

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

- Clairvest and Clairvest Equity Partners Limited Partnership closed \$15.5 million investment in Integral Orthopedics Inc.
- Voxcom Income Fund completed \$57.5 million initial public offering, generating a \$3 million pre-tax unrealized gain for Clairvest Group Inc.
- Gateway Casinos opened Cascades casino in Langley, B.C.
- Clairvest purchased 690,989 common shares during the quarter for \$6.8 million under normal course issuer bid
- Clairvest declared a \$1.9 million dividend, or \$0.10 per share
- June 30, 2005 book value \$12.85 per share, versus \$12.99 at March 31, 2005

Toronto, Ontario (August 11, 2005) – Clairvest Group Inc. (TSX:CVG) today reported its results for the first quarter ended June 30, 2005. *(All figures are in Canadian dollars unless otherwise stated).*

As previously announced, Clairvest and Clairvest Equity Partners Limited Partnership (“CEP”) closed a \$15.5 million investment in Integral Orthopedics Inc., which acquired the business assets of Obus Forme Ltd., a prominent provider of orthopedic back care products and Moller LLC, a leading developer of clinical treatment solutions for back and neck pain. Clairvest and CEP acquired a controlling interest in Integral Orthopedics Inc., with their investment being made based on pro rata capital commitments to their investment pool, of 25% and 75% respectively.

During the quarter, Voxcom Income Fund completed its initial public offering (“IPO”). Voxcom Income Fund used the proceeds of the offering to acquire all of the common shares of Voxcom Incorporated and to repay a portion of Voxcom Incorporated’s existing credit facilities. Clairvest reinvested virtually all of its proceeds on the IPO into 1,645,015 units of Voxcom Income Fund. As a result Clairvest holds a 20.1% fully-diluted interest in Voxcom Income Fund. As of June 30, 2005, the pre-tax fair value of Clairvest’s interest in the Fund was \$14.8 million versus a pre-tax fair value of Clairvest’s investment in Voxcom Incorporated of \$11.8 million at March 31, 2005.

“We are very pleased with the investment in Integral Orthopedics and with the Voxcom IPO,” said Ken Rotman, co-CEO of Clairvest. “We continue to assist our investee companies in enhancing their value propositions and continue to pursue other investment opportunities that create value”.

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 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.

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and notes of Clairvest Group Inc. for the quarter ended June 30, 2005 and the attached press release.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles 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 loss of \$2.0 million for the first quarter of 2006 compared with net income of \$2.1 million for the first quarter of 2005.

Clairvest had realized gains on investments of \$261,000 for the first quarter of fiscal 2006, resulting from the sale of 170,184 warrants of MKS Inc. that Clairvest had previously received on the windup of Wellington Financial Fund I. Clairvest reversed previously recognized unrealized gains on the MKS warrants of \$216,000.

Clairvest had a realized loss of \$1.1 million for the first quarter of fiscal 2005, resulting from the sale of 230,000 common shares of Voxcom Incorporated as part of a going private transaction by Voxcom. Clairvest reversed previously recognized unrealized losses on the common shares of Voxcom Incorporated upon the sale of the shares.

Clairvest had net unrealized gains on investments of \$2.4 million for the first quarter of 2006, compared with \$3.5 million for the first quarter of 2005. The net unrealized gains for the first quarter of 2006 resulted from:

- a \$1.0 million downward adjustment to the fair value of Clairvest's investment in Gateway Casinos Inc., as a result of the repayment of a portion of the non-interest bearing demand loan during the quarter to fund working capital including cost overruns; and
- movements in quoted market prices, movements in foreign exchange and dividends that are accruing on cumulative shares.

Interest income for the quarter was \$1.4 million, compared with \$1.7 million for the same quarter last year. Interest income for the first quarter of 2006 includes \$0.5 million in distributions from Gateway Casinos Income Fund versus \$1.1 million for the first quarter of 2005. Clairvest owned 1.5 million units in Gateway Casinos Income Fund at June 30, 2005, compared to 3.4 million units at June 30, 2004.

Dividend income for the quarter was \$79,000, compared with nil for the first quarter of 2005. Dividend income for the first quarter of 2006 represented dividends from Clairvest's temporary investments.

Clairvest earned \$0.6 million in management fees during the quarter for its services in the administration of CEP's portfolio and \$0.4 million in advisory and other fees from its corporate investments.

Administration and other expenses for the quarter were \$5.6 million, compared with \$1.3 million for the same quarter last year. Included in administration and other expenses at June 30, 2005 was compensation expense of \$3.9 million relating to Clairvest's stock options. As a result of an amendment to add a cash settlement feature to Clairvest's stock option plan during the quarter, Clairvest was required to recognize compensation expense based upon the intrinsic value of all of the outstanding stock options at the balance sheet date, and the proportion of their vesting periods that have elapsed. At June 30, 2005, Clairvest recognized compensation expense of \$3.9 million with respect to all stock options currently outstanding. Prior to the amendment to the stock option plan, Clairvest was required to fair value only those stock options granted beginning in fiscal 2004, and to value them using the Black Scholes option pricing model.

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 \$1.0 million for the first quarter of fiscal 2005 represents \$0.7 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 \$
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
December 31, 2003	18,037	14,152	0.69	0.66
September 30, 2003	(16,021)	(16,526)	(0.80)	(0.80)

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 \$97.1 million at June 30, 2005, Clairvest has a \$20 million credit facility with a Canadian Chartered Bank. Temporary investments consist of corporate notes and debentures with maturities greater than 90 days and through to August 2008.

Loans totalling \$5.6 million were made to Wellington Financial Fund II during fiscal 2005. The loans bore interest at the prime rate, and were payable on demand. The loans, together with interest, were repaid during the first quarter of fiscal 2006.

At June 30, 2005, Clairvest had loans totalling \$27.8 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. Clairvest repaid \$1.1 million of this loan during the quarter, bringing the balance from \$13.7 million at March 31, 2005 to \$12.6 million at June 30, 2005.
- (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) \$231,000 of non-interest bearing loans that are repayable on demand at any time after December 31, 2005.

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. At June 30, 2005, Clairvest had recognized stock-based compensation of \$3.9 million with respect to the stock options currently outstanding.

During the fourth quarter of fiscal 2005, Clairvest filed a new normal course issuer bid enabling it to purchase up to 877,472 common shares during the 12-month period ending March 3, 2006. During the quarter, Clairvest purchased and cancelled 690,989 common shares at a cost of \$6.8 million. In total 2,312,241 common shares at a cost of \$19.5 million have been purchased under this and all previous normal course issuer bids as of June 30, 2005. Subsequent to quarter-end a further 44,800 common shares were purchased at a cost of \$0.5 million. 17,019,949 common shares and 2,230,954 non-voting shares were outstanding at August 11, 2005.

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

Voxcom Income Fund

On May 20, 2005, Voxcom Income Fund completed an initial public offering ("IPO"). Clairvest reinvested virtually all of its proceeds on the IPO into 1,645,015 units of Voxcom Income Fund. As a result Clairvest holds a 20.1% interest in Voxcom Income Fund. Clairvest may not sell its units in Voxcom Income Fund for 180 days following closing.

Integral Orthopedics Inc.

During the first quarter of fiscal 2006, Clairvest invested in Integral Orthopedics Inc., which acquired the business assets of Obus Forme Ltd. and Moller LLC. Clairvest made a \$3.9 million investment in Integral Orthopedics Inc., to acquire a 23.0% ownership interest.

N-Brook Mortgage LP

During the quarter, Clairvest funded \$0.3 million of its \$5.0 million commitment to N-Brook Mortgage L.P., bringing the total funded amount to \$1.5 million.

Signature Security Group Holdings Pty. Limited

During the quarter, Clairvest revalued the debt portion of its investments in Signature as a result of movements in the foreign exchange rate, resulting in a \$12,000 downward adjustment to the fair value. In accordance with hedge accounting, the debt portion of Clairvest's investment in Signature is marked to market at the balance sheet date. The foreign exchange forward contracts entered into as a hedge against this portion of Clairvest's investment are also marked to market at the balance sheet date.

Wellington Financial Fund II

During the quarter, Clairvest funded \$0.5 million of its \$20.0 million commitment to Wellington Financial Fund II, bringing the total funded amount to \$7.8 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 first quarter of fiscal 2006 CEP paid Clairvest net management fees of \$0.6 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 the 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 \$3.2 million under this guarantee. The \$3.2 million has been included as an offset against the fair value of Clairvest's investment in Consolidated Vendors.

Loans totalling \$13.4 million, bearing interest at the bank's prime rate of 4.25%, were made by the Company to CEP during the first quarter of fiscal 2006. \$13.3 million of these loans were repaid during the quarter. Interest of \$15,000 was received from CEP during the first quarter of 2006.

Clairvest has also entered into various transactions with its corporate investments. During the first quarter of fiscal 2006 Clairvest received \$0.8 million in interest and \$0.4 million in advisory and other fees from its corporate investments. During the first quarter of fiscal 2006 Clairvest paid \$0.3 million in interest on a loan from a Gateway Casinos entity. At June 30, 2005, Clairvest had accounts receivable from corporate investments totalling \$0.7 million and from CEP totalling \$0.5 million.

At March 31, 2005, Clairvest also had a \$2.7 million receivable from Sparkling Spring Water, representing the remaining funds that were held in escrow following the sale of the investment in fiscal 2003. The \$2.7 million was received during the first quarter of fiscal 2006. No further amounts remain in escrow.

At June 30, 2005, Clairvest had loans receivable from certain officers of the Company or officers of corporate investments (the "Officers") totalling \$0.7 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 \$1.2 million. At June 30, 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 \$23.3 million has been funded to June 30, 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, \$7.8 million of which has been funded to June 30, 2005.

Clairvest has committed \$5.0 million to N-Brook Mortgage LP, subject to N-Brook management achieving certain targets. \$1.5 million of Clairvest's commitment has been funded to June 30, 2005.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign investments. At June 30, 2005, Clairvest had entered into forward contracts to sell AUS\$31.3 million and US\$10.9 million. The fair value of these contracts at March 31, 2005 is a loss of \$396,000 on the Australian dollar contracts and a gain of \$500 on the U.S. dollar contracts. The Australian dollar contracts which have been entered into as a hedge against the debt portion of Clairvest's investment in Signature have a fair value of a gain of \$135,000, which has been recognized on the balance sheet as derivative instruments market valuation. The U.S. dollar contracts which have been entered into as a hedge against the debt portion of Clairvest's investment in Consolidated Vendors have a fair value of a loss of \$13,000, 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 amongst 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.

During fiscal 2005, a wholly-owned subsidiary of Clairvest together with other shareholders of Gateway Casinos Inc. (the "Gateway Shareholders"), entered into an agreement with Gateway Casinos Inc.'s bank whereby the Gateway Shareholders agreed to fund cost overruns on the development of Gateway Casinos Inc's casino facility in Langley, British Columbia. The casino development project was completed in June 2005 and Clairvest anticipates it will be released from the Cost Overrun Agreement in September 2005. The estimated amount of the cost overruns are not significant.

Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax income, based on cash realizations on Clairvest's corporate investments, is paid to management as a bonus. Amounts are accrued under this plan with respect to cash realizations made during the year. If Clairvest were to sell its corporate investments at their current fair values, a bonus of \$3.3 million would be owing to management under the Incentive Bonus Program. This amount has not been reflected in Clairvest's consolidated financial statements.

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may 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 any future results, performance or achievements expressed or implied by such forward-looking statements. 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)

\$000's	June 30 2005	March 31 2005
ASSETS		
Cash and cash equivalents	\$ 41,542	\$ 1,828
Temporary investments	55,582	101,203
Accounts receivable and other assets (Note 5b and 5c)	4,508	4,529
Loans receivable (Note 5d)	—	5,623
Derivative instruments market valuation	122	—
Corporate investments (Note 2)	186,921	180,246
	<u>\$ 288,675</u>	<u>\$ 293,429</u>
LIABILITIES		
Accounts payable	\$ 4,919	\$ 4,759
Dividend payable	1,925	—
Loans payable (Note 3)	27,794	28,788
Derivative instruments market valuation	—	112
Deferred gain on foreign exchange forward contracts	84	558
Future tax liability	2,514	2,182
Stock-based compensation (Note 6)	3,976	—
	<u>41,212</u>	<u>36,399</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	104,413	106,704
Shares purchased for cancellation	—	(80)
Stock-based compensation	—	138
Retained earnings	143,050	150,268
	<u>247,463</u>	<u>257,030</u>
	<u>\$ 288,675</u>	<u>\$ 293,429</u>

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
For the Quarter Ended June 30
(unaudited)

\$000's (except per share information)	2006	2005
Net investment gains		
Net realized gains (losses) on investments	\$ 261	\$ (1,052)
Previously recognized net unrealized losses (gains)	(216)	1,151
Net unrealized gains on investments	2,403	3,516
	<u>2,448</u>	<u>3,615</u>
Other income		
Interest income (Note 5f)	1,446	1,678
Dividend income	79	—
Management fees (Note 5a)	647	661
Advisory and other fees (Note 5f)	369	268
	<u>2,541</u>	<u>2,607</u>
Administration and other expenses (Note 6)	5,581	1,303
Finance expense (Note 5f)	497	955
	<u>6,078</u>	<u>2,258</u>
Income (loss) before income taxes	(1,089)	3,964
Provision for income taxes	907	1,872
Net income (loss)	\$ (1,996)	\$ 2,092
Basic net income (loss) per share	\$ (0.10)	\$ 0.10
Fully diluted net income (loss) per share	\$ (0.10)	\$ 0.10

(see accompanying notes to interim consolidated financial statements)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the Quarter Ended June 30
(unaudited)

\$000's	2006	2005
Retained earnings, beginning of period	\$ 150,268	\$ 124,640
Net income (loss)	(1,996)	2,092
	<u>148,272</u>	<u>126,732</u>
Dividends declared	(1,925)	(2,007)
Purchase and cancellation of shares (Note 4)	(3,297)	(1,209)
Retained earnings, end of period	\$ 143,050	\$ 123,516

(see accompanying notes to interim consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Quarter Ended June 30
(unaudited)

\$000's	2006	2005
Cash flows from operating activities		
Net income (loss)	\$ (1,996)	\$ 2,092
Add (deduct) items not involving a current cash outlay		
Amortization	23	22
Stock-based compensation	3,838	19
Future income taxes	332	1,512
Net realized gains (losses) on investments	(261)	1,052
Previously recognized net unrealized gains (losses)	216	(1,151)
Net unrealized gains on investments	(2,403)	(3,516)
Non-cash income relating to corporate investments	436	256
	<u>185</u>	<u>288</u>
Net change in non-cash working capital balances related to operations	299	1,579
	<u>484</u>	<u>1,867</u>
Cash flows from financing activities		
Cancellation of common shares	(6,885)	(3,193)
Shares purchased for cancellation	—	(11)
Issuance of common shares	1,297	—
Loans payable	141	409
Repayment of loans payable	(1,137)	(1,353)
	<u>(6,584)</u>	<u>(4,148)</u>
Cash flows from investing activities		
Net temporary investments	45,621	4,313
Acquisition of corporate investments	(4,787)	(1,205)
Proceeds on corporate investments	360	237
Loans receivable	(13,415)	—
Receipt of loans receivable	18,897	—
Proceeds (costs) on realization of foreign exchange forward contracts	(1,161)	—
Return of capital from corporate investments	299	—
	<u>45,814</u>	<u>3,345</u>
Net (decrease) in cash and cash equivalents	39,714	1,064
Cash and cash equivalents, beginning of period	1,828	4,695
Cash and cash equivalents, end of period	\$ 41,542	\$ 5,759
Supplemental cash flow information		
Income taxes paid	\$ 2,503	\$ 1,624
Interest paid	\$ 309	\$ 684

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2005 (Tabular Dollar Amounts in Thousands)
(unaudited)

1. NATURE OF ACTIVITIES AND BASIS OF PRESENTATION

The disclosures contained in these unaudited interim consolidated financial statements of Clairvest Group Inc. (“Clairvest” or 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 June 30, 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. CORPORATE INVESTMENTS

	June 30, 2005			March 31, 2005		
	Fair Value	Cost	Difference	Fair Value	Cost	Difference
Investments in publicly-traded companies						
Datamark Systems Group Inc.	\$ 16,158	\$ 14,421	\$ 1,737	\$ 14,514	\$ 14,421	\$ 93
Gateway Casinos Income Fund	26,411	15,007	11,404	28,090	15,007	13,083
Voxcom Income Fund	14,812	11,187	3,625	—	—	—
	57,381	40,615	16,766	42,604	29,428	13,176
Investments in privately-held companies						
Allied Global Holdings Inc.	4,430	3,000	1,430	4,323	3,000	1,323
Consolidated Vendors Corporation	244	7,066	(6,822)	239	7,035	(6,796)
Gateway Casinos Inc.	58,911	24,000	34,911	59,921	24,000	35,921
Integral Orthopedics Inc.	3,875	3,875	—	—	—	—
Landauer Metropolitan Inc.	4,305	3,636	669	4,234	3,636	598
N-Brook Mortgage LP	1,492	1,463	29	1,169	1,150	19
NRI Industries Inc.	10,075	17,613	(7,538)	10,080	17,613	(7,533)
Signature Security Group Holdings Pty. Limited	30,218	28,421	1,797	30,230	28,421	1,809
Van-Rob Inc.	5,000	5,000	—	5,000	5,000	—
Voxcom Incorporated	—	—	—	11,830	11,486	344
Wellington Financial Fund II	9,185	7,843	1,342	8,775	7,361	1,414
	127,735	101,917	25,818	135,801	108,702	27,099
Other investments	1,805	42	1,763	1,841	42	1,799
	\$ 186,921	\$ 142,574	\$ 44,347	\$ 180,246	\$ 138,172	\$ 42,074

On May 20, 2005, Voxcom Income Fund completed an initial public offering (“IPO”). Clairvest reinvested virtually all of its proceeds on the IPO into 1,645,015 units of Voxcom Income Fund. As a result Clairvest holds a 20.1% interest in Voxcom Income Fund. Clairvest may not sell its units in Voxcom Income Fund for 180 days following closing.

During the first quarter of fiscal 2006, Clairvest invested in Integral Orthopedics Inc., which acquired the business assets of Obus Forme Ltd. and Moller LLC. Clairvest made a \$3.9 million investment in Integral Orthopedics Inc., to acquire a 23.0% ownership interest.

In the first quarter of fiscal 2006, Clairvest funded \$0.3 million of its \$5.0 million commitment to N-Brook Mortgage LP, bringing the total funded amount to \$1.5 million.

In the first quarter of fiscal 2006, Clairvest funded \$0.5 million of its \$20.0 million commitment to Wellington Financial Fund II, bringing the total funded amount to \$7.8 million at June 30, 2005.

3. 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. Clairvest repaid \$1.1 million of this loan during the quarter.
- (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 \$231,000 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.

4. SHARE CAPITAL

During the fourth quarter of fiscal 2005 the Company filed a new 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 first quarter of fiscal 2006, the Company purchased and cancelled under its normal course issuer bid 690,989 common shares at a cost of \$6.8 million. In total 2,312,241 common shares at a cost of \$19.5 million had been purchased under this, and previous, normal course issuer bids as of June 30, 2005.

17,019,949 common shares and 2,230,954 non-voting shares were outstanding at June 30, 2005.

5. RELATED PARTY TRANSACTIONS

- (a) During the first quarter of fiscal 2006, CEP paid Clairvest net management fees of \$647,000 (2005 – \$661,000) 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 \$658,000 (2005 – \$1,062,000). The share purchase loans bear interest fixed at either 4% or 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 \$1,190,000 (2005 – \$1,431,000). 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 annually. Loans are repayable upon departure of the officer. Also included in accounts receivable and other assets are receivables from Clairvest’s corporate investments totalling \$743,000 (2005 – \$387,000) and from CEP totalling \$501,000 (2005 – nil).
- (c) Loans totalling \$13.4 million, bearing interest at the bank’s prime rate of 4.25%, were made by the Company to CEP during the first quarter of fiscal 2006. \$13.3 million of these loans were repaid during the quarter and the remaining balance of \$141,000 was included in accounts receivable and other assets at June 30, 2005. Interest of \$15,000 (2005 – nil) was received from CEP during the first quarter of 2006.
- (d) Loans, bearing interest at the prime rate, were made by the Company to Wellington Financial Fund II (“Wellington Fund II”) during fiscal 2005 and were repaid during the first quarter of fiscal 2006. Interest of \$10,000 (2004 – nil) was received from Wellington Fund II during the first quarter of fiscal 2006.
- (e) During fiscal 2003, Clairvest entered into an agreement to guarantee up to \$7.0 million of CEP’s obligations to the Toronto-Dominion Bank under CEP’s foreign exchange forward contracts with the bank.
- (f) During the first quarter of fiscal 2006, Clairvest received \$849,000 (2005 – \$1,093,000) in interest and \$369,000 (2005 – \$268,000) in advisory and other fees from its corporate investments. During the first quarter of fiscal 2006, Clairvest paid \$301,000 (2005 – \$674,000) in interest to Gateway Casinos Inc.

6. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

During the first quarter of fiscal 2006, 190,000 options were exercised, 20,000 of which were exercised under Clairvest’s cash settlement option. Also during the first quarter of fiscal 2005, 210,000 options with a strike price of \$9.95 and an expiry of June 2015 were granted, subject to shareholder approval.

At June 30, 2005, a total of 1,312,000 options were outstanding under Clairvest’s stock option plan, not including the option grants that are pending shareholder approval. As a result of an amendment to add a cash settlement feature to Clairvest’s stock option plan during the quarter, Clairvest was 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. At June 30, 2005, Clairvest recognized compensation expense of \$3.9 million with respect to the stock options currently outstanding.

As at June 30, 2005, a total of \$57,103 (2005 – \$56,841) DSU’s were held by directors of the Company, the accrual in respect of which was \$0.6 million (2005 – \$0.4 million).

As at June 30, 2005, a total of 382,250 (2005 – 179,746) BVAR's were held by employees of Clairvest and a company affiliated with Clairvest, the accrual in respect of which was \$0.4 million (2005 – \$0.1 million).

7. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2005	2004
Accounts receivable and other assets	\$ 139	\$ 1,565
Accounts payable	160	14
	\$ 299	\$ 1,579

Cash and cash equivalents at June 30, 2005 and 2004 are comprised of the following:

	2005	2004
Cash	\$ 617	\$ 2,903
Cash equivalents	40,925	2,856
	\$ 41,542	\$ 5,759

8. FINANCIAL INSTRUMENTS

As at June 30, 2005, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

- (i) Forward contracts to sell AUS\$31.3 million (2005 – AUS\$31.3 million) at a rate of Canadian \$0.9468 per Australian dollar through November 2005 (average rate of \$0.9468; 2005 average rate of \$0.9522). The fair value of these contracts at June 30, 2005 is a loss of \$396,000 (2005 – loss of \$1.1 million). The contracts which have been entered into as a hedge against the debt portion of Clairvest's investment in Signature Security Group Holdings Pty. Limited have a fair value of a gain of \$135,000, which has been recognized on the balance sheet as derivative instruments market valuation; and
- (ii) Forward contracts to sell US\$10.9 million (2005 – US\$3.5 million) at rates of Canadian \$1.2114 to \$1.2315 per U.S. dollar through February 2006 (average rate of \$1.2252; 2005 average rate of \$1.3405). The fair value of these contracts at June 30, 2005 is a gain of \$500 (2005 – gain of \$182,000). The contracts which have been entered into as a hedge against the debt portion of Clairvest's investment in Consolidated Vendors have a fair value of a loss of \$13,000, which has been recognized on the consolidated balance sheet as derivative instruments market valuation.

9. 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 \$23.3 million has been funded to June 30, 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, \$7.8 million of which has been funded to June 30, 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. \$1.5 million of Clairvest's commitment has been funded to June 30, 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 June 30, 2005, \$3.2 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 the 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 realizations on Clairvest's corporate investments would be paid to management as a bonus. Amounts are accrued under this plan with respect to cash realizations made during the year. If Clairvest were to sell its corporate investments at their current fair values, a bonus of \$3.3 million (2004 - \$2.8 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 amongst 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 2005, a wholly-owned subsidiary of Clairvest together with other shareholders of Gateway Casinos Inc. (the "Gateway Shareholders") entered into an agreement with Gateway's bank whereby the Gateway Shareholders agreed to fund cost overruns on the development of Gateway's casino facility in Langley, British Columbia. The development project was completed in June 2005 and Clairvest anticipates it will be released from the Cost Overrun Agreement in September 2005. The estimated amount of the cost overruns are not significant.