,			Six Months Ended May 31,		
($ millions)	2007	2006	% change	2007	2006	% change
Interest income						
Loan interest	$ 50.9	$ 26.8	89.9%	$ 94.1	$ 50.5	86.3%
Investment interest	4.1	3.4	20.6%	8.2	5.3	54.7%
	55.0	30.2	82.1%	102.3	55.8	83.3%
Interest expense						
Deposit interest	30.8	17.0	81.2%	57.3	31.8	80.2%
Other interest expense	5.1	2.1	142.9%	8.4	2.8	200.0%
	35.9	19.1	88.0%	65.7	34.6	89.9%
Net interest income	19.1	11.1	72.1%	36.6	21.2	72.6%
Other revenue	1.7	1.1	54.5%	2.7	2.3	17.4%
Securitization gains and related items	9.2	0.8	n/m	10.0	10.7	(6.5%)
	30.0	13.0	130.8%	49.3	34.2	44.2%
Expenses						
Selling, general and administrative	9.3	5.9	57.6%	17.8	11.2	58.9%
Provision for loan losses	2.5	1.8	38.9%	5.2	4.3	20.9%
	11.8	7.7	53.2%	23.0	15.5	48.4%
EBITDA[1]	18.2	5.3	243.4%	26.3	18.7	40.6%
Amortization	0.4	0.3	33.3%	0.7	0.6	16.7%
Income before taxes and non-segmented items	$ 17.8	5.0	256.0%	$ 25.6	18.1	41.4%

[1] As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 72.1% and 72.6%, respectively, in the three- and six-month periods ended May 31, 2007 over the respective periods in 2006 as the average loan balances were approximately 75.9% and 72.0% higher than average balances during the respective periods in 2006. Other revenue increased 54.5% and 17.4%, respectively, in the three- and six-month periods ended May 31, 2007 over the corresponding periods in the prior year due to higher loan balances. Securitization gains and related items increased by $8.4 million in Q2 2007, versus the same quarter last year due to the gain recognized in the quarter on the securitization transaction. For the six-month period ended May 31, 2007, securitization and related items were down 6.5% over the prior-year period. These factors resulted in revenue increases of 130.8% and 44.2% for the three and six months ended May 31, 2007. Excluding the impact of the securitization gains, revenue for the Trust Company Operations segment increased 69.2% in the quarter ended May 31, 2007 relative to the same quarter in 2006.

The average net interest margin on lending products in Q2 2007 was 2.70% (2.68% in Q2 2006). This spread increase resulted from the larger proportion of higher margin RSP loans securitized during 2006 (which reduced margins in Q2 2006), offset by a slight decrease in spreads on the investment loan portfolio, and a change in the business mix to include a higher proportion of high credit quality HELOCs, which are risk priced and therefore earn lower spreads than AGF Trust's other lending products.

Selling, General and Administrative Expenses
The increases in SG&A expenses of 57.6% and 58.9% in the three- and six-month periods ended May 31, 2007 over the respective periods in 2006 were as a result of increased staffing levels to support the significant volume growth during the past 12 months. In addition, the higher level of loan originations resulted in an increase in expenses, as internal sales staff compensation also includes a variable component related to asset increases, and headcount increased to service the new relationships.

Provision for Loan Losses
The total provision for loan losses increased by 38.9% in the second quarter of 2007, as compared with the prior-year period, and increased by 20.9% for the six-month period ended May 31, 2007 compared to the same period in 2006. The increase is attributable to the increase in our loan portfolios. This increase in the loan loss provision was moderated by the higher proportion of newly originated loans that are lower risk investment loans or HELOCs, and by recoveries totalling $0.2 million and $0.8 million in the three- and six-month periods ended May 31, 2007.

EBITDA

Strong asset growth and the completion of a securitization transaction contributed to EBITDA of $18.2 million and $26.3 million in the three- and six-month periods ended May 31, 2007. This represented a 243.4% increase as compared with the three months ended May 31, 2006 and a 40.6% increase as compared with the six months ended May 31, 2006. Excluding the impact of the securitization gain on sale recorded in the three months ended May 31, 2007, EBITDA increased by 92.5% compared with the corresponding period in 2006.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three and six months ended May 31, 2007 and May 31, 2006.

($ millions)	Three Months Ended May 31,			Six Months Ended May 31,		
	2007	2006	% change	2007	2006	% change
Real estate secured loans						
Insured mortgage loans	$ 494.9	$ 342.1	44.7%	$ 494.9	$ 342.1	44.7%
Conventional mortgage loans	627.3	333.9	87.9%	627.3	333.9	87.9%
HELOCs	301.3	29.4	924.8%	301.3	29.4	924.8%
	1,423.5	705.4	101.8%	1,423.5	705.4	101.8%
Investment loans						
Secured investment loans	1,193.8	650.9	83.4%	1,193.8	650.9	83.4%
RSP loans	344.2	330.6	4.1%	344.2	330.6	4.1%
Other loans	15.7	12.7	23.6%	15.7	12.7	23.6%
	1,553.7	994.2	56.3%	1,553.7	994.2	56.3%
Other assets	567.4	356.7	59.1%	567.4	356.7	59.1%
Total Assets	3,544.6	2,056.3	72.4%	3,544.6	2,056.3	72.4%
Net interest income	$ 19.1	$ 11.1	72.1%	$ 36.6	$ 21.2	72.6%
Gain from securitization and related items	9.2	0.8	n/m	10.0	10.7	(6.5%)
Other revenue	1.7	1.1	54.5%	2.7	2.3	17.4%
Non-interest expenses	9.7	6.2	56.5%	18.5	11.8	56.8%
Provision for loan losses	2.5	1.8	38.9%	5.2	4.3	20.9%
Income before taxes and non-segmented items	$ 17.8	$ 5.0	256.0%	$ 25.6	$ 18.1	41.4%
Efficiency ratio[1]	32.3%	47.7%		37.5%	34.5%	
Assets-to-capital multiple	15.3	15.4		15.3	15.4	

[1] The efficiency ratio is calculated by dividing non-interest expenses by the total of net interest income and non-interest income.

Loan Asset Growth

Loan assets experienced substantial growth during the second quarter of 2007. Real estate secured loan assets grew 101.8%, as sales efforts in the mortgage broker channel continued to be successful, and were supplemented by steady originations of a HELOC product in the advisor channel.

New investment loan products and improved tie-ins with AGF mutual fund wholesalers contributed to overall growth in loan advances, as secured investment loans increased 83.4% to $1.2 billion as at May 31, 2007 over the respective period in 2006. RSP loan balances increased by $13.6 million ($253.6 million excluding the impact of the securitization) as at May 31, 2007 as a result of the strong RSP season and financial advisors' continued use of AGF Trust's Internet-based loan application system.

Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and non-interest income) is a key industry performance indicator utilized to ensure expenses are contained as the Trust business grows. The efficiency ratio decreased to 32.3% in the second fiscal quarter of 2007 from 47.7% during the comparable quarter in 2006. The efficiency ratio for the six-month period ended May 31, 2007 increased to 37.5% from 34.5% in the comparable period in 2006. The RSP loan securitization gains recorded in Q1 2006 and Q2 2007 are added to non-interest income for purposes of calculating the efficiency ratio.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 72.4% to $3.5 billion at May 31, 2007 as compared with the prior year. At May 31, 2007, our asset-to-capital multiple stood at 15.3 times, compared with 15.4 times at the same time last year, which is below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.8% at May 31, 2007. AGF Trust received $16.0 million and $48.5 million in debt and equity capital from AGF Management Limited during the three- and six-month periods ended May 31, 2007, in order to support increased asset levels. Liquid assets were high, with $474.9 million in cash and cash equivalents at May 31, 2007 (2006 – $295.1 million).

Loan Portfolio Credit

Portfolio credit quality remains consistent as at May 31, 2007, compared with May 31, 2006. Impaired mortgages as a percentage of the mortgage portfolio have increased by 21%. However, a loan-by-loan review is conducted on a monthly basis, and management is comfortable that losses on the portfolio will remain in line with recent historical experience, given continued stable real estate market conditions. The general allowance for conventional mortgage loan losses was increased during the year to $5.8 million from $3.2 million a year ago. The general allowance for investment loan losses was increased to $6.1 million from $4.3 million a year ago. Approximately 44% of real estate secured loan assets, excluding HELOC, are insured. The insured portfolio increased in part due to the purchase of portfolio insurance on approximately $60 million of the conventional mortgage portfolio. We have strong security for non-RSP investment loans, and loan losses during the history of the program have been minimal. For RSP loans, the expense for impaired loans, which consists of the increase in specific allowances plus write-offs net of recoveries (excluding securitized RSP loans) was $0.3 million in Q2 2007 (Q2 2006 – $0.7 million). For the balance of our loan products, the expense for impaired loans was $0.2 million (Q2 2006 – $0.2 million).

Liquidity and Capital Resources

Consolidated cash flow generated from continuing operating activities (before net change in non-cash balances related to operations) was $84.4 million and $153.1 million, respectively, for the three and six months ended May 31, 2007, compared with $52.5 million and $101.3 million in the comparable periods of 2006.

Consolidated free cash flow (defined as cash flow from operations less selling commissions paid) was $34.8 million and $59.8 million, respectively, for the three and six months ended May 31, 2007, compared with $22.5 million and $49.1 million in the comparable periods of 2006. We paid $49.6 million and $93.3 million in selling commissions during the three and six months ended May 31, 2007, which were deferred for accounting purposes, compared with $29.9 and $52.2 million paid and deferred in the respective periods in 2006. Our free cash flow was used primarily to fund the following:

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2007	2006	2007	2006
Payment of dividends	$ 17.9	$ 16.1	$ 34.0	$ 29.4
Repurchase of AGF Class B non-voting shares for cancellation	0.0	11.5	0.0	15.9
Acquisitions	0.0	0.0	19.9	0.0
Purchase of property, equipment and other intangible assets	1.8	2.2	2.6	5.8
Investments	3.4	3.0	3.4	1.4
Debt repayment (borrowing)	15.0	(11.0)	(84.0)	(39.0)
Investment in Trust Operations (eliminated on consolidation)	16.0	16.0	48.5	34.0
	$ 54.1	$ 37.8	$ 24.4	$ 47.5

Despite higher payments for deferred selling commissions, our free cash flow increased, which allowed us to repay $15.0 million of bank debt repayments during the quarter. As a result, our revolving term loan balance declined from $155.0 million at February 28, 2007 to $140.0 million at the end of May 31, 2007. For the six-month period ended May 31, 2007 our revolving term loan increased from $56.0 million at November 30, 2006.

Cash and cash equivalents increased by $104.2 million (2006 – increased by $141.6 million) from November 30, 2006 primarily due to an increase in cash in the Trust Company Operations segment. Consolidated cash and cash equivalents amounted to $508.3 million as at May 31, 2007, compared with $301.6 million a year ago.

We have a six-year prime-rate-based revolving term loan facility to a maximum of $300.0 million, of which $160 million was available to be drawn as at May 31, 2007. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, the Company had $33.4 million of cash at May 31, 2007, some of which will be used to repay bank debt in the remainder of 2007. The loan facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Dividends

For the three months ended May 31, 2007, we declared a 20-cents-per-share dividend on Class A and Class B Shares. This dividend will be payable on July 20, 2007 to shareholders of record on July 10, 2007.

The holders of the Class B shares are entitled to receive cash dividends. Dividends are paid in equal amounts per share on all the Class B shares and all the Class A shares at the time outstanding without preference or priority of one share over another. No dividends may be declared in the event that there is a default of a condition of our loan facility or where such payment of dividends would create a default.

Our Board of Directors may determine that the Class B shareholders shall have the right to elect to receive part or all of such dividend in the form of a stock dividend. In determining whether a dividend in Class B shares is substantially equal to a cash dividend, the Board of Directors may make a determination based on the weighted average price at which the Class B shares traded on the Toronto Stock Exchange during the 10 trading days immediately preceding the record date applicable to such dividend.

The following table sets forth the dividends paid by AGF on the Class B shares and the Class A shares for the periods indicated:

Years Ended November 30	2006	2005	2004	2003	2002
Per share	$ 0.690	$ 0.560	$ 0.410	$ 0.295	$ 0.255
Percentage increase	23%	37%	39%	16%	16%

We review our dividend distribution policy on a quarterly basis, taking into consideration our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2007. For additional details, see Note 9 of the Consolidated Financial Statements.

	2007	2006
Shares		
Class A Voting Common Shares	57,600	57,600
Class B Non-Voting Shares	90,226,680	88,783,659
Stock Options		
Outstanding options	3,565,266	4,202,583
Exercisable options	1,547,034	1,808,584

Selected Quarterly Information

($ millions, except per share amounts) **For the three-month period ended**	**May 31, 2007**	**Feb. 28, 2007**	**Nov. 30, 2006**	**Aug. 31, 2006**
Revenue (continuing operations)	$ 204.9	$ 177.0	$ 158.7	$ 146.8
Cash flow from continuing operations[1]	84.4	68.7	53.8	61.6
EBITDA (continuing operations)[2]	98.0	80.4	60.0	56.2
Pretax income (continuing operations)	63.3	49.1	26.1	22.5
Net income	53.6	36.3	21.0	34.6
Earnings per share				
Basic	$ 0.60	$ 0.41	$ 0.24	$ 0.40
Diluted	$ 0.59	$ 0.40	$ 0.23	$ 0.39
Weighted average basic shares	89,740,819	89,474,827	89,174,064	89,055,124
Weighted average fully diluted shares	91,012,708	90,640,734	89,890,105	89,457,921

($ millions, except per share amounts) **For the three month-period ended**	**May 31, 2006**	**Feb. 28, 2006**	**Nov. 30, 2005**	**Aug. 31, 2005**
Revenue (continuing operations)	$ 152.2	$ 149.5	$ 134.6	$ 141.2
Cash flow from operations[1]	52.5	48.4	48.4	53.6
EBITDA (continuing operations)[2]	64.6	67.3	50.2	65.5
Pretax income (continuing operations)	30.9	33.8	16.2	30.6
Net income	33.0	24.1	28.0	20.3
Earnings per share				
Basic	$ 0.37	$ 0.27	$ 0.31	$ 0.23
Diluted	$ 0.37	$ 0.27	$ 0.31	$ 0.23
Weighted average basic shares	89,006,146	89,190,007	89,203,949	89,615,145
Weighted average fully diluted shares	89,973,999	90,031,001	89,868,786	89,915,618

[1] Cash flow from operations before net change in non-cash balances related to operations.

[2] As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying notes for the three and six months ended May 31, 2007, our 2006 annual MD&A and Consolidated Financial Statements, our 2007 AIF and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

(in thousands of dollars) (unaudited)	May 31, 2007	November 30, 2006 (note 3)
Assets		
Current Assets		
Cash and cash equivalents	$ 508,298	$ 404,115
Short-term investments	23,290	10,723
Current portion of retained interest from securitization (note 2)	14,178	3,767
Accounts receivable and prepaid expenses	88,560	96,031
Real estate secured and investment loans due within one year (note 7)	367,466	309,329
Assets of discontinued operations (note 3)	–	4,527
	1,001,792	828,492
Real estate secured and investment loans (note 7)	2,609,680	1,997,294
Retained interest from securitization (note 2)	46,044	23,893
Investment in associated company	105,939	107,735
Management contracts (note 4)	504,269	478,259
Customer contracts, net of accumulated amortization (note 4)	69,774	59,583
Deferred selling commissions, net of accumulated amortization	308,234	268,243
Property, equipment and other intangible assets, net of accumulated amortization	19,225	19,848
Goodwill (note 4)	181,294	126,399
Trademarks	1,935	–
Other assets	1,753	6,424
Assets of discontinued operations (note 3)	–	3,598
	$ 4,849,939	$ 3,919,768
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 190,222	$ 160,259
Long-term debt due within one year (note 8)	165,042	56,000
Deposits due within one year (note 7)	1,372,192	1,022,774
Liabilities of discontinued operations (note 3)	–	4,286
	1,727,456	1,243,319
Deposits (note 7)	1,763,662	1,465,490
Long-term debt (note 8)	23,942	–
Future income taxes	248,148	230,305
Other long-term liabilities	24,123	127
Liabilities of discontinued operations (note 3)	–	756
	3,787,331	2,939,997
Non-controlling interest	372	–
Shareholders' Equity		
Capital stock (note 9)	425,122	403,566
Contributed surplus (note 9)	12,720	10,470
Retained earnings	621,477	565,576
Accumulated other comprehensive income (note 1(a))	2,917	159
	1,062,236	979,771
	$ 4,849,939	$ 3,919,768

(See accompanying notes to consolidated financial statements.)

(in thousands of dollars) (unaudited)	Three months ended May 31, 2007	Three months ended May 31, 2006 (note 3)	Six months ended May 31, 2007	Six months ended May 31, 2006 (note 3)
Revenue				
Net management and advisory fees	$ 136,896	$ 109,189	$ 261,441	$ 211,295
Administration fees and other revenue	31,417	23,261	59,478	42,196
Deferred sales charges	5,159	7,065	10,009	14,374
Gain on sale of RSP loan securitization and related income	9,219	815	9,980	10,665
Investment income	3,165	790	4,487	2,103
	185,856	141,120	345,395	280,633
Trust Company interest income (notes 1(b) and 11)	55,021	30,147	102,236	55,773
Trust Company interest expense (notes 1(b) and 11)	(35,937)	(19,025)	(65,661)	(34,626)
Trust company net interest income	19,084	11,122	36,575	21,147
Total Revenue	204,940	152,242	381,970	301,780
Expenses				
Selling, general and administrative	58,842	47,353	110,338	91,179
Trailing commissions	42,432	31,318	80,866	60,257
Investment advisory fees	3,159	7,089	7,200	14,019
Amortization of deferred selling commissions	27,192	27,244	53,707	54,394
Amortization of customer contracts	2,489	3,717	3,968	7,438
Amortization of property, equipment and other intangible assets	1,819	1,963	4,124	3,984
Interest expense	3,229	821	4,276	1,337
Provision for Trust Company loan losses	2,490	1,835	5,185	4,322
	141,652	121,340	269,664	236,930
Income from continuing operations before income taxes and non-controlling interest	63,288	30,902	112,306	64,850
Income tax expense (reduction)				
Current	3,182	11,792	16,846	24,867
Future	10,790	(2,340)	7,862	(4,951)
	13,972	9,452	24,708	19,916
Non-controlling interest (note 4)	247	–	467	–
Net income from continuing operations for the period	49,069	21,450	87,131	44,934
Gain on early retirement of debt, net of tax (note 8(b))	–	13,309	–	13,309
Loss on dissolution of Limited Partnerships, net of tax (note 6)	–	–	(2,128)	–
Gain (loss) on sale of discontinued operations, net of tax (note 3)	4,702	(2,050)	4,702	(2,050)
Net earnings from discontinued operations, net of tax (note 3(a))	(135)	271	247	873
Net income for the period	$ 53,636	$ 32,980	$ 89,952	$ 57,066
Earnings Per Share (note 9)				
Basic from continuing operations	$ 0.55	$ 0.24	$ 0.97	$ 0.50
Diluted from continuing operations	$ 0.54	$ 0.24	$ 0.96	$ 0.50
Basic	$ 0.60	$ 0.37	$ 1.00	$ 0.64
Diluted	$ 0.59	$ 0.37	$ 0.99	$ 0.63

(See accompanying notes to consolidated financial statements.)

(in thousands of dollars) (unaudited)	Three months ended May 31, 2007	Three months ended May 31, 2006 (note 1)	Six months ended May 31, 2007	Six months ended May 31, 2006 (note 1)
Common shares				
Balance, beginning of period	$ 412,505	$ 393,943	$ 403,566	$ 394,154
Issued through dividend reinvestment plan	1,813	594	2,475	769
Stock options exercised	10,804	4,184	13,409	4,684
Issued on acquisition of subsidiary	–	–	5,672	–
Purchased for cancellation	–	(2,222)	–	(3,108)
Balance, end of period	425,122	396,499	425,122	396,499
Contributed surplus				
Balance, beginning of period	11,621	7,086	10,470	5,900
Stock options				
Current period expense	1,099	1,082	2,250	2,268
Balance, end of period	12,720	8,168	12,720	8,168
Retained earnings				
Balance, beginning of period	585,773	534,475	565,576	527,197
Transitional adjustment on adoption of new accounting policies (note 1(a))	–	–	(25)	–
Balance, beginning of period, as restated	585,773	534,475	565,551	527,197
Net income for the period	53,636	32,980	89,952	57,066
Dividends on AGF Class A Voting Common Shares and AGF Class B Non-Voting Shares	(17,932)	(16,059)	(34,026)	(29,430)
Excess paid over book value of AGF Class B Non-Voting Shares purchased for cancellation (note 9)	–	(9,320)	–	(12,757)
Balance, end of period	621,477	542,076	621,477	542,076
Accumulated other comprehensive income				
Balance, beginning of period	5,849	(9,952)	3,792	–
Other comprehensive income	(2,932)	2,742	(875)	(7,210)
Balance, end of period	2,917	(7,210)	2,917	(7,210)
Total shareholders' equity	$ 1,062,236	$ 939,533	$ 1,062,236	$ 939,533

(See accompanying notes to consolidated financial statements.)

(in thousands of dollars) (unaudited, note 1)	Three months ended May 31, 2007	Three months ended May 31, 2006	Six months ended May 31, 2007	Six months ended May 31, 2006
Net income	$ 53,636	$ 32,980	$ 89,952	$ 57,066
Other comprehensive income, net of tax:				
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations[1]	(7,167)	2,742	(5,569)	(7,210)
Unrealized gain on available-for-sale securities[2]	3,726	–	4,185	–
Reclassification of realized loss to earnings	509	–	509	–
Total other comprehensive income, net of tax	(2,932)	2,742	(875)	(7,210)
Comprehensive income	$ 50,704	$ 35,722	$ 89,077	$ 49,856

[1] Net of income tax reduction of $1.4 million for the three months ended May 31, 2007 and $1.1 million for the six months ended May 31, 2007.

[2] Net of income tax of $1.0 million for the three months ended May 31, 2007 and $1.1 million for the six months ended May 31, 2007.

(See accompanying notes to consolidated financial statements.)

(in thousands of dollars) (unaudited)	Three months ended May 31, 2007	Three months ended May 31, 2006 (note 3)	Six months ended May 31, 2007	Six months ended May 31, 2006 (note 3)
Operating Activities				
Net income for the period	$ 53,636	$ 32,980	$ 89,952	$ 57,066
Gain on early retirement of debt, net of tax	–	(13,309)	–	(13,309)
Loss on dissolution of Limited Partnerships, net of tax	–	–	2,128	–
(Gain) loss on sale of discontinued operation, net of tax	(4,702)	2,050	(4,702)	2,050
Loss (earnings) from discontinued operations, net of tax	135	(271)	(247)	(873)
Net income from continuing operations	49,069	21,450	87,131	44,934
Items not affecting cash				
Amortization of capital assets	31,500	32,924	61,799	65,816
Future income taxes	10,790	(2,340)	7,862	(4,951)
Gain on sale of RSP loan securitization and related income	(9,219)	(815)	(9,980)	(10,665)
Provision for Trust Company loan losses	2,490	1,835	5,185	4,322
Other	(233)	(606)	1,081	1,809
	84,397	52,448	153,078	101,265
Net increase in non-cash balances related to operations	18,153	13,518	5,371	(19,605)
Net cash provided by continuing operating activities	102,550	65,966	158,449	81,660
Net cash provided (used) in discontinued operating activities	(691)	602	(1,271)	1,536
Net cash provided by operating activities	101,859	66,568	157,178	83,196
Financing Activities				
Purchase of Class B Non-Voting Shares for cancellation	–	(11,542)	–	(15,865)
Issuance of Class B Non-Voting Shares	12,617	4,778	15,884	5,453
Dividends	(17,932)	(16,059)	(34,026)	(29,430)
Increase in bank loan	(15,000)	11,000	84,000	39,000
Decrease in other long-term debt	–	(122)	–	(1,324)
Net increase in Trust Company deposits	372,723	141,448	679,653	436,764
Net cash provided by continuing financing activities	352,408	129,503	745,511	434,598
Investing Activities				
Deferred selling commissions paid	(49,618)	(29,936)	(93,312)	(52,179)
Proceeds of RSP loan securitization	252,878	–	252,878	206,274
Acquisition of Highstreet Partners Limited, net of cash acquired (note 4)	–	–	(19,873)	–
Proceeds of sale of discontinued operations	2,747	4,207	2,747	2,178
Purchase of property, equipment and other intangible assets	(1,822)	(2,186)	(2,598)	(5,836)
Other investment activities	(3,370)	(3,024)	(3,370)	(1,362)
Net increase in Trust Company mortgages and consumer loans	(489,608)	(275,968)	(934,978)	(525,267)
Net cash used in continuing investing activities	(288,793)	(306,907)	(798,506)	(376,192)
Increase (decrease) in cash and cash equivalents	165,474	(110,836)	104,183	141,602
Balance of cash and cash equivalents, beginning of period	342,824	412,412	404,115	159,974
Balance of cash and cash equivalents, end of period	$ 508,298	$ 301,576	$ 508,298	$ 301,576
Cash and cash equivalents related to:				
Continuing operations			$ 508,298	$ 300,919
Discontinued operations			–	657
			$ 508,298	$ 301,576
Represented by:				
Cash and cash equivalents			$ 33,386	$ 6,477
Trust Company cash and cash equivalents			474,912	295,099
			$ 508,298	$ 301,576

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

For the three and six months ended May 31, 2007 and May 31, 2006 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited interim consolidated financial statements of AGF Management Limited ('AGF' or the 'Company') have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2006. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2006, as set out in AGF's 2006 Annual Report. Certain comparative amounts in these financial statements have been reclassified to conform to the current year's presentation.

Note 1: Change in Accounting Policy

(a) Financial Instruments, Hedges and Comprehensive Income

On December 1, 2006, the Company adopted the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges; and Section 1530 Comprehensive Income. These standards require that all financial assets be classified as either available for sale ('AFS'), trading, held to maturity ('HTM') or loans and receivables. Financial liabilities are classified as either trading or other. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value, with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS, HTM, loans and receivables, and deposits are generally capitalized and are then amortized over the expected life of the instrument.

Financial assets and financial liabilities held for trading are measured at fair value, with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with changes in fair value reported in other comprehensive income ('OCI') until the financial asset is disposed of, or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

Accumulated other comprehensive income ('AOCI') is a new component of shareholders' equity. The Consolidated Statements of Changes in Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. The Consolidated Statements of Comprehensive Income have also been added to the Company's financial statements. Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income will include unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

Classification of Financial Instruments

Available-for-sale assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM or held for trading. Available-for-sale assets are measured at fair value with unrealized gains and losses included in accumulated other comprehensive income until sale or other-than-temporary impairment when the cumulative gain or loss is transferred to the Consolidated Statement of Operations. Assets included in this category are investments and retained interest from securitization. Upon adoption of Section 3855, the following adjustments were recorded:

a) Investments have been re-measured to reflect the unrealized gains and losses on these securities. This gave rise to an adjustment to accumulated other comprehensive income of $3.2 million ($2.7 million net of tax).
b) Retained interests from securitization have been re-measured to reflect the fair value. This gave rise to an adjustment to accumulated other comprehensive income of $1.4 million ($1.0 million net of tax).

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. They do not include debt securities or loans and receivables designated as held for trading or AFS. Assets included in this category are accounts receivable and real estate secured and investment loans. The adoption of the CICA Handbook Section 3855 gave rise to a reclassification of $15.9 million of related transaction costs from accounts receivable and $1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

On an ongoing basis, available-for-sale assets are measured at fair value, with unrealized gains and losses included in other comprehensive income.

Hedge Accounting

Derivative instruments are used to manage the Company's exposure to interest risks. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair value hedge transactions predominately use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in the fair value are recognized in the Consolidated Statement of Income under investment income. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the Consolidated Statement of Income under investment income, with a corresponding adjustment to the carrying amount of the hedged items in the Consolidated Balance Sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in investment income in the periods during which the hedged item affects income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged item is then immediately recognized in investment income.

In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the Consolidated Statement of Income. As a result, the opening balance of retained earnings was adjusted by $0.025 million, as a result of the adoption of Section 3865.

During the three and six months ended May 31, 2007, the ineffective portion of accumulated changes in the fair value of hedging relationships recognized in the income statement amounted to a loss of $0.9 million and $1.0 million, respectively, as it relates to fair value hedging relationship.

As required, a transition adjustment has been recognized in the opening balance of retained earnings as at December 1, 2006 for the following: i) financial instruments that the Company classifies as held for trading and that were not previously recorded at fair value and ii) the difference in the carrying amount of loans and deposits at December 1, 2006 and the carrying amount calculated using the effective interest rate from inception of the loan or deposit. A transition adjustment has been recognized in the opening balance of AOCI relating to adjustments arising due to the re-measuring of financial assets classified as available for sale. Prior-period balances have not been restated, except for the reclassification of the foreign currency translation balances. The impact of adopting these standards as at December 1, 2006 was as follows:

(in thousands of dollars)	As at November 30, 2006	Adjustment upon adoption of Section 3855	As at December 1, 2006
Assets			
Short-term investments	$ 10,723	$ 3,271	$ 13,994
Retained interest from securitization	27,660	1,352	29,012
Accounts receivable	91,328	(15,928)	75,400
Real estate secured and investment loans	2,306,623	3,183	2,309,806
Impact on total assets	2,436,334	(8,122)	2,428,212
Liabilities and shareholders' equity			
Deposits	2,488,264	(7,074)	2,481,190
Derivative instruments market valuation	–	(3,754)	(3,754)
Future income tax	230,305	998	231,303
Accounts payable and accrued liabilities	160,259	(1,900)	158,359
Impact on total liabilities	2,878,828	(11,730)	2,867,098
Shareholders' equity			
Foreign currency translation adjustments	159	(159)	–
Retained earnings	565,576	(25)	565,551
Accumulated other comprehensive income			
Foreign currency translation adjustments related to net investments in self-sustaining operations	–	159	159
Unrealized gains on available-for-sale assets	–	3,633	3,633
Accumulated other comprehensive income	–	3,792	3,792
Impact on shareholders' equity	565,735	3,608	569,343
Impact on liabilities and shareholders' equity	**$ 3,444,563**	**$ (8,122)**	**$ 3,436,441**

(b) Trust Operations Net Interest Income

Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to present net deposit interest expense and other interest expense in net interest income, as detailed in note 11. Comparative periods presented have been restated, with interest and investment income being reclassified from administration fees, interest and other revenue, and other interest expense being reclassified from interest on Trust Company deposits and selling, general and administrative expenses.

(c) Purchase Price Allocations and Amortization of Intangible Assets

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. ('Highstreet'). The allocation of the purchase price for this transaction involved significant judgements in determining the fair values assigned to the intangible assets acquired on acquisition. The determination of these fair values involved the use of discounted cash flow analyses, estimated future margins, estimated assets under management ('AUM') and estimated market growth.

The determination of the estimated useful lives of the intangible assets being customer contracts involves historical redemption rates of the AUM and judgements as to applicability of these rates going forward. Based on this, the estimated useful life of customer contracts acquired is seven years; accordingly, customer contracts will be amortized over a

straight-line basis over seven years. Management contracts, trademarks and goodwill are not amortized but are subject to an annual impairment test. Refer to note 4 for the detailed fair value allocation of the net assets acquired.

Note 2: Securitization of AGF Trust Loans

On March 30, 2007, the Company, through its wholly owned subsidiary AGF Trust Company ('Trust Company'), securitized $263.6 million of RSP loans through the sale of these loans to a securitization trust. Cash flows of $252.9 million were received on the securitization and a gain of $8.0 million was recorded, net of transaction fees of $0.1 million and servicing liabilities of $1.5 million. On February 28, 2006, $218.4 million of RSP loans was securitized through the sale of these loans to a securitization trust. Cash flows of $206.3 million were received on the securitization and a gain, net of transaction fees and expenses, of $9.9 million was recorded. As at May 31, 2007, $369.5 million of securitized loans were outstanding.

When RSP loan receivables are sold in securitization to a securitization trust under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained. The retained interests are carried at fair value and are determined using the present value of future expected cash flows. A gain or loss on sale of the loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions: excess spread, discount rate on the interest-only strip, expected credit losses, prepayment rates and the expected weighted average life of RSP loans that are commensurate with the risks involved. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

The Company has recorded retained interests of $60.2 million (2006 – $27.7 million) made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at $26.5 million (2006 – $13.7 million), ii) cash collateral of $10.8 million (2006 – $5.7 million) and iii) over-collateralization of $22.9 million (2006 – $8.3 million).

As at May 31, 2007, the impaired loans included in the securitized balances were equal to $0.6 million (2006 – $0.3 million), and during the three and six months ended May 31, 2007, $0.2 million (2006 – $0.1 million) and $0.6 million (2006 – $0.1 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust is limited to the retained interests. For the three months ended May 31, 2007, cash flows of $5.3 million were received on the securitized loans, of which $1.7 million related to the over-collateralization and $3.6 million related to the interest-only strip. For the six months ended May 31, 2007, cash flows of $7.7 million were received on the securitized loans, of which $2.5 million related to the over-collateralization and $5.2 million related to the interest-only strip. The total other income recognized from securitization during the three and six months ended May 31, 2007 was $1.2 million and $1.9 million, respectively.

The significant assumptions used to value the sold and retained interests were as follows:

Excess spread	3.5%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	16.4%
Expected weighted average life of RSP loans	25 months

The Trust Company retained servicing responsibilities for the securitized loans. A servicing liability of $2.3 million was recorded as at May 31, 2007 (2006 – $1.1 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the gain on the sale of the RSP loans. The amount amortized related to the servicing liability during the three and six months ended May 31, 2007 was $0.2 million and $0.4 million, respectively.

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at May 31, 2007. As the sensitivity is hypothetical, it should be used with caution. The impact of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

Fair value of retained interests	$	60,222
Discount rate		
+10%	$	299
+20%		594
Prepayment rate		
+10%	$	482
+20%		922
Expected credit losses		
+10%	$	543
+20%		1,086

Note 3: Discontinued Operations and Assets Held for Sale

(a) On April 30, 2007, the Company sold 100% of Investmaster for $6.8 million and additional contingent consideration that is not determinable at this time. The purchase consideration includes $5.0 million in cash and two notes receivable from the buyer totalling $1.8 million due on April 30, 2009 and April 30, 2010, respectively. The contingent consideration will be payable to the Company in 2007, 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster.

Accordingly, Investmaster's operations for the 2007 and 2006 periods have been reported as discontinued operations and previously reported financial statements have been reclassified to reflect the following:

	Three months ended May 31,		Six months ended May 31,	
(in thousands of dollars, except per share amounts)	**2007**	**2006**	**2007**	**2006**
Revenue	$ 739	$ 3,503	$ 4,342	$ 8,031
Net earnings from discontinued operations, net of tax	$ (135)	$ 271	$ 247	$ 873
Basic net earnings per share	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Diluted net earnings per share	$ 0.00	$ 0.00	$ 0.00	$ 0.01

The carrying values of the assets and liabilities related to the discontinued operations are as follows:

(in thousands of dollars)		November 30, 2006
Current assets of discontinued operations		
Cash and term deposits	$	1,792
Accounts receivable and prepaid expenses		2,735
	$	4,527
Long-term assets of discontinued operations		
Property, equipment and other intangible assets, net	$	3,598
	$	3,598
Current liabilities of discontinued operations		
Accounts payable and accrued liabilities	$	4,286
	$	4,286
Long-term liabilities of discontinued operations		
Future income tax	$	756
	$	756

Details of the gain on sale of Investmaster are as follows:

(in thousands of dollars)		
Proceeds on sale	$	6,821
Expenses related to transaction		(2,303)
Carrying cost of investment		(3,916)
Gain on sale before income taxes		602
Income tax reduction		4,100
Gain on sale of discontinued operations	$	4,702

(b) On October 3, 2005, the Company sold 100% of wholly owned subsidiary Unisen Holdings Inc. ('Unisen') to Citifinancial Canada Inc. ('Citifinancial') for cash consideration of US$97.5 million ($114.0 million). The purchase price was subject to a clawback should Unisen's revenue fall below a threshold during the 12-month period ended June 30, 2006. A provision of $9.5 million was included in accounts payable related to this possible clawback. During the three months ended May 31, 2006, the aforementioned provision was increased by $2.5 million, with the increase being recorded as a loss on sale of discontinued operations net of tax of $2.1 million. There is no contingent payment remaining related to this transaction.

Note 4: Acquisition of Highstreet Partners Ltd.

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. ('Highstreet'), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issuance of Class B Non-Voting Shares ('Class B shares'). As at May 31, 2007, the Company has made payments of $20.2 million in cash and $5.7 million through the issuance of 225,116 AGF Class B shares, which approximates 33.3% of the purchase price. Additional payments aggregating $51.8 million are due on February 28, 2008 and February 28, 2009 for total minimum consideration, including acquisition costs, of $74.4 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable.

The fair value of the net assets acquired and consideration paid are summarized as follows:

(in thousands of dollars)		
Net assets acquired		
Cash	$	354
Other assets		3,011
Management contracts		26,010
Customer contracts		14,160
Goodwill		45,895
Trademarks		1,935
Current liabilities		(2,955)
Future income taxes		(14,014)
	$	74,396
Consideration paid (including acquisition costs)		
Cash	$	20,228
Issuance of Class B shares (note 9)		5,672
Payments subsequent to acquisition date (note 8)		47,896
Acquisition costs		600
	$	74,396

Note 5: Acquisition of Cypress Capital Management Ltd.

On June 30, 2004, the Company acquired 100% of the shares of Cypress. At the time of purchase, contingent consideration of up to $9.0 million was due to the vendors, subject to Cypress achieving certain revenue levels over the three-year period ended June 30, 2007. As at May 31, 2007, the Company has determined these revenue levels will be exceeded and, accordingly, has recognized the $9.0 million due to the vendors as an increase in goodwill. This consideration will be paid within 60 days of June 30, 2007 in the form of cash and AGF Class B shares.

Note 6: Dissolution of Partnerships

On February 28, 2007, the Unitholders and the respective Boards of Directors of the following Limited Partnerships (LPs) – AGF Limited Partnership 1990, AGF Limited Partnership 1991, 20/20 Group 1990 Private Limited Partnership, 20/20 Group 1990 Limited Partnership and 20/20 Group 1992 Limited Partnership – approved the dissolution of each respective LP. On March 1, 2007, as part of the LP dissolution process, the Company purchased the future distribution fees remaining payable by the Company to the LPs or purchased the outstanding units for total cash consideration of $3.2 million ($2.1 million net of taxes). In fiscal 2006, distributions of approximately $1.0 million were made to these partnerships. As a result of the aforementioned transaction, no further distribution will be made to these LPs.

Note 7: Trust Company

The Trust Company's principal business activities are originating real estate secured loans, investment loans and deposit taking. Details relating to these activities are as follows:

	Term to contractual repricing				
(in thousands of dollars)	Variable rate	1 year or less	1 to 5 years	May 31, 2007	November 30, 2006
Mortgage loans	$ 2,401	$ 514,199	$ 609,609	$ 1,126,209	$ 941,962
Home equity lines of credit (HELOCs)	299,565	–	–	299,565	116,194
Total real estate secured loans	301,966	514,199	609,609	1,425,774	1,058,156
Investment loans	1,549,919	–	10,507	1,560,426	1,261,166
	1,851,885	514,199	620,116	2,986,200	2,319,322
Less: allowance for loan losses				(14,125)	(12,699)
Add: net deferred sales commissions and commitment fees				5,071	–
				2,977,146	2,306,623
Less: current portion				(367,466)	(309,329)
				$ 2,609,680	$ 1,997,294
Impaired loans included in above				$ 18,927	$ 16,368
Less: specific allowance for loan losses				(1,542)	(2,448)
				$ 17,385	$ 13,920

(in thousands of dollars)	May 31, 2007	November 30, 2006
The change in the allowance for loan losses is as follows:		
Balance, beginning of period	$ 12,699	$ 8,200
Amounts written-off	(2,777)	(2,697)
Recoveries	802	465
Reduction due to RSP loan securitization	(1,486)	(1,770)
Provision for loan losses	4,887	8,501
Balance, end of period	$ 14,125	$ 12,699

(a) Real Estate Secured and Investment Loans

The table represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments due on real estate and investment loans due within one year as at May 31, 2007 were $367.5 million (November 30, 2006 – $309.3 million).

As at May 31, 2007, the Company's mortgage portfolio was composed of a combination of fixed rate and variable rate residential mortgages, of which $494.9 million (November 30, 2006 – $403.4 million) is insured, with a weighted average term to repricing of 1.9 years (November 30, 2006 – 1.8 years) and a weighted average interest rate of 6.98% (November 30, 2006 – 6.81%). Investment loans have interest rates based on prime. As at May 31, 2007, the average interest rate on HELOCs was 6.07% (November 30, 2006 – 6.08%) and on investment loans was 7.37% (November 30, 2006 – 7.39%).

(b) Trust Company Deposits

	Term to maturity				
	Demand	1 year or less	1 to 5 years	May 31, 2007	November 30, 2006
Deposits	$ 7,034	$ 1,365,158	$ 1,776,186	$ 3,148,378	$ 2,488,264
Less: deferred sales commissions				(12,524)	–
				$ 3,135,854	$ 2,488,264

As at May 31, 2007, deposits were composed substantially of GICs with a weighted average term to maturity of 1.8 years (November 30, 2006 – 1.9 years) and a weighted average interest rate of 4.12% (November 30, 2006 – 4.05%).

(c) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, the Trust Company has entered into interest-rate-swap transactions with four Canadian chartered banks as noted below. The swap transactions expire between June 2007 and April 2012 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. The swap contracts designated as hedging instruments are used by the Trust Company for balance sheet matching purposes and to mitigate net interest revenue volatility. As at May 31, 2007, the aggregate notional amount of the swap transactions was $2,168.0 million (November 30, 2006 – $1,712.7 million). The aggregate fair value of the swap transactions, which represents the amount that would be paid by the Trust Company if the transactions were terminated at May 31, 2007, was $22.2 million (November 30, 2006 – $3.8 million).

Notional amount of swap	Maturity date	Fixed interest rate received
(in thousands of dollars)		
524,000	2007	3.06% - 4.37%
637,000	2008	3.17% - 4.68%
367,000	2009	3.47% - 4.66%
360,000	2010	3.62% - 4.78%
220,000	2011	4.07% - 4.86%
60,000	2012	4.25% - 4.37%

(d) Interest Rate Sensitivity

For the Trust Company, the impact of an adverse change in interest rates of 1% would be a change of annual net interest income of approximately $1.7 million, as most of the loan portfolios are hedged.

Note 8: Long-Term Debt

(in thousands of dollars)	May 31, 2007	November 30, 2006
Revolving term loan	$ 140,000	$ 56,000
Payment related to acquisition of Highstreet Partners Ltd. (note 4):		
February 28, 2008	25,042	–
February 28, 2009	23,942	–
	188,984	56,000
Less: amount included in current liabilities	165,042	56,000
	$ 23,942	$ –

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of $300.0 million (2006 – $200.0 million) with a Canadian chartered bank. Under the loan agreement, the Company is permitted to avail the revolving term loan by direct advances and/or bankers' acceptances ('BAs'). The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the 'Commitment Period'). The expiration of the current commitment period is June 30, 2008. However, the Company may request by April 15, 2008, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then-applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of principal outstanding.

As at May 31, 2007, the Company has drawn $140.0 million (2006 – $56.0 million) against the available loan amount in the form of five- to 57-day BAs at an effective average interest rate of 4.58% per annum. As this loan functions as a working capital facility, it has been included in current liabilities.

Security for the bank loans includes a specific claim over the management fees owing from the mutual funds (subject to the existing claims of related limited partnerships) for which the Company acts as manager and, depending upon the amount of the loan outstanding, an assignment of AGF's investments in 20/20 Financial Corporation and AGF International Company Limited.

(b) Notes Payable Due April 30, 2013 and Participation Units

During the three months ended May 31, 2006, the Company reached an agreement with Multi-Fund Management Inc., the manager of Multi-Fund Income Trust ('Trust'), to terminate its obligations to the Trust for a cash payment of $3.4 million. The termination of the Company's cash flow obligation was subject to a Trust Unitholder meeting, which was held on June 8, 2006. The Trust Unitholders approved the agreement and on June 12, 2006, the Company repurchased the debt related to the Trust.

Details of the gain on repayment of debt are as follows:

(in thousands of dollars)		**May 31, 2006**
Notes payable due April 30, 2013	$	17,817
Participation Units		6,157
		23,974
Amount due May 31, 2006		3,360
Gain on early repayment of debt		20,614
Income taxes		7,305
Gain on early repayment of debt, net of tax	$	13,309

(c) Payments Due Related to Acquisition of Highstreet Partners Limited

On December 1, 2006, the Company acquired 79.9% of Highstreet (note 4). Additional payments of $25.9 million, which includes principal and imputed interest at the rate of 4.5% per annum, are due to the partners of Highstreet on February 28, 2008 and February 28, 2009, and will be satisfied through a combination of cash and AGF Class B shares.

Note 9: Capital Stock

(a) Authorized Capital

The authorized capital of AGF consists of an unlimited number of Class B Non-Voting Shares ('Class B shares') and an unlimited number of Class A Voting Common Shares ('Class A shares'). The Class B shares are listed for trading on the Toronto Stock Exchange.

(b) Change During the Period

The change in capital stock during the six months ended May 31, 2007 and 2006 is summarized as follows:

	Six months ended May 31,					
	2007			2006		
(in thousands of dollars)	Shares		Stated value	Shares		Stated value
Class A shares	57,600	$	–	57,600	$	–
Class B shares						
Balance, beginning of period	89,171,997	$	403,566	89,123,205	$	394,154
Issued through dividend reinvestment plan	78,467		2,475	31,704		769
Stock options exercised	751,100		13,409	328,750		4,684
Issued on acquisition of a subsidiary (note 4)	225,116		5,672	–		–
Purchased for cancellation	–		–	(700,000)		(3,108)
Balance, end of period	90,226,680	$	425,122	88,783,659	$	396,499

(c) Class B Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the Toronto Stock Exchange. Present approval for such purchases extends through to February 25, 2008. Under this issuer bid, the Company may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,303,844 shares. No Class B shares were purchased during the six months ended May 31, 2007. During the six months ended May 31, 2006, 0.7 million Class B shares were purchased at a cost of $15.9 million and the excess paid of $12.8 million over the book value of the shares purchased for cancellation was charged to retained earnings.

(d) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 7,303,584 Class B shares could have been granted as at May 31, 2007 (2006 – 5,624,323). The stock options are issued at a price not less than the market price of the Class B shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum, or in some instances 100% vest at the end of the term of the option.

The change in stock options during the six months ended May 31, 2007 and 2006 is summarized as follows:

	Six months ended May 31,					
	2007			2006		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Class B share options						
Balance, beginning of period	4,324,084	$	19.93	4,781,875	$	18.72
Options granted	12,732		35.70	90,000		22.98
Options cancelled	(20,450)		20.34	(340,542)		20.87
Options exercised	(751,100)		17.85	(328,750)		14.31
Balance, end of period	3,565,266	$	20.40	4,202,583	$	18.99

During the three months ended May 31, 2007, the Company granted 12,732 options (2006 – 90,000) and recorded $1.1 million (2006 – $1.1 million) in compensation expense and contributed surplus. During the six months ended May 31, 2007, the Company granted 12,732 options (2006 – 90,000) and recorded $2.2 million (2006 – $2.3 million) in compensation expense and contributed surplus.

(e) Restricted Share Unit ('RSU') Plan

Under the Company's RSU plan, certain senior employees are issued RSUs. These units vest three years from the grant date. On the vesting date, the Company will redeem all of the participants' RSUs in cash equal to the value of one Class B share for each RSU.

At May 31, 2007, 70,723 RSUs were outstanding to employees of the Company. Compensation expense for the three and six months ended May 31, 2007 related to these RSUs was $0.3 million (2006 – nil) and for the six months ended May 31, 2007 was $0.5 million (2006 – nil).

(f) Performance Share Unit ('PSU') Plan

Effective November 30, 2006, the Company established a PSU plan, which enables certain senior employees to participate in the growth and development of AGF by providing such employees with the opportunity, through PSUs, to acquire a proprietary interest in AGF. Under the terms of the plan, PSUs are issued to the participant and the units issued vest three years from the grant date subject to certain performance criteria being met.

On the vesting date, AGF, subject to the performance criteria being met, will redeem all of the participants' PSUs in cash equal to the value of one Class B share for each PSU.

At May 31, 2007, 68,386 PSUs were outstanding to employees of the Company. Compensation expense for the three months ended May 31, 2007 related to these PSUs was $0.2 million (2006 – nil) and for the six months ended May 31, 2007 was $0.4 million (2006 – nil).

(g) Deferred Share Unit ('DSU') Plan

During the quarter, the Company established a DSU plan for non-employee directors. The plan enables directors of the Company to elect to receive their remuneration in DSUs. On termination, the Company will redeem all of the participants' DSUs in cash or shares equal to the value of one Class B share at the termination date for each DSU. There is no unrecognized compensation related to directors' DSUs since these awards vest immediately when granted. As at May 31, 2007, 1,699 DSUs were outstanding. Compensation expense related to these DSUs for the three and six months ended May 31, 2007 was $0.1 million.

(h) Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share as well as earnings per share and diluted earnings per share from continuing operations:

(in thousands of dollars, except per share amounts)	Three months ended May 31, 2007	Three months ended May 31, 2006	Six months ended May 31, 2007	Six months ended May 31, 2006
Numerator				
Net Income from continuing operations for the period	$ 49,069	$ 21,450	$ 87,131	$ 44,934
Gain on early retirement of debt, net of tax	–	13,309	–	13,309
Loss on dissolution of partnerships, net of tax (note 6)	–	–	(2,128)	–
Gain (loss) on sale of discontinued operations, net of tax	4,702	(2,050)	4,702	(2,050)
Net earnings from discontinued operations, net of tax (note 3(a))	(135)	271	247	873
Net Income for the period	$ 53,636	$ 32,980	$ 89,952	$ 57,066
Denominator				
Weighted average number of shares – basic	89,798,419	89,006,364	89,638,401	89,097,176
Dilutive effect of employee stock options	1,518,548	967,853	1,271,889	903,350
Weighted average number of shares – diluted	91,316,967	89,974,217	90,910,290	90,000,526
Earnings Per Share				
Basic from continuing operations	$ 0.55	$ 0.24	$ 0.97	$ 0.50
Diluted from continuing operations	$ 0.54	$ 0.24	$ 0.96	$ 0.50
Basic	$ 0.60	$ 0.37	$ 1.00	$ 0.64
Diluted	$ 0.59	$ 0.37	$ 0.99	$ 0.63

Note 10: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended May 31, 2007 were $33.0 million (2006 – $18.1 million). Interest payments for the six months ended May 31, 2007 were $60.5 million (2006 – $32.6 million).

Income tax payments for the three months ended May 31, 2007 were $7.0 million (2006 – $8.6 million). Income tax payments for the six months ended May 31, 2007 were $15.5 million (2006 – $27.4 million).

Note 11: Net Interest Income

The breakdown of net interest income is as follows:

(in thousands of dollars)	Three months ended May 31, 2007	Three months ended May 31, 2006	Six months ended May 31, 2007	Six months ended May 31, 2006
Interest income:				
Loan interest	$ 50,910	$ 26,789	$ 94,064	$ 50,513
Investment interest	4,111	3,358	8,172	5,260
	55,021	30,147	102,236	55,773
Interest expense:				
Deposit interest	30,838	16,965	57,255	31,811
Other interest expense	5,099	2,060	8,406	2,815
	35,937	19,025	65,661	34,626
Net interest income	$ 19,084	$ 11,122	$ 36,575	$ 21,147

Note 12: Segment Information

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RSP loans. The results of S&WHL have been included in Other. Investmaster's operations have been reported as discontinued operations. The reportable segments are strategic business units that offer different products and services.

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the summary of significant accounting policies detailed in AGF's 2006 annual financial statements.

(in thousands of dollars) **Three months ended May 31, 2007**	**Investment Management Operations**	**Trust Company Operations**	**Other**	**Total**
Revenue	$ 171,767	$ 29,995	$ 3,178	$ 204,940
Operating expenses	95,082	11,841	–	106,923
Amortization and other	31,149	351	3,229	34,729
Segment income (loss) before taxes	$ 45,536	$ 17,803	$ (51)	$ 63,288

(in thousands of dollars) **Three months ended May 31, 2006**	**Investment Management Operations**	**Trust Company Operations**	**Other**	**Total**
Revenue	$ 136,717	$ 13,012	$ 2,513	$ 152,242
Operating expenses	79,895	7,700	–	87,595
Amortization and other	32,636	288	821	33,745
Segment income before taxes	$ 24,186	$ 5,024	$ 1,692	$ 30,902

(in thousands of dollars) **Six months ended May 31, 2007**	**Investment Management Operations**	**Trust Company Operations**	**Other**	**Total**
Revenue	$ 328,249	$ 49,263	$ 4,458	$ 381,970
Operating expenses	180,595	22,994	–	203,589
Amortization and other	61,143	656	4,276	66,075
Segment income before taxes	$ 86,511	$ 25,613	$ 182	$ 112,306
Total assets	$ 1,305,346	$ 3,544,593	$ –	$ 4,849,939

(in thousands of dollars) **Six months ended May 31, 2006**	**Investment Management Operations**	**Trust Company Operations**	**Other**	**Total**
Revenue	$ 264,469	$ 34,206	$ 3,105	$ 301,780
Operating expenses	154,276	15,501	–	169,777
Amortization and other	65,256	560	1,337	67,153
Segment income before taxes	$ 44,937	$ 18,145	$ 1,768	$ 64,850
Total assets	$ 1,043,120	$ 2,056,251	$ 112,175	$ 3,211,546