

**CLAIRVEST REPORTS FISCAL 2006  
THIRD QUARTER RESULTS****Highlights:**

- Clairvest and Clairvest Equity Partners Limited Partnership closed the \$16.0 million investment in WarrenShepell
- Clairvest purchased 22,783 common shares during the quarter for \$0.2 million, completing its current normal course issuer bid
- December 31, 2005 book value \$12.50 per share, versus \$12.43 at September 30, 2005
- On January 13, 2006, Clairvest sold its interest in Signature Security for \$28.9 million
- Board of Directors approves new normal course issuer bid

**Toronto, Ontario (February 9, 2006)** – Clairvest Group Inc. (TSX: CVG) today reported its results for the third quarter ended December 31, 2005. *(All figures are in Canadian dollars unless otherwise stated).*

Clairvest's book value per share increased from \$12.43 at September 30, 2005 to \$12.50 at December 31, 2005.

As previously announced, on October 3, 2005 Clairvest and Clairvest Equity Partners Limited Partnership ("CEP") closed a \$16.0 million investment in WarrenShepell, one of North America's leading providers of Employee Assistance Programs ("EAP"). Clairvest and CEP acquired a controlling interest in WarrenShepell, with their investment being made based on pro rata capital commitments to their investment pool of 25% and 75%, respectively.

"We are pleased to partner with the management that led WarrenShepell's growth over the last several years in the purchase of the majority owners' stake," commented Ken Rotman, co-CEO of Clairvest. "This investment is the result of over 2 years effort by Clairvest to create an investment opportunity in the EAP industry."

Also as previously announced, on January 13, 2006, Clairvest sold its interest in Signature Security Group Holdings Pty Limited as part of a sale of 100% of Signature to Allco Equity Partners, a leading Australian private equity firm. Clairvest realized proceeds of \$28.9 million, and has the potential, subject to a number of conditions, to receive up to an additional AUS\$2.1 million now being held in escrow.

"We are pleased with the strong performance of Signature over the last five years since Howard Watson assumed its leadership as CEO," said Jeff Parr, co-CEO of Clairvest. "Given the tenure of the shareholder group, we believe future value growth is best achieved under new ownership, with additional capital resources for growth."

Subject to the approval of the Toronto Stock Exchange, Clairvest's Board of Directors has approved a new normal course issuer bid to purchase up to 840,959 common shares on the Toronto Stock Exchange during the 12 month period commencing March 6, 2006. In total 2,490,224 common shares at a cost of \$21.3 million have been purchased under previous normal course issuer bids as at February 9, 2006. The Corporation believes, depending upon future price movements and other factors, that its outstanding common shares may represent an attractive investment and a desirable use of a portion of its available funds.

*Clairvest is a Canadian merchant bank that invests its own capital, and that of third parties through Clairvest Equity Partners Limited Partnership ("CEP"), in companies that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.*

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*This press release contains forward-looking statements with respect to Clairvest Group Inc., its subsidiaries and their investments. These statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors, such as foreign exchange risks and the satisfaction of conditions with respect to escrowed amounts, which may cause the actual results, performance or achievements of Clairvest, its subsidiaries and their investments to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.*

**CLAIRVEST GROUP INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE QUARTER ENDED DECEMBER 31, 2005**

**February 9, 2006**

The Management's Discussion and Analysis ("MD&A") analyzes significant changes in the unaudited interim consolidated financial statements of Clairvest Group Inc. ("Clairvest"). It should be read in conjunction with the accompanying unaudited consolidated financial statements and notes of Clairvest Group Inc. for the quarter ended December 31, 2005 and the attached press release.

All amounts are in Canadian dollars unless otherwise indicated.

**CRITICAL ACCOUNTING ESTIMATES**

Clairvest prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of Clairvest's consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax liability.

The process of determining the fair value of Clairvest's privately held investments requires management to exercise judgment in making assumptions about the financial condition of the investment based on operational results, forecasts, financing and any other factors that may be relevant to the ongoing and realizable value of the investment, as well as an assessment of the market conditions based on comparable trading multiples of public companies and transaction multiples within the industry.

Publicly traded investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. The process for determining the discount for such investments requires management to exercise judgment while considering the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investment.

A change to an accounting estimate with respect to Clairvest's privately held investments or publicly traded investments would impact corporate investments and unrealized gains/losses on investments.

The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

**OPERATING RESULTS**

Clairvest had a net income of \$0.1 million for the third quarter of fiscal 2006 compared with net income of \$9.0 million for the third quarter of fiscal 2005.

Clairvest had realized gains on investments of \$1.2 million for the third quarter of fiscal 2006, resulting from the sale of 749,000 shares of MKS Inc. that Clairvest had previously received on the windup of Wellington Financial Fund I.

Clairvest reversed previously recognized unrealized gains of \$1.2 million. \$0.9 million of the previously recognized unrealized gains relate to unrealized gains that were recognized on the MKS Inc. shares in prior quarters, and that were reversed upon the sale of MKS shares during the quarter. \$0.3 million of the previously recognized unrealized gains relate to unrealized gains that were recognized on Wellington Financial Fund II in prior quarters, and were reversed upon the receipt of distributions from Wellington Financial Fund II. The distributions from Wellington Financial Fund II were included in interest income for the third quarter of fiscal 2006.

Clairvest had net unrealized losses on investments of \$1.3 million for the third quarter of fiscal 2006, compared with net unrealized gains of \$9.1 million for the third quarter of fiscal 2005. The net unrealized losses for the third quarter of fiscal 2006 resulted from:

- A \$1.9 million downward adjustment to the fair value of Clairvest's investment in Datamark Systems Group Inc. as a result of the downward movement in the trading price;
- A \$1.8 million downward adjustment to the fair value of Clairvest's investment in Gateway Casinos Income Fund as a result of the downward movement in the trading price;
- A \$1.5 million upward adjustment to the fair value of Clairvest's investment in Gateway Casinos Inc. as a result of an increase in the fair value of certain casinos operated by Gateway Casinos Inc., partially offset by the downward movement in the trading price of Gateway Casinos Income Fund, to which Clairvest's valuation of the casinos in Gateway Casinos Inc. is linked; and
- Other movements in quoted market prices, movements in foreign exchange and dividends that are accruing on cumulative shares.

Interest income was unchanged at \$1.9 million. Interest income for the third quarter of fiscal 2006 includes distributions of \$0.5 million from Gateway Casinos Income Fund, \$0.5 million from Voxcom Income Fund and \$0.3 million from Wellington Financial Fund II. Interest income for the third quarter of fiscal 2005 included \$0.5 million in distributions from Gateway Casinos Income Fund and \$0.4 million from Wellington Financial Fund II.

Dividend income for the quarter was \$93,000, compared with nil for the third quarter of fiscal 2005. Dividend income for the third quarter of fiscal 2006 represents dividends from Clairvest's temporary investments.

Clairvest earned \$0.5 million in management fees during the quarter for its services in the administration of CEP's portfolio and \$0.7 million in advisory and other fees from its corporate investments.

Administration and other expenses for the quarter were \$0.8 million, compared with \$1.2 million for the same quarter last year. Administration and other expenses for the third quarter of fiscal 2006 includes a \$0.6 million reduction to compensation expense resulting from a downward adjustment to the valuation of Clairvest's outstanding stock options. As a result of an amendment to add a cash settlement feature to Clairvest's stock option plan during the first quarter of fiscal 2006, Clairvest is required to recognize compensation expense based upon the intrinsic value of all of the outstanding stock options at each balance sheet date, and the proportion of their vesting periods that have elapsed.

Finance expense of \$0.5 million for the quarter represents \$0.3 million in interest on the loan payable to a subsidiary of Gateway Casinos Inc. and \$0.2 million in costs on foreign exchange forward contracts. Finance expense of \$0.6 million for the third quarter of fiscal 2005 represents \$0.3 million in interest on the loan payable to a subsidiary of Gateway Casinos Inc. and \$0.3 million in costs on foreign exchange forward contracts.

## **SUMMARY OF QUARTERLY RESULTS**

Quarterly results (\$000's except per share information)	Gross income \$	Net income (loss) \$	Net income (loss) per common share \$	Net income (loss) per common share fully diluted \$
December 31, 2005	1,773	135	0.01	0.01
September 30, 2005	(5,628)	(7,154)	(0.37)	(0.37)
June 30, 2005	4,989	(1,996)	(0.10)	(0.10)
March 31, 2005	18,947	14,345	0.73	0.69
December 31, 2004	11,920	8,995	0.45	0.43
September 30, 2004	8,229	4,458	0.22	0.21
June 30, 2004	6,222	2,092	0.10	0.10
March 31, 2004	13,642	9,199	0.44	0.43

Significant variations arise in the quarterly results due to unrealized gains/losses on investments which result from Clairvest re-valuing its investments on a quarterly basis. The values at which publicly traded investments are carried

are subject to fluctuations in the public markets from quarter to quarter. The privately held investments are re-valued when management adjusts its estimate of the fair value of the investment.

## **FINANCIAL POSITION AND LIQUIDITY**

Clairvest has sufficient capital to support its current and anticipated new investments. In addition to cash, cash equivalents and temporary investments of \$84.7 million at December 31, 2005, Clairvest has a \$20 million credit facility with a Canadian Chartered Bank, \$15.45 million of which is currently available to Clairvest. Temporary investments consist of corporate notes, debentures and loans with maturities greater than 90 days and through to August 2008.

At December 31, 2005, Clairvest had loans totalling \$28.1 million from Gateway Casinos Inc. entities comprised of:

- (a) \$12.6 million 30-year, non-interest bearing loan that is repayable on demand. The loan is collateralized by the units held by Clairvest in the limited partnership that owns Gateway Casinos Inc.
- (b) \$15.0 million 30-year loan bearing interest at 8.05% per annum, that is collateralized by the units held by Clairvest in Gateway Casinos Income Fund. The loan must be repaid as the units in Gateway Casinos Income Fund are disposed of.
- (c) \$0.5 million of non-interest bearing loans that are repayable on demand at any time after December 31, 2005. These loans were repaid subsequent to quarter-end. Also subsequent to quarter-end, a Gateway Casinos Inc. entity paid a dividend, Clairvest's share of which was \$0.5 million.

In the first quarter of fiscal 2006, Clairvest amended its stock option plan to allow for a cash settlement of stock options. As a result, effective June 30, 2005 compensation expense is recognized and recorded as a liability based upon the intrinsic value of the outstanding stock options at the balance sheet date and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees are credited to share capital. At December 31, 2005, Clairvest had recognized stock-based compensation of \$3.0 million with respect to the stock options currently outstanding.

During the fourth quarter of fiscal 2005 the Company filed a normal course issuer bid enabling it to make purchases of up to 877,472 common shares in the 12-month period commencing March 4, 2005. During the third quarter of fiscal 2006, the Company cancelled 110,400 common shares purchased in the previous quarter. Also during the third quarter of fiscal 2006, Clairvest purchased 22,783 common shares at a cost of \$0.2 million that were cancelled subsequent to quarter-end. Clairvest has now purchased all of the 877,472 common shares available for purchase under the existing normal course issuer bid at a cost of \$8.7 million. In total 2,490,224 common shares at a cost of \$21.3 million had been purchased under this, and previous, normal course issuer bids as of December 31, 2005.

Clairvest's main asset is its corporate investments. All increases/decreases in the carrying value of Clairvest's investments during the third quarter of fiscal 2006 are as a result of unrealized gains/losses on the investments, except as noted below.

### **WarrenShepell LP**

During the quarter, Clairvest acquired a 19.1% interest in WarrenShepell for \$4.0 million. As part of the purchase, Clairvest also guaranteed a \$4.55 million note payable by WarrenShepell to the vendors, as well as interest on the note.

### **N-Brook Mortgage LP**

During the quarter, Clairvest funded \$0.2 million of its \$5.0 million commitment to N-Brook Mortgage L.P., bringing the total funded amount to \$2.3 million.

### **Wellington Financial Fund II**

During the quarter, Clairvest funded \$5.3 million of its \$20.0 million commitment to Wellington Financial Fund II, bringing the total funded amount to \$13.6 million.

### **TRANSACTIONS WITH RELATED PARTIES**

Clairvest, as manager of CEP and parent company of the General Partner of CEP, has entered into various transactions with CEP. As manager of CEP, Clairvest is entitled to a management fee as compensation for its services in the administration of the portfolio of CEP. During the third quarter of fiscal 2006 CEP paid Clairvest net management fees of \$0.5 million.

The General Partner of CEP, a limited partnership, the general partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP. The distribution to the General Partner will be determined based on the overall performance of CEP and no such distribution is permitted until CEP's limited partners have received all amounts contributed to CEP and a 6% compound annual return on that amount. The distributions received by the General Partner of CEP will be allocated 50% to each of its limited partners one of which is a wholly-owned subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest (the "Investors"). The Investors purchased, at fair market value, units of the Participation Partnership during the first quarter of fiscal 2005. From time to time, additional units in the Participation Partnership may be purchased by the Investors. To date, CEP has not made any distributions to the General Partner.

Clairvest has guaranteed up to \$7.0 million of CEP's obligations to Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.

During fiscal 2002, Clairvest sold certain shares of Consolidated Vendors to CEP, and guaranteed to compensate CEP for up to \$5.7 million for certain deficiencies that CEP may incur on these shares. Based on Clairvest's current fair value of its investment in Consolidated Vendors, Clairvest would owe CEP \$3.1 million under this guarantee. The \$3.1 million has been included as an offset against the fair value of Clairvest's investment in Consolidated Vendors.

Clairvest has also entered into various transactions with its corporate investments. During the third quarter of fiscal 2006 Clairvest received \$1.3 million in interest and \$0.7 million in advisory and other fees from its corporate investments. During the third quarter of fiscal 2006 Clairvest paid \$0.3 million in interest on a loan from a Gateway Casinos entity. At December 31, 2005, Clairvest had accounts receivable from corporate investments totalling \$1.1 million and from CEP totalling \$0.5 million.

At December 31, 2005, Clairvest had loans receivable from certain officers of the Company or officers of corporate investments (the "Officers") totalling \$0.5 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest purchased by the Officers with a market value of \$0.6 million. At December 31, 2005 Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totalling \$0.2 million.

### **OFF-BALANCE SHEET ARRANGEMENTS**

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, of which \$28.4 million has been funded to December 31, 2005. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it, as manager of CEP, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has committed \$20.0 million to Wellington Financial Fund II, \$13.6 million of which has been funded to December 31, 2005.

Clairvest has committed \$5.0 million to N-Brook Mortgage LP, subject to N-Brook management achieving certain targets. \$2.3 million of Clairvest's commitment has been funded to December 31, 2005.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign investments. At December 31, 2005, Clairvest had entered into forward contracts to sell

AUS\$31.3 million and US\$14.0 million. The fair value of these contracts at December 31, 2005 is a gain of \$0.3 million on the Australian dollar contract and a gain of \$0.5 million on the U.S. dollar contracts. The portion of the Australian dollar contract which, in accordance with hedge accounting, is required to be marked to market, has a fair value of a gain of \$0.1 million, which has been recognized on the consolidated balance sheet as derivative instruments market valuation. The U.S. dollar contracts which, in accordance with hedge accounting, are required to be marked to market, have a fair value of a gain of \$0.6 million, which has been recognized on the consolidated balance sheet as derivative instruments market valuation.

A wholly-owned subsidiary of Clairvest together with certain other unit holders (the "Unit Holders") hold 20% of the outstanding units of Gateway Casinos Income Fund. The Unit Holders have agreed that they will take all necessary steps to collectively maintain the 20% ownership interest among the Unit Holders and in connection with any additional issue of units of Gateway Casinos Income Fund to ensure that their collective ownership of Gateway Casinos Income Fund is maintained at 20% of the issued and outstanding units.

Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax income, based on cash income and cash realizations on Clairvest's corporate investments, is paid to management as a bonus. Amounts are accrued under this plan with respect to cash income and cash realizations made during the year. If Clairvest were to sell its corporate investments at their current fair values, a bonus of \$2.4 million would be owing to management under the Incentive Bonus Program. This amount has not been reflected in Clairvest's consolidated financial statements.

### **SUBSEQUENT EVENTS**

On January 13, 2006, Clairvest and Clairvest Group International (Netherlands) B.V. ("B.V.") sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and Equity SPV Pty Limited ("SPV") as part of a sale of 100% of Signature and SPV. As part of the transaction, Signature and SPV repaid all loans outstanding to Clairvest. Clairvest and B.V. received combined proceeds of \$28.9 million, and have the potential, subject to a number of conditions, to receive over time up to an additional AUS\$2.1 million now being held in escrow. As part of the transaction, B.V. has indemnified the purchaser for various claims up to the entire AUS\$35.5 million combined proceeds and escrowed amounts. The amount indemnified will reduce over time.

Subsequent to quarter-end, Clairvest repaid its \$0.5 million non-interest bearing demand loan from the limited partnership that owns Gateway Casinos Inc. Also subsequent to quarter-end, a Gateway Casinos Inc. entity paid a dividend, Clairvest's share of which was \$0.5 million.

*A number of the matters discussed in this MD&A may deal with potential future circumstances and developments and would constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.*

*The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include changing economic environments, capital markets, interest rates and foreign exchange rates. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future considering all information then available.*

*All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.*

**CLAIRVEST GROUP INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited)

<b>\$000's</b>	<b>December 31 2005</b>	<b>March 31 2005</b>
<b>ASSETS</b>		
Cash and cash equivalents (Note 9)	\$ 33,320	\$ 1,828
Temporary investments (Note 3)	51,347	101,203
Accounts receivable and other assets (Note 7b)	3,419	4,529
Loans receivable (Note 7c)	—	5,623
Derivative instruments market valuation (Note 10)	694	—
Corporate investments (Note 4)	186,001	180,246
	<b>\$ 274,781</b>	<b>\$ 293,429</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 2,035	\$ 4,759
Loans payable (Note 5)	28,070	28,788
Derivative instruments market valuation (Note 10)	—	112
Deferred gain on foreign exchange forward contracts	2,329	558
Future tax liability	680	2,182
Stock-based compensation (Note 8)	2,994	—
	<b>36,108</b>	<b>36,399</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	103,613	106,704
Shares purchased for cancellation	(208)	(80)
Stock-based compensation	—	138
Retained earnings	135,268	150,268
	<b>238,673</b>	<b>257,030</b>
	<b>\$ 274,781</b>	<b>\$ 293,429</b>

(see accompanying notes to interim consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
**For the Quarter Ended December 31**  
**(unaudited)**

<b>\$000's (except per share information)</b>	<b>Quarter ended December 31</b>		<b>Nine months ended December 31</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Net investment gains (losses)</b>				
Net realized gains on investments	\$ 1,152	\$ —	\$ 1,413	\$ 12,007
Previously recognized net unrealized gains	(1,183)	—	(1,802)	(12,308)
Net unrealized gains (losses) on investments	(1,306)	9,109	(7,219)	18,654
	<u>(1,337)</u>	<u>9,109</u>	<u>(7,608)</u>	<u>18,353</u>
<b>Other income</b>				
Interest income (Note 7c and 7e)	1,862	1,864	5,370	5,070
Dividend income	93	—	257	—
Management fees (Note 7a)	475	659	1,712	1,982
Advisory and other fees (Note 7e)	680	288	1,403	966
	<u>3,110</u>	<u>2,811</u>	<u>8,742</u>	<u>8,018</u>
Administration and other expenses (Note 8)	799	1,190	7,535	6,347
Finance expense (Note 7e)	474	571	1,465	2,450
	<u>1,273</u>	<u>1,761</u>	<u>9,000</u>	<u>8,797</u>
Income (loss) before income taxes	500	10,159	(7,866)	17,574
Income taxes	365	1,164	1,150	2,029
Net income (loss)	<u>\$ 135</u>	<u>\$ 8,995</u>	<u>\$ (9,016)</u>	<u>\$ 15,545</u>
Basic net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.45</u>	<u>\$ (0.46)</u>	<u>\$ 0.77</u>
Fully diluted net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.43</u>	<u>\$ (0.46)</u>	<u>\$ 0.74</u>

(see accompanying notes to interim consolidated financial statements)

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
**For the Quarter Ended December 31**  
**(unaudited)**

<b>\$000's</b>	<b>Quarter ended December 31</b>		<b>Nine months ended December 31</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Retained earnings, beginning of period	\$ 135,669	\$ 127,303	\$ 150,268	\$ 124,640
Net income (loss)	135	8,995	(9,016)	15,545
	<u>135,804</u>	<u>136,298</u>	<u>141,252</u>	<u>140,185</u>
Dividends declared	—	—	(1,925)	(2,007)
Purchase and cancellation of shares (Note 6)	(536)	(268)	(4,059)	(2,148)
Retained earnings, end of period	<u>\$ 135,268</u>	<u>\$ 136,030</u>	<u>\$ 135,268</u>	<u>\$ 136,030</u>

(see accompanying notes to interim consolidated financial statements)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Quarter Ended December 31**  
**(unaudited)**

\$000's	Quarter ended December 31		Nine months ended December 31	
	2005	2004	2005	2004
<b>Cash flows from operating activities</b>				
Net income (loss)	\$ 135	\$ 8,99	\$ (9,016)	\$ 15,545
Add (deduct) items not involving a current cash outlay				
Amortization	18	2	63	65
Stock-based compensation	(561)	2	2,910	57
Future income taxes (recovered)	(830)	97	(1,502)	(687)
Net realized gains on investments	(1,152)	—	(1,413)	(12,007)
Previously recognized net unrealized gains	1,183	—	1,802	12,308
Net unrealized (gains) losses on investments	1,306	(9,10)	7,218	(18,654)
Non-cash income relating to corporate Investments	287	23	345	732
	<u>386</u>	<u>1,13</u>	<u>407</u>	<u>(2,641)</u>
Net change in non-cash working capital balances related to operations	1,494	(3,43)	(1,536)	402
	<u>1,880</u>	<u>(2,29)</u>	<u>(1,129)</u>	<u>(2,239)</u>
<b>Cash flows from financing activities</b>				
Cancellation of common shares	—	—	(8,447)	(5,660)
Shares purchased for cancellation	(208)	—	(208)	—
Issuance of common shares	—	—	1,297	194
Dividends paid	—	—	(1,925)	(2,007)
Loans payable	138	17	419	17,414
Repayment of loans payable	—	(51)	(1,137)	(20,516)
	<u>(70)</u>	<u>(33)</u>	<u>(10,001)</u>	<u>(10,575)</u>
<b>Cash flows from investing activities</b>				
Net temporary investments	2,544	(10,99)	49,856	4,329
Acquisition of corporate investments	(10,128)	(4,77)	(16,444)	(9,757)
Proceeds on sale of corporate investments	1,661	—	2,021	31,948
Loans receivable	—	—	(16,892)	—
Receipt of loans receivable	3,225	—	22,374	—
Proceeds on realization of foreign exchange forward contracts	2,417	48	1,408	488
Return of capital from corporate investments	—	3,93	299	3,896
	<u>(281)</u>	<u>(11,34)</u>	<u>42,622</u>	<u>30,904</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,529</b>	<b>(13,97)</b>	<b>31,492</b>	<b>18,090</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>31,791</b>	<b>36,75</b>	<b>1,828</b>	<b>4,695</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 33,320</b>	<b>\$ 22,78</b>	<b>\$ 33,320</b>	<b>\$ 22,785</b>
<b>Supplemental cash flow information</b>				
Income taxes paid	\$ 777	\$ 51	\$ 3,678	\$ 2,996
Interest paid	\$ 301	\$ 36	\$ 911	\$ 1,732

(see accompanying notes to interim consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2005 (Tabular Dollar Amounts in Thousands)*  
*(unaudited)*

**1. NATURE OF ACTIVITIES AND BASIS OF PRESENTATION**

Clairvest Group Inc. (“Clairvest” or the “Company”) prepares its financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). The disclosures contained in these unaudited interim consolidated financial statements of the company do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended March 31, 2005.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the quarter ended December 31, 2005.

Clairvest’s consolidated financial statements are prepared using the fair value method of accounting. Under fair value accounting, each of Clairvest’s investments are re-valued quarterly. Realized and unrealized changes in Clairvest’s investments, as well as the tax effects of these changes, are reflected in the income statement.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual audited consolidated financial statements, except as disclosed herein.

In the first quarter of fiscal 2006, Clairvest amended its stock option plan so as to allow for a cash settlement of stock options. As a result, effective June 30, 2005, compensation expense is recognized and recorded as a liability based upon the intrinsic value of the outstanding stock options at the balance sheet date and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees are credited to share capital.

**2. BANKING FACILITY**

Clairvest has a \$20.0 million line of credit available, bearing interest at prime plus 0.5%. Clairvest’s line of credit is decreased by the guarantee provided by the Company to the vendors of WarrenShepell (see Note 11h). The line of credit available at December 31, 2005 is \$15.45 million.

**3. TEMPORARY INVESTMENTS**

Temporary investments have maturities greater than 90 days and through to August 2008. Temporary investments consist of corporate notes, debentures and loans. The yield on these investments ranges between 2.7% and 12.0% with a weighted average rate of 4.0%.

#### 4. CORPORATE INVESTMENTS

	December 31, 2005			March 31, 2005		
	Fair Value	Cost	Difference	Fair Value	Cost	Difference
<b>Investments in publicly traded companies</b>						
Datamark Systems Group Inc.	\$ 13,106	\$ 14,421	\$ (1,315)	\$ 14,514	\$ 14,421	\$ 93
Gateway Casinos Income Fund	21,795	15,007	6,788	28,090	15,007	13,083
Voxcom Income Fund	14,221	11,187	3,034	–	–	–
	<b>49,122</b>	<b>40,615</b>	<b>8,507</b>	<b>42,604</b>	<b>29,428</b>	<b>13,176</b>
<b>Investments in privately held companies</b>						
Allied Global Holdings Inc.	4,648	3,000	1,648	4,323	3,000	1,323
Consolidated Vendors Corporation	169	7,369	(7,200)	239	7,035	(6,796)
Gateway Casinos Inc.	56,319	24,000	32,319	59,921	24,000	35,921
Integral Orthopedics Inc.	3,875	3,875	–	–	–	–
Landauer Metropolitan Inc.	4,891	4,087	804	4,234	3,636	598
N-Brook Mortgage LP	2,386	2,321	65	1,169	1,150	19
NRI Industries Inc.	10,078	17,613	(7,535)	10,080	17,613	(7,533)
Signature Security Group Holdings Pty. Limited	29,375	28,421	954	30,230	28,421	1,809
Van-Rob Inc.	5,000	5,000	–	5,000	5,000	–
Voxcom Incorporated	–	–	–	11,830	11,486	344
WarrenShepell	4,000	4,000	–	–	–	–
Wellington Financial Fund II	14,900	13,571	1,329	8,775	7,361	1,414
	<b>135,641</b>	<b>113,257</b>	<b>22,384</b>	<b>135,801</b>	<b>108,702</b>	<b>27,099</b>
<b>Other investments</b>	<b>1,238</b>	<b>36</b>	<b>1,202</b>	<b>1,841</b>	<b>42</b>	<b>1,799</b>
	<b>\$186,001</b>	<b>\$153,908</b>	<b>\$32,093</b>	<b>\$180,246</b>	<b>\$138,172</b>	<b>\$42,074</b>

In the third quarter of fiscal 2006, Clairvest acquired a 19.1% interest in WarrenShepell for \$4.0 million. As part of the purchase, Clairvest also guaranteed a \$4.55 million note payable by WarrenShepell to the vendors, as well as interest on the note (see Note 11h).

During the quarter, Clairvest funded \$0.2 million of its \$5.0 million commitment to N-Brook Mortgage LP, bringing the total funded amount to \$2.3 million at December 31, 2005.

Also during the quarter, Clairvest funded \$5.3 million of its \$20.0 million commitment to Wellington Financial Fund II, bringing the total funded amount to \$13.6 million at December 31, 2005.

#### 5. LOANS PAYABLE

Loans payable consist of the following:

- (a) \$12.6 million 30-year loan from Gateway Casinos Inc. The loan is non-interest bearing, and repayable on demand. The loan is collateralized by the units held by Clairvest in the limited partnership that owns Gateway Casinos Inc.
- (b) \$15.0 million 30-year loan from a subsidiary of Gateway Casinos Inc. The loan bears interest at 8.05% per annum, and is collateralized by the units held by Clairvest in Gateway Casinos Income Fund. The loan must be repaid as the units in Gateway Casinos Income Fund are disposed of.
- (c) Loans totalling \$0.5 million from the limited partnership that owns Gateway Casinos Inc. These loans are non-interest bearing and repayable on demand at any time after December 31, 2005. These loans were repaid subsequent to quarter-end (see Note 12b).

## **6. SHARE CAPITAL**

During the fourth quarter of fiscal 2005 the Company filed a normal course issuer bid enabling it to make purchases of up to 877,472 common shares in the 12-month period commencing March 4, 2005. During the third quarter of fiscal 2006, the Company cancelled 110,400 common shares purchased in the previous quarter. Also during the third quarter of fiscal 2006, Clairvest purchased 22,783 common shares at a cost of \$0.2 million that were cancelled subsequent to quarter-end. Clairvest has now purchased all of the 877,472 common shares available for purchase under the existing normal course issuer bid at a cost of \$8.7 million. In total 2,490,224 common shares at a cost of \$21.3 million had been purchased under this, and previous, normal course issuer bids as of December 31, 2005.

16,864,749 common shares and 2,230,954 non-voting shares were outstanding at December 31, 2005.

## **7. RELATED PARTY TRANSACTIONS**

- (a) During the third quarter of fiscal 2006, CEP paid Clairvest net management fees of \$0.5 million (2005 – \$0.7 million) as compensation for its services in the administration of the portfolio of CEP.
- (b) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company or officers of corporate investments totalling \$0.5 million (2005 – \$0.7 million) and other loans made to certain officers of a company affiliated with Clairvest totalling \$0.2 million (2005 - \$0.2 million). The share purchase loans bear interest at the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$0.6 million (2005 – \$1.1 million). The loans to officers of a company affiliated with Clairvest bear interest at the prime rate on the date of drawdown less 1%, and interest is paid quarterly. Loans are repayable upon departure of the officer. Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$1.1 million (2005 – \$0.7 million) and from CEP totalling \$0.5 million (2005 – nil).
- (c) During the second quarter of fiscal 2006, Clairvest made loans totalling \$3.2 million, bearing interest at the bank's prime rate of 4.25% to 4.50%, to CEP. The loans were repaid during the third quarter of fiscal 2006. Interest of \$28,000 (2005 – nil) was received from CEP during the third quarter of fiscal 2006.
- (d) During fiscal 2003, Clairvest entered into an agreement to guarantee up to \$7.0 million of CEP's obligations to Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (e) During the third quarter of fiscal 2006, Clairvest received \$1.3 million (2005 – \$1.0 million) in interest and \$0.7 million (2005 – \$0.3 million) in advisory and other fees from its corporate investments. During the third quarter of fiscal 2006, Clairvest paid \$0.3 million (2005 – \$0.3 million) in interest to Gateway Casinos Inc.

## **8. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS**

No options were granted or exercised during the quarter.

At December 31, 2005, a total of 1,522,000 options were outstanding under Clairvest's stock option plan. As a result of an amendment to add a cash settlement feature to Clairvest's stock option plan during the first quarter of fiscal 2006, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the balance sheet date, and the proportion of their vesting periods that have elapsed. For the quarter ended December 31, 2005, Clairvest recognized compensation expense of (\$0.6 million) with respect to the stock options currently outstanding.

As at December 31, 2005, a total of 60,953 (2005 – 48,609) DSU's were held by directors of the Company, the accrual in respect of which was \$0.6 million (2005 – \$0.5 million).

As at December 31, 2005, a total of 382,250 (2005 – 220,000) BVAR's were held by employees of Clairvest and a company affiliated with Clairvest, the accrual in respect of which was \$0.5 million (2005 – \$0.3 million).

## 9. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations for the quarter is detailed as follows:

	<u>2005</u>	<u>2004</u>
Accounts receivable and other assets	\$ 1,403	\$ (3,623)
Accounts payable	91	193
	<u>\$ 1,494</u>	<u>\$ (3,430)</u>

Cash and cash equivalents at December 31, 2005 and 2004 are comprised of the following:

	<u>2005</u>	<u>2004</u>
Cash	\$ 23,004	\$ 8,091
Cash equivalents	10,316	14,694
	<u>\$ 33,320</u>	<u>\$ 22,785</u>

## 10. FINANCIAL INSTRUMENTS

As at December 31, 2005, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

- (i) A forward contract to sell AUS\$31.3 million (2005 – AUS\$31.3 million) at a rate of Canadian \$0.8664 per Australian dollar through February 2006 (2005 rate of \$0.9522). The fair value of this contract at December 31, 2005 is a gain of \$0.3 million (2005 – gain of \$0.5 million). The portion of the contract which, in accordance with hedge accounting, is required to be marked to market has a fair value of a gain of \$0.1 million, which has been recognized on the balance sheet as derivative instruments market valuation; and
- (ii) Forward contracts to sell US\$14.0 million (2005 – US\$4.2 million) at rates of Canadian \$1.1376 to \$1.2315 per U.S. dollar through December 2006 (average rate of \$1.1987; 2005 average rate of \$1.2057). The fair value of these contracts at December 31, 2005 is a gain of \$0.5 million (2005 – gain of \$0.1 million). The contracts which, in accordance with hedge accounting, are required to be marked to market have a fair value of a gain of \$0.6 million, which has been recognized on the consolidated balance sheet as derivative instruments market valuation.

## 11. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- (a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, of which \$28.4 million has been funded to December 31, 2005. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it, as manager of CEP, concurrently sells a proportionate number of securities of that corporate investment held by CEP.
- (b) Clairvest has committed \$20.0 million to Wellington Financial Fund II, \$13.6 million of which has been funded to December 31, 2005. Clairvest also owns 48.6% of the general partner of Wellington Financial Fund II.
- (c) Clairvest has committed \$5.0 million to N-Brook Mortgage LP, subject to N-Brook management achieving certain targets. \$2.3 million of Clairvest's commitment has been funded to December 31, 2005.

- (d) During fiscal 2002, Clairvest sold certain shares of Consolidated Vendors to CEP for \$5.7 million. Clairvest has guaranteed to compensate CEP for any deficiency between (i) CEP's purchase price for these shares and (ii) the amount CEP receives from its investment in these shares, including proceeds of disposition and any other amounts and including proceeds of disposition or other amounts attributable to any other of CEP's holdings in Consolidated Vendors over and above the cost of these holdings. At December 31, 2005, \$3.1 million of the guaranteed amount was reflected on the consolidated balance sheet, as a reduction in the fair value of Clairvest's investment in Consolidated Vendors.
- (e) During fiscal 2003, Clairvest entered into an agreement to guarantee up to \$7.0 million of CEP's obligations to Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (f) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash income and cash realizations on Clairvest's corporate investments would be paid to management as a bonus. Amounts are accrued under this plan with respect to cash income and cash realizations made during the year. If Clairvest were to sell its corporate investments at their current fair values, a bonus of \$2.4 million (2004 - \$1.9 million) would be owing to management under the Incentive Bonus Program.
- (g) A wholly-owned subsidiary of Clairvest together with certain other unit holders (the "Unit Holders") hold 20% of the outstanding units of Gateway Casinos Income Fund. The Unit Holders have agreed that they will take all necessary steps to collectively maintain the 20% ownership among the Unit Holders and in connection with any additional issue of units of Gateway Casinos Income Fund to ensure that their collective ownership of the Fund is maintained at 20% of the issued and outstanding units.
- (h) During the third quarter of fiscal 2006, Clairvest, together with CEP and WarrenShepell management, purchased WarrenShepell. As part of the purchase, Clairvest also guaranteed a \$4.55 million note payable by WarrenShepell to the vendors, as well as interest payable on the note. The note is subject to claims Clairvest may have with respect to representations and warranties. Any amounts paid under the guarantee will result in additional equity ownership being granted to Clairvest and CEP, allocated 25% to Clairvest and 75% to CEP. CEP will reimburse Clairvest for 75% of any amounts paid under the guarantee.

## **12. SUBSEQUENT EVENTS**

- (a) On January 13, 2006, Clairvest and Clairvest Group International (Netherlands) B.V. ("B.V.") sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and Equity SPV Pty Limited ("SPV") as part of a sale of 100% of Signature and SPV. As part of the transaction, Signature and SPV repaid all loans outstanding to Clairvest. Clairvest and B.V. received combined proceeds of \$28.9 million, and have the potential, subject to a number of conditions, to receive over time up to an additional AUS\$2.1 million now being held in escrow. As part of the transaction, B.V. has indemnified the purchaser for various claims up to the entire AUS\$35.5 million combined proceeds and escrowed amounts. The amount indemnified will reduce over time.
- (b) Subsequent to quarter-end, Clairvest repaid its \$0.5 million non-interest bearing demand loan from the limited partnership that owns Gateway Casinos Inc. Also subsequent to quarter-end, a Gateway Casinos Inc. entity paid a dividend, Clairvest's share of which was \$0.5 million.