

**CLAIRVEST REPORTS FISCAL 2009
FIRST QUARTER RESULTS****Highlights**

- June 30, 2008 book value per share of \$17.53, versus \$16.98 at March 31, 2008
- Shepell•fgi sold substantially all of its assets for approximately a six-times return
- Clairvest investee Sonco Gaming New Brunswick Ltd. was selected to build a \$90 million casino project in New Brunswick
- Clairvest and a limited partnership managed by Clairvest invested a further combined \$5.6 million in Lyophilization Services of New England Inc.
- Clairvest advanced a US\$3.0 million bridge loan to Latin Gaming Chile S.A. during the quarter and a further US\$4.8 million bridge loan subsequent to quarter end
- Clairvest paid a special dividend of \$10.0 million, or \$0.6272 per share
- Subsequent to quarter end, Clairvest paid an annual dividend of \$1.6 million, or \$0.10 per share

Toronto, Ontario (August 13, 2008) – Clairvest Group Inc. (TSX:CVG) today reported results for the quarter ended June 30, 2008. *(All figures are in Canadian dollars unless otherwise stated).*

Clairvest's book value at June 30, 2008 was \$279.5 million compared to \$270.8 million at March 31, 2008. The increase in book value is due to net income of \$20.3 million for the quarter less \$11.6 million in dividends declared during the quarter.

As previously announced, Shepell•fgi sold substantially all of its assets to an unrelated third party. Clairvest and Clairvest Equity Partners Limited Partnership ("CEP"), a limited partnership managed by Clairvest, received combined cash proceeds of \$104.5 million at closing, and promissory notes secured by the acquirer for an additional \$61.1 million, payable through to July 2010. The payment of the promissory notes is subject to satisfaction of certain items in the purchase documentation, and up to \$32.7 million of the promissory notes may be received in the form of the acquirer's equity at the option of the acquirer. Clairvest's share of the sale proceeds is \$26.1 million in cash at closing, and promissory notes for an additional \$15.3 million on a \$6.6 million investment.

Also as previously announced, the province of New Brunswick selected Sonco Gaming New Brunswick Ltd. ("Sonco") as the preferred proponent to build Casino New Brunswick, a destination casino, hotel and multi-use entertainment and convention centre. The proponent's limited partners include Clairvest, Sonco Gaming Inc., Navegante Group Inc. and Riseley Gaming Inc. The entire project plans to open in mid-2010, and is expected to be funded by \$54 million of senior debt and \$36 million of equity, with Clairvest and Clairvest Equity Partners III Limited Partnership ("CEP III"), a limited partnership managed by Clairvest, providing a combined \$32 million, representing an approximate 90% ownership interest. Subsequent to quarter end, Clairvest and CEP III funded a combined \$2.7 million to Sonco. Clairvest's portion of the investment was \$0.7 million.

During the quarter, Clairvest and CEP III invested a further combined \$5.6 million in Lyophilization Services of New England Inc. ("LSNE") of Manchester, New Hampshire, increasing the combined interest to 49%. Clairvest's portion of the investment is \$1.4 million.

Also during the quarter, Clairvest advanced a US\$3.0 million loan to Latin Gaming Chile S.A. ("Latin Gaming"). The loan was provided as bridging capital as Clairvest is awaiting regulatory approval to invest

in Latin Gaming. Subsequent to quarter end, Clairvest advanced a further US\$4.8 million loan to Latin Gaming.

“We have had an active and successful quarter at Clairvest”, said Ken Rotman, Co-Chief Executive Officer. “Shepell•fgi was sold on extremely favourable terms, the province of New Brunswick selected us and our partners as the preferred proponent to build Casino New Brunswick, and we increased our investment in LSNE.”

Also during the quarter, Clairvest paid a one-time special dividend of \$10 million, or \$0.6272 per share. The dividend was paid on June 20, 2008 to common shareholders of record as of May 20, 2008. Subsequent to quarter end, Clairvest also paid an annual dividend of \$0.10 per share. The dividend was paid on July 28, 2008 to common shareholders of record as of July 11, 2008. Both dividends are ineligible dividends for Canadian income tax purposes.

About Clairvest

Clairvest Group Inc. is a Canadian merchant bank that invests its own capital, and that of third parties through Clairvest Equity Partners Limited Partnership and Clairvest Equity Partners III Limited Partnership, in businesses 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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Forward-looking Statements

This news 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. Such factors include general and economic business conditions, regulatory risks and possibility of the Latin Gaming or Sonco projects not concluding. Clairvest is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or otherwise.

www.clairvest.com

The Management's Discussion and Analysis ("MD&A") analyzes significant changes in the unaudited 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 for the quarter ended June 30, 2008 and the attached news release.

All amounts are in Canadian dollars unless otherwise indicated.

CRITICAL ACCOUNTING ESTIMATES

Clairvest prepares its financial statement in accordance with Canadian generally accepted accounting principles ("GAAP"). In accordance with CICA Accounting Guideline 18, "Investment Companies" ["AcG-18"], Clairvest is required to carry its temporary investments and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Subsequent to initial recognition, the fair value of an investment quoted on an active market is generally the bid price ["market price"]. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts which take into account the escrow terms or other restrictions. In determining the fair value for such investments, Clairvest considers 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, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise when significant ownership positions are sold as this sale price is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles or internal valuation methods, on the basis if the investments were disposed of in an arm's length transaction and in an orderly fashion over a reasonable period of time. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

A change to an estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and unrealized gains/losses on corporate 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. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

OPERATING RESULTS

Net income for the first quarter of fiscal 2009 was \$20.3 million compared with \$19.8 million for the first quarter of fiscal 2008. Net income for the first quarter of fiscal 2009 is comprised primarily of \$25.8 million of net corporate investment gains, offset by \$1.7 million of net operating losses and \$3.8 million of income tax expense. This compares with net corporate investment gains of \$26.0 million, offset by \$2.6 million of net operating losses and \$3.6 million of income tax expense for the first quarter of fiscal 2008.

The net corporate investment gains of \$25.8 million for the first quarter of fiscal 2009 comprised \$24.8 million of net realized gains on corporate investments and \$1.0 million of net unrealized gains on corporate investments.

Net realized gains on corporate investments for the first quarter of fiscal 2009 of \$24.8 million resulted from:

- A \$24.0 million gain on Shepell•fgi comprised of a \$32.2 million realized gain this quarter net of previously recognized unrealized gains of \$8.2 million in prior quarters; and
- A \$0.8 million gain on Signature Security Group Holdings Pty Limited (“Signature”) from the final release of escrow proceeds.

Net unrealized gains on corporate investments for the first quarter of 2009 of \$1.0 million resulted from:

- A \$1.1 million upward adjustment to the fair value of Clairvest’s investment in Gateway Casinos Inc. (“Gateway Casinos”) as a result of additional proceeds received by Gateway Casinos on the release of certain escrow proceeds; and
- Other movements in quoted market prices, movements in foreign exchange, dividends accruing on preferred shares and distributions accruing on partnership units.

Distributions and interest income for the quarter was \$3.2 million, compared with \$4.1 million for the same quarter last year. Distributions and interest income for the first quarter of fiscal 2009 includes interest on cash, cash equivalents and temporary investments of \$1.4 million, distributions totalling \$0.4 million from Wellington Financial Fund II and Wellington Financial Fund III (“Wellington Funds”) and priority distributions of \$1.0 million from Clairvest Equity Partners III Limited Partnership (“CEP III”). Distributions and interest income for the first quarter of fiscal 2008 included interest on cash, cash equivalents and temporary investments of \$1.0 million, priority distributions of \$1.1 million from CEP III, distributions of \$1.0 million from Gateway Casinos Income Fund, \$0.5 million from Voxcom Income Fund and \$0.3 million from Wellington Funds. The distributions from CEP III are reduced to the extent of 75% of fees earned by Clairvest from joint Clairvest/CEP III corporate investments.

Clairvest earned \$0.3 million in management fees during the quarter for its services in the administration of Clairvest Equity Partners Limited Partnership’s (“CEP”) portfolio and \$0.2 million in advisory and other fees from its corporate investments. The CEP management fee is reduced to the extent of 75% of fees earned by Clairvest from joint Clairvest/CEP corporate investments.

Administration and other expenses for the quarter were \$5.6 million, compared with \$6.4 million for the same quarter last year. Included in administrative and other expenses for the first quarter of fiscal 2009 were \$1.0 million in stock-based compensation expense and a \$1.3 million accrual under Clairvest’s Management Incentive Bonus Program, which pays out a bonus of 10% of after-tax cash net income on an annual basis. Included in administrative and other expenses for the first quarter of fiscal 2008 was \$3.7 million in stock-based compensation expense.

Finance and foreign exchange expense of \$0.2 million for the quarter represents interest expense and bank charges. Finance and foreign exchange expense of \$1.0 million for the first quarter of fiscal 2008 represented \$0.5 million in interest on the loan payable to a subsidiary of Gateway Casinos, \$0.3 million in interest on the loan payable to a financial institution, foreign exchange costs of \$0.1 million, and interest and bank charges of \$0.1 million.

SUMMARY OF QUARTERLY RESULTS

Quarterly results (\$000's except per share information)	Gross revenue \$ (Note)	Net income (loss) \$	Net income (loss) per common share \$	Net income (loss) per common share fully diluted \$
June 30, 2008	29,873	20,314	1.27	1.23
March 31, 2008	8,469	5,216	0.33	0.32
December 31, 2007	19,708	6,707	0.42	0.41
September 30, 2007	12,403	6,562	0.41	0.40
June 30, 2007	30,757	19,758	1.24	1.22
March 31, 2007	25,655	20,342	1.28	1.25
December 31, 2006	1,819	(879)	(0.05)	(0.05)
September 30, 2006	22,508	15,202	0.95	0.93

Note – comprised of net investment gains (losses) and other income.

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 \$210.9 million at June 30, 2008, Clairvest has a \$20.0 million credit facility with a Canadian chartered bank, of which \$18.2 million was available at June 30, 2008. Temporary investments consist of corporate notes, debentures, mezzanine debt, and preferred shares with maturities greater than 90 days from date of purchase. The maturity dates of these temporary investments range from July 2008 through to February 2011.

At June 30, 2008, Clairvest had loans payable totalling \$100.4 million to Gateway Casinos. The loans are non-interest bearing, repayable on demand, and collateralized by the units held by Clairvest in the limited partnership that owns Gateway Casinos. Clairvest anticipates that a Gateway Casinos entity will pay dividends, Clairvest's share of which will be \$100.4 million and anticipates that the proceeds of Clairvest's share of the dividends will be used to repay the total loans of \$100.4 million. The anticipated repayment of loans and anticipated dividends are expected to have no impact on Clairvest's book value.

During the fourth quarter of fiscal 2008, Clairvest filed a normal course issuer bid enabling it to purchase up to 797,178 common shares during the 12-month period commencing March 6, 2008. No shares were purchased under this issuer bid during the quarter. In total 2,544,424 common shares at a cost of \$21.9 million have been purchased under this, and previous, normal course issuer bids as of June 30, 2008. An additional 934,000 common and 2,230,954 non-voting shares have been purchased and cancelled outside of the normal course issuer bid.

15,943,566 common shares were outstanding at June 30, 2008.

Clairvest has corporate investments with a carrying value of \$189.3 million. Changes in the carrying value of Clairvest's corporate investments during the first quarter of fiscal 2009 are primarily a result of realizations on investments, unrealized gains/losses on investments, and investments made. Clairvest's corporate investments increased \$3.9 million during the first quarter of fiscal 2009. Significant events relating to Clairvest's corporate investments, other than with respect to unrealized gains/losses, are described below.

Integral Orthopedics Inc.

During the first quarter of fiscal 2009, Clairvest realized on its investment in Integral Orthopedics Inc. Clairvest recognized a \$6.3 million realized loss during the quarter, which had previously been recognized as unrealized loss in the fourth quarter of fiscal 2008.

Latin Gaming Chile S.A.

During the first quarter of fiscal 2009, a wholly-owned acquisition entity of Clairvest loaned US\$3.0 million to Latin Gaming Chile S.A. (“Latin Gaming”). The loan bears interest at 5% per annum. The loan was provided as bridging capital as Clairvest is awaiting regulatory approval to invest in Latin Gaming. The loan is repayable upon the closing of the investment or upon determination that Clairvest did not receive the necessary regulatory approval to invest in Latin Gaming. The wholly-owned acquisition entity borrowed \$3.0 million from an unrelated financial institution, and another wholly-owned acquisition entity of Clairvest deposited \$3.0 million with the same financial institution as security for the loan. Clairvest intends to settle the loan and the deposit simultaneously upon the divestiture of the investment in Latin Gaming, and as a result, the deposit and the loan have been presented on a net basis. Subsequent to quarter end, a further US\$4.8 million loan to Latin Gaming was made under the same terms and conditions.

Lyophilization Services of New England, Inc.

During the first quarter of fiscal 2009, Clairvest invested a further \$1.4 million in Lyophilization Services of New England, Inc. (“LSNE”) increasing its ownership interest to 12.3%. The investment was made in the form of 1,406,000 Series A convertible preferred shares.

Shepell•fgi

During the first quarter of fiscal 2009, Shepell•fgi sold substantially all of its assets to an unrelated third party. Clairvest received cash proceeds of \$26.1 million at closing, and non-interest bearing promissory notes secured by the acquirer for an additional \$15.3 million, payable through to July 2010. The payment of the promissory notes is subject to satisfaction of certain items in the purchase documentation, and up to \$8.2 million of the promissory notes may be received in the form of the acquirer’s equity at the option of the acquirer. The promissory notes are carried at a fair value of \$12.6 million.

TRANSACTIONS WITH RELATED PARTIES

Clairvest, as parent company of the manager of CEP and the General Partner of CEP, has entered into various transactions with CEP. The manager of CEP is entitled to a management fee as compensation for its services in the administration of the portfolio of CEP. The management fee is reduced to the extent of 75% of any fees earned by the manager from corporate investments of CEP. During the first quarter of fiscal 2009, CEP paid net management fees of \$0.3 million. As per the Management Agreement, corporate advisory fees of \$0.1 million from corporate investments of CEP were netted against the management fees.

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 equal to 20% of net gains of CEP. The distribution to the General Partner will be determined based on the overall performance of CEP and no such distributions are 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 and a wholly-owned subsidiary of Clairvest (the “Participation Investors”). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors. To date, CEP has not made any distributions to the General Partner. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to \$9.9 million of distributions.

Clairvest is also the parent company of the two General Partners of CEP III (“GP I” and “GP II”). GP I is entitled to a 2% priority distribution from CEP III. The 2% priority distribution began in August 2006, the month in which CEP III made its first investment. The priority distribution is reduced to the extent of 75% of any fees earned by GP I from corporate investments of CEP III. During the first quarter of fiscal 2009, CEP III paid GP I net priority distributions of \$1.0 million. As per the Limited Partnership Agreement, fees of \$0.1 million from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of net gains of CEP III determined as described below.

GP II, a limited partnership, the general partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. The distribution to GP II will be determined based on the overall performance of CEP III and no such distribution is permitted until CEP III's limited partners have received all amounts contributed to CEP III and an 8% compound annual return on that amount. The distributions received by GP II will be allocated to each of its two limited partners, one of which is a wholly-owned subsidiary of Clairvest which will receive 44.4% of such distributions to June 23, 2008 and 45.8% thereafter, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions to June 23, 2008 and 54.2% thereafter. The limited partners of the Participation III Partnership are principals and employees of Clairvest and a wholly-owned subsidiary of Clairvest (the "Participation III Investors"). The Participation III Investors purchased, at fair market value, units of the Participation III Partnership during the second quarter of fiscal 2007. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors. To date, CEP III has not made any distributions to GP II.

At June 30, 2008 Clairvest had loans receivables from certain officers of Clairvest and a wholly-owned subsidiary of Clairvest (the "Officers") totalling \$0.6 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 \$1.0 million. At June 30, 2008, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totalling \$0.8 million. The loans are interest bearing and have full recourse to the individual.

Included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$1.7 million, \$0.7 million from CEP and \$1.4 million from CEP III. Included in accounts payable and accrued liabilities are amounts owing to Clairvest's corporate investments totalling \$0.4 million.

Loans totalling \$2.0 million made by the Company to CEP in previous quarters were repaid in full during the quarter.

Loans totalling \$5.1 million, bearing interest at the prime rate, were made by the Company to CEP III during the first quarter of fiscal 2009. \$3.7 million of these loans, together with \$17.5 million of loans outstanding from the prior quarter, were repaid during the quarter. Interest of \$61,000 was earned from loans to CEP III during the first quarter of fiscal 2009.

Loans totalling \$0.4 million, bearing interest at the prime rate, were made by the Company to Wellington Financial Fund II ("Wellington Fund II") during the first quarter of fiscal 2009. Interest of \$2,000 was earned from loans to Wellington Fund II during the first quarter of fiscal 2009. The loans were repaid in full subsequent to quarter end.

During the first quarter of fiscal 2009, Clairvest earned \$0.7 million in interest and distributions and \$0.2 million in fee income from its corporate investments.

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, \$4.0 million of which remains unfunded at June 30, 2008. 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 also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is \$75.0 million, \$45.4 million of which remains unfunded at June 30, 2008. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it, as manager of CEP III, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has committed \$25.0 million to Wellington Fund III, \$17.4 million of which has been funded to June 30, 2008. As a result of the closing of Wellington Fund III, the unfunded capital commitments to Wellington Fund II can no longer be called. At June 30, 2008, net funds invested in Wellington Fund II was \$1.9 million. At June 30, 2008, Clairvest has received profit distributions totalling \$1.7 million through its ownership interest in the general partner of Wellington Fund II and \$0.5 million through its ownership interest in the general partner of Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective general partners, the clawback provisions

entered into by the general partners in the event the limited partners of Wellington Fund II and Wellington Fund III do not meet their preferred rate of return as specified in the respective Limited Partnership Agreement.

Clairvest has guaranteed up to \$7.0 million of CEP's obligations to a Schedule 1 Chartered Bank under CEP's foreign exchange forward contracts with the bank.

Clairvest and CEP III entered into a US\$13.0 million credit facility agreement with a Schedule 1 Chartered Bank to enter into foreign exchange contracts. Clairvest and CEP III are jointly and severally liable on this credit facility.

Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management as a bonus annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At June 30, 2008, \$11.3 million has been accrued under the Program, of which \$10.0 million has been paid subsequent to quarter end. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of \$1.5 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the \$1.5 million has not been accrued at June 30, 2008.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign investments. At June 30, 2008, Clairvest had entered into forward contracts to sell US\$29.3 million at rates of Canadian \$0.9917 to \$1.0232 per U.S. dollar through April 2009 and a forward contract to sell Chilean Unidad de Fomento ("UF") 0.2 million at rate of Canadian \$42.6750 per UF through January 2009. The fair value of these US dollar contracts at June 30, 2008 is a loss of \$0.2 million and the fair value of the Chilean UF contract at June 30, 2008 is a gain of \$0.7 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

During fiscal 2006, Clairvest, together with CEP and Shepell-fgi management, purchased Shepell-fgi. As part of the purchase, Clairvest also guaranteed a \$4.6 million note payable by Shepell-fgi to the vendors, as well as interest payable on the note. The note is subject to claims Clairvest and CEP may have with respect to representations and warranties. The amount of the guarantee is allocated 75% to CEP, to the extent that the amounts paid thereunder are within the limits of the CEP Limited Partnership Agreement, and the remainder is allocated to Clairvest. The guarantee expires on January 9, 2009. At June 30, 2008, the guarantee was \$1.8 million.

During fiscal 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, B.V. has indemnified the purchaser for various claims which will reduce over time.

During fiscal 2007, Clairvest, together with CEP invested in the development of the Tsuu T'ina charitable casino. Clairvest, together with CEP, has guaranteed to fund any cost overruns during the construction of the casino, as well as any operating deficiencies upon the opening of the casino for a specified period of time. The amount of the guarantee is allocated 75% to CEP, to the extent that the amounts paid thereunder are within the limits of the CEP Limited Partnership Agreement, and the remainder is allocated to Clairvest. Any amounts paid under the guarantee will result in additional debenture being granted to Clairvest and CEP, allocated on the same basis as the participation between Clairvest and CEP in the guarantee funding. As at June 30, 2008, no amounts subject to this guarantee have been funded by the bank.

During fiscal 2008, Gateway Casinos sold substantially all of its assets, as well as shares of a joint venture entity in which it held a 50% interest. Subject to certain conditions, Clairvest is entitled to receive up to an additional \$2.1 million through to December 2008. Subsequent to quarter end, Clairvest received \$1.1 million of these escrow proceeds.

Clairvest, together with CEP III, has guaranteed to fund 50% of any cost overruns during the construction of Casino del Sol, as well as any operating deficiencies upon the opening of the casino for a specified period of time. The amount of guarantee is allocated 75% to CEP III to the extent the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, and the remainder is allocated to Clairvest. Any amounts paid under the

guarantee will result in additional equity being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding.

As part of the holding structure of Casino del Sol, Clairvest, together with CEP III, borrowed \$32.1 million through an acquisition entity from an unrelated financial institution, while another acquisition entity deposited \$32.1 million with the financial institution as security for the loan. Clairvest intends to settle the loan and the deposit simultaneously upon the divestiture of the investment in Casino del Sol, and as a result, the deposit and the loan have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 25% at June 30, 2008, with CEP III owning the remaining 75%.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

OUTLOOK

Clairvest continues to assist its investee companies in developing and executing their strategies and enhancing their value propositions. Clairvest also continues to actively pursue investment opportunities, using domain-based proprietary research to explore a number of industries and identify new potential investments.

Subsequent to quarter end, Clairvest and CEP III committed \$32 million to build Casino New Brunswick, a destination casino, hotel and multi-use entertainment and convention centre. Clairvest and CEP III funded a combined \$2.7 million of this commitment. Clairvest's portion of the commitment is \$8.0 million, of which \$0.7 million has been funded subsequent to quarter end.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of June 30, 2008. Management has concluded that the disclosure controls and procedures are effective as of June 30, 2008 based on this evaluation.

Multilateral Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. Management has evaluated Clairvest's design effectiveness of internal controls over financial reporting for the quarter ended June 30, 2008. Management has concluded that the design effectiveness of internal controls over financial reporting are effective as of June 30, 2008 based on this evaluation. No changes were made to internal controls over financial reporting during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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 2008	March 31 2008
ASSETS		
Cash and cash equivalents (Note 11)	\$ 71,291	\$ 57,320
Temporary investments (Note 4)	139,587	127,888
Accounts receivable and other assets (Note 9e)	7,207	6,799
Loans receivable (Notes 9f, 9g and 9h)	1,823	19,475
Derivative instruments (Note 12)	756	—
Future tax asset	2,141	1,678
Corporate investments (Note 6)	189,294	185,390
	<u>\$ 412,099</u>	<u>\$ 398,550</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 9e, 10 and 13f)	\$ 16,930	\$ 15,524
Income taxes payable	4,070	3,375
Dividends payable	1,594	—
Loans payable (Note 7)	100,423	99,340
Derivative instruments (Note 12)	255	1,405
Future tax liability	2,984	2,604
Stock-based compensation (Note 10)	6,344	5,523
	<u>132,600</u>	<u>127,771</u>
Contingencies, commitments and guarantees (Notes 3, 12, and 13)		
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	82,713	82,713
Retained earnings	196,786	188,066
	<u>279,499</u>	<u>270,779</u>
	<u>\$ 412,099</u>	<u>\$ 398,550</u>

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended June 30
(unaudited)

\$000's (except per share information)	2008	2007
Net investment gains		
Net realized gains on investments (Note 5)	\$ 24,768	\$ 5,905
Net unrealized gains on investments	1,031	20,096
	<u>25,799</u>	<u>26,001</u>
Other income		
Distributions and interest income (Notes 9c and 9i)	3,214	4,088
Dividend income	352	21
Management fees (Note 9a)	334	279
Advisory and other fees (Note 9i)	174	368
	<u>4,074</u>	<u>4,756</u>
Expenses		
Administration and other expenses (Note 10)	(5,622)	(6,423)
Finance and foreign exchange expense (Notes 9i and 12)	(166)	(973)
	<u>(5,788)</u>	<u>(7,396)</u>
Income before income taxes	24,085	23,361
Income tax expense	(3,771)	(3,603)
Net income	\$ 20,314	\$ 19,758
Basic net income per share	\$ 1.27	\$ 1.24
Fully diluted net income per share	\$ 1.23	\$ 1.21

(see accompanying notes to interim consolidated financial statements)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the quarters ended June 30
(unaudited)

\$000's	2008	2007
Retained earnings, beginning of period	\$ 188,066	\$ 151,417
Net income	20,314	19,758
	<u>208,380</u>	<u>171,175</u>
Dividends declared	(11,594)	(1,594)
Retained earnings, end of period	\$ 196,786	\$ 169,581

(see accompanying notes to interim consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the quarters ended June 30
(unaudited)

\$000's	2008	2007
Operating activities		
Net income	\$ 20,314	\$ 19,758
Add (deduct) items not involving a current cash outlay		
Amortization of fixed assets	73	10
Stock-based compensation expense	821	979
Future income tax expense (recovered)	(83)	2,322
Net realized gains on investments	(24,768)	(5,905)
Net unrealized gains on investments	(1,031)	(20,096)
Non-cash items relating to corporate investments	(137)	(23)
	<u>(4,811)</u>	<u>(2,955)</u>
Net change in non-cash working capital balances related to operations (Note 11)	<u>1,620</u>	<u>1,896</u>
Cash used in operating activities	<u>(3,191)</u>	<u>(1,059)</u>
Investing activities		
Acquisition of corporate investments	(7,341)	(3,778)
Proceeds on corporate investments	27,558	28,181
Return of capital from corporate investments	60	151
Proceeds on realization (cost) of foreign exchange forward contracts	(151)	326
Net proceeds on sale (acquisition) of temporary investments	(11,699)	2,274
Loans advanced (Note 9g and 9h)	(5,521)	(1,000)
Receipt of loans advanced (Note 9f and 9g)	23,173	1,824
Cash provided by investing activities	<u>26,079</u>	<u>27,978</u>
Financing activities		
Issuance of share capital	—	547
Receipt of loans	1,083	256
Repayment of loans	—	(662)
Cash dividends paid	(10,000)	—
Cash provided by (used in) financing activities	<u>(8,917)</u>	<u>141</u>
Net increase in cash and cash equivalents	13,971	27,060
Cash and cash equivalents, beginning of period	<u>57,320</u>	<u>13,981</u>
Cash and cash equivalents, end of period (Note 11)	<u>\$ 71,291</u>	<u>\$ 41,041</u>
Supplemental cash flow information		
Income taxes paid	\$ 3,161	\$ 91
Interest paid	\$ —	\$ 832

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 (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, 2008.

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, 2008.

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 on each balance sheet date. 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.

For the quarter ended June 30, 2008, the Company has no items requiring disclosure under other comprehensive income.

2. CHANGES IN ACCOUNTING POLICY

During the first quarter of fiscal 2009, the Company adopted CICA Handbook Section 3862, “Financial Instruments – Disclosures”; and Section 3863, “Financial Instruments – Presentation” which requires the disclosure of the significance of financial instruments for the Company’s financial position, performance and cash flows and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Note 14 describes in detail Clairvest’s risk management policies.

During the first quarter of fiscal 2009, the Company also adopted Canadian Institute of Chartered Accountants Handbook (“CICA Handbook”) Section 1535, “Capital Disclosures”, which requires disclosure of information that enables users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital. Note 15 describes in detail Clairvest’s capital management policy.

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. As a result, Clairvest must adopt IFRS commencing April 1, 2011. Clairvest is currently evaluating the impact of adopting IFRS.

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, which establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This standard is effective for Clairvest commencing April 1, 2009. At this time, Clairvest expects that the adoption of Section 3064 will not have a material impact on the consolidated financial statements.

3. BANKING FACILITY

Clairvest has a \$20.0 million line of credit available, bearing interest at prime plus 0.5%. The line of credit available at June 30, 2008 is \$18.2 million [2008 - \$18.2 million] and is based on debt covenants within the banking arrangement.

4. TEMPORARY INVESTMENTS

Temporary investments consist of corporate notes, debentures, mezzanine debt, and preferred shares, which have maturities greater than 90 days from date of purchase. The maturity dates of these temporary investments range from July 2008 through to February 2011. The yield on these investments ranges between 2.8% and 15.0% with a weighted average rate of pre-tax return of 3.7%.

	June 30, 2008			March 31, 2008	
	No specific maturity	Due in 1 year or less	Due after 1 year	Carrying value	Carrying value
Bankers' acceptance	\$ —	\$ —	\$ —	\$ —	\$ 20,924
Discount notes and bonds	—	54,434	8,868	63,302	47,956
Money market mutual funds	69,136	—	—	69,136	51,874
Corporate debentures	—	—	474	474	1,320
Mezzanine debt	—	—	846	846	—
Preferred shares	—	5,589	240	5,829	5,814
Total	\$ 69,136	\$ 60,023	\$ 10,428	\$ 139,587	\$ 127,888

5. NET INVESTMENT GAINS

Net realized gains on investments for the quarters ended June 30 are comprised of the following:

\$000's	2008	2007
Net realized gains on investments	\$ 26,765	\$ 7,297
Previously recognized net unrealized gains	(1,997)	(1,392)
	\$ 24,768	\$ 5,905

6. CORPORATE INVESTMENTS

	June 30, 2008			March 31, 2008		
	Fair value	Cost	Difference	Fair value	Cost	Difference
	\$	\$	\$	\$	\$	\$
Investments in privately-held companies						
Casino Marina del Sol	9,926	10,408	(482)	11,585	10,408	1,177
Gateway Casinos Inc.	100,423	24,000	76,423	99,340	24,000	75,340
Integral Orthopedics Inc.	—	—	—	—	6,322	(6,322)
Kubra Data Transfer Ltd.	3,250	2,150	1,100	3,250	2,150	1,100
Landauer Metropolitan Inc.	3,811	3,636	175	3,758	3,636	122
Latin Gaming Chile S.A.	8,384	8,152	232	5,186	5,044	142
Light Tower Rentals Inc.	5,956	5,884	72	5,996	5,884	112
Lyophilization Services of New England Inc.	6,680	6,454	226	5,140	5,060	80
N-Brook Mortgage LP	4,416	5,037	(621)	5,286	5,037	249
Shepell•fgi	12,563	—	12,563	14,691	6,550	8,141
Tsuu T'ina Gaming Limited Partnership	6,725	5,625	1,100	6,462	5,625	837
Van-Rob Inc.	5,000	5,000	—	5,000	5,000	—
Wellington Financial Fund II	2,333	1,868	465	2,603	1,928	675
Wellington Financial Fund III	18,499	17,367	1,132	14,966	14,527	439
	187,966	95,581	92,385	183,263	101,171	82,092
Other investments	1,328	4,771	(3,443)	2,127	5,257	(3,130)
	189,294	100,352	88,942	185,390	106,428	78,962

During the first quarter of fiscal 2009, Clairvest realized on its investment in Integral Orthopedics Inc. Clairvest recognized a \$6.3 million realized loss during the quarter, which had previously been recognized as unrealized loss in the fourth quarter of fiscal 2008.

During the first quarter of fiscal 2009, a wholly-owned acquisition entity of Clairvest loaned US\$3.0 million to Latin Gaming Chile S.A. (“Latin Gaming”). The loan bears interest at 5% per annum. The loan was provided as bridging capital as Clairvest is awaiting regulatory approval to invest in Latin Gaming. The loan is repayable upon the closing of the investment or upon determination that Clairvest did not receive the necessary regulatory approval to invest in Latin Gaming. The wholly-owned acquisition entity borrowed \$3.0 million from an unrelated financial institution, and another wholly-owned acquisition entity of Clairvest deposited \$3.0 million with the same financial institution as security for the loan. Clairvest intends to settle the loan and the deposit simultaneously upon the divestiture of the investment in Latin Gaming, and as a result, the deposit and the loan have been presented on a net basis. Subsequent to quarter end, a further US\$4.8 million loan to Latin Gaming was made under the same terms and conditions.

During the first quarter of fiscal 2009, Clairvest invested a further \$1.4 million in Lyophilization Services of New England, Inc., increasing its ownership interest to 12.3%. The investment was made in the form of 1,406,000 Series A convertible preferred shares.

During the first quarter of fiscal 2009, Shepell•fgi sold substantially all of its assets to an unrelated third party. Clairvest received cash proceeds of \$26.1 million at closing, and non-interest bearing promissory notes secured by the acquirer for an additional \$15.3 million, payable through to July 2010. The payment of the promissory notes is subject to satisfaction of certain items in the purchase documentation, and up to \$8.2 million of the promissory notes may be received in the form of the acquirer’s equity at the option of the acquirer. The promissory notes are carried at a fair value of \$12.6 million.

7. LOANS PAYABLE

Loans payable consist of loans payable to Gateway Casinos Inc. (“Gateway Casinos”) totalling \$100.4 million. The loans are non-interest bearing, repayable on demand, and are collateralized by the units held by Clairvest in the limited partnership that owns Gateway Casinos.

8. SHARE CAPITAL

During the fourth quarter of fiscal 2008, the Company filed a normal course issuer bid enabling it to make purchases of up to 797,178 common shares in the 12-month period commencing March 6, 2008. During the first quarter of fiscal 2009, the Company made no purchases under this issuer bid. In total 2,544,424 common shares at a cost of \$21.9 million have been purchased under this, and previous, normal course issuer bids as of June 30, 2008. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation from a financial institution outside of the normal course issuer bid.

15,943,566 common shares were outstanding at June 30, 2008.

9. RELATED PARTY TRANSACTIONS

- (a) Clairvest has entered into a Management Agreement with the General Partner of Clairvest Equity Partners Limited Partnership (“CEP”), appointing Clairvest as the Manager of CEP. The General Partner is a wholly-owned subsidiary of Clairvest (“Subsidiary”). The Management Agreement provides that a management fee be paid to Clairvest as compensation for its services in the administration of the portfolio of CEP. During fiscal 2007, Clairvest assigned the Management Agreement to a wholly-owned subsidiary of Clairvest (“GP III”). The fee was calculated annually as 2% of committed capital until the fifth anniversary of the last closing of CEP (August 21, 2006), and thereafter at 2% of contributed capital less distributions on account of capital and any write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP. During the first quarter of fiscal 2009, net management fees were \$0.3 million (2008 – \$0.3 million). As per the Management Agreement, fees of \$0.1 million (2008 – \$0.2 million) from corporate investments of CEP were netted against the management fees.
- (b) 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 equal to 20% of net gains of CEP. These distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are 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 and GP III (the “Participation Investors”). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors. To date, CEP has not made any distributions to the General Partner. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to \$9.9 million of distributions.
- (c) During fiscal 2007, the Company closed Clairvest Equity Partners III Limited Partnership (“CEP III”), a successor fund to CEP. Clairvest is the parent company of the two General Partners of CEP III (“GP I” and “GP II”). GP I is entitled to a 2% priority distribution from CEP III. The 2% priority distribution began in August 2006, the month in which CEP III made its first investment. The priority distribution is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP III. During the first quarter of fiscal 2009, net priority distributions were \$1.0 million (2008 – \$1.1 million). As per the Limited Partnership Agreement, fees of \$0.1 million (2008 – \$19,000) from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of gains of CEP III determined as described in note 9(d) below.
- (d) GP II, a limited partnership, the general partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. These distributions to GP II, and GP I as noted in note 9(c) above, will be determined based on the overall performance of CEP III and no such distributions are permitted until CEP III’s limited partners have received all amounts contributed to CEP III and an 8% compound annual return on that amount. The distributions received by the GP II will be allocated to each of its two limited partners, one of which is a wholly-owned subsidiary of Clairvest which will receive 44.4% of such distributions to June 23, 2008 and 54.2% thereafter, and the other of which is another limited partnership (the “Participation III Partnership”)

which will receive 55.6% of such distributions to June 23, 2008 and 45.8% thereafter. The limited partners of the Participation III Partnership are principals and employees of Clairvest and a wholly-owned subsidiary of Clairvest (the "Participation III Investors"). The Participation III Investors purchased, at fair market value, units of the Participation III Partnership during the second quarter of fiscal 2007. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors. To date, CEP III has not made any distributions to GP II.

- (e) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company, GP III and officers of corporate investments totalling \$0.6 million (2008 – \$0.7 million). The share purchase loans bear interest fixed 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 \$1.0 million (2008 – \$1.1 million). \$0.5 million of these loans have been repaid subsequent to quarter end. Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totalling \$0.8 million (2008 – \$0.7 million). The loans to officers of a company affiliated with Clairvest bear interest at rates commensurate with prime, 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 \$1.7 million (2008 – \$2.7 million), from CEP totalling \$0.7 million (2008 – 0.5), and from CEP III totalling \$1.4 million (2008 – \$0.1 million). Included in accounts payable and accrued liabilities is \$0.4 million (2008 – \$0.4 million) owing to corporate investments.
- (f) Loans totalling \$2.0 million advanced to CEP in previous quarters were repaid in full during the quarter.
- (g) Loans totalling \$5.1 million, bearing interest at the prime rate, were made by the Company to CEP III during the first quarter of fiscal 2009. \$3.7 million of these loans, together with \$17.5 million of loans outstanding from the prior quarter, were repaid during the quarter. Interest of \$61,000 was earned from loans to CEP III during the first quarter of fiscal 2009.
- (h) Loans totalling \$0.4 million, bearing interest at the prime rate, were made by the Company to Wellington Financial Fund II ("Wellington Fund II") during the first quarter of fiscal 2009. Interest of \$2,000 was earned from loans to Wellington Fund II during the first quarter of fiscal 2009. The loans were repaid in full subsequent to quarter end.
- (i) During the first quarter of fiscal 2009, Clairvest earned \$0.7 million (2008 - \$1.9 million) in interest and distributions, and \$0.2 million in fee income (2008 – \$0.4 million) from its corporate investments. Clairvest paid nil (2008 - \$0.5 million) in interest to a Gateway Casinos entity.

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

During the first quarter of fiscal 2009, 20,000 options were exercised under the cash settlement plan for \$0.2 million, all but \$40,000 of which had been accrued in previous quarters. At June 30, 2008, a total of 1,092,000 options were outstanding under Clairvest's stock option plan.

As a result of a cash settlement feature in Clairvest's stock option plan, 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 June 30, 2008, Clairvest recognized a stock-based compensation expense of \$1.0 million (2008 – \$3.7 million).

As at June 30, 2008, a total of 130,401 (2008 – 101,263) Deferred Share Units were held by directors of the Company, the accrual in respect of which was \$1.9 million (2008 - \$1.5 million) and has been included in accounts payable and accrued liabilities.

As at June 30, 2008, 90,000 (2008 – 90,000) Appreciation DSUs were held by directors of the Company, the accrual in respect of which was \$0.2 million (2008 – \$0.1 million) and has been included in accounts payable and accrued liabilities.

As at June 30, 2008, a total of 518,000 (2008 – 431,000) Book Value Appreciation Rights Units were held by employees of Clairvest and a company affiliated with Clairvest, the accrual in respect of which was \$1.1 million (2008 - \$0.8 million) and has been included in accounts payable and accrued liabilities.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations at June 30 is detailed as follows:

	2008	2007
Accounts receivable and other assets	\$ (481)	\$ 707
Accounts payable and accrued liabilities	1,406	1,189
Income taxes payable	695	—
	\$ 1,620	\$ 1,896

Cash and cash equivalents at the balance sheet dates are comprised of the following:

	June 30 2008	March 31 2008
Cash	\$ 6,495	\$ 2,150
Cash equivalents	64,796	55,170
	\$ 71,291	\$ 57,320

12. FINANCIAL INSTRUMENTS

As at June 30, 2008, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Forward contracts to sell US\$29.3 million [2008 - US\$20.3 million] at rates of Canadian \$0.9917 to \$1.0232 per U.S. dollar through April 2009 [average rate of \$1.0114; 2008 - average rate of \$1.0036]. The fair value of these contracts at June 30, 2008 is a loss of \$0.2 million [2008 - \$0.5 million] and has been recognized on the consolidated balance sheet as derivative instruments.

A forward contract to sell Chilean Unidad de Fomento (“UF”) 0.2 million [2008 - UF0.2 million] at rate of Canadian \$42.6750 per UF through January 2009 [average rate of \$42.6750; 2008 – average rate of \$42.6750]. The fair value of this contract at June 30, 2008 is a gain of \$0.7 million [2008 – loss of \$0.9 million] and has been recognized on the consolidated balance sheet as derivative instruments.

13. 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, \$4.0 million of which remains unfunded at June 30, 2008. 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 also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest’s total co-investment commitment is \$75.0 million, \$45.4 million of which remains unfunded at June 30, 2008. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it, as manager of CEP III, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.
- (c) Clairvest has also committed \$25.0 million to Wellington Fund III, \$17.4 million of which has been funded at June 30, 2008. As a result of the closing of Wellington Fund III, the unfunded capital commitments to Wellington Fund II can no longer be called. At June 30, 2008, net funds invested in Wellington Fund II was \$1.9 million. At June 30, 2008, Clairvest has received profit distributions totalling \$1.7 million through its ownership interest in the general partner of Wellington Fund II and \$0.5 million through its ownership

interest in the general partner of Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective general partners, the clawback provisions entered into by the general partners in the event the limited partners of Wellington Fund II and Wellington Fund III do not meet their preferred rate of return as specified in the respective Limited Partnership Agreement.

- (d) Clairvest has guaranteed up to \$7.0 million of CEP's obligations to a Schedule 1 Chartered Bank under CEP's foreign exchange forward contracts with the bank.
- (e) Clairvest and CEP III have a US\$13.0 million credit facility agreement with a Schedule 1 Chartered Bank to enter into foreign exchange contracts. Clairvest and CEP III are jointly and severally liable on this credit facility.
- (f) Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management as a bonus annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At June 30, 2008, \$11.3 million (2008 – \$10.5 million) has been accrued under the Program, of which \$10.0 million has been paid subsequent to quarter end. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of \$1.5 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the \$1.5 million has not been accrued at June 30, 2008.
- (g) During fiscal 2006, Clairvest, together with CEP and Shepell-fgi management, purchased Shepell-fgi. As part of the transaction, Clairvest guaranteed a \$4.6 million note payable by Shepell-fgi to the vendors, as well as interest payable on the note. The note is subject to claims Clairvest and CEP may have with respect to representations and warranties. The amount of the guarantee is allocated 75% to CEP, to the extent that the amounts paid thereunder are within the limits of the CEP Limited Partnership Agreement, and the remainder is allocated to Clairvest. The guarantee expires on January 9, 2009. At June 30, 2008, the guarantee was \$1.8 million.
- (h) During fiscal 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, B.V. has indemnified the purchaser for various claims which will reduce over time.
- (i) During fiscal 2008, Gateway Casinos sold substantially all of its assets, as well as shares of a joint venture entity in which it held a 50% interest. Subject to certain conditions, Clairvest is entitled to receive up to an additional \$2.1 million through to December 2008. Subsequent to quarter end, Clairvest received \$1.1 million of these escrow proceeds.
- (j) Clairvest, together with CEP, has guaranteed to fund any cost overruns during the construction of the Tsuu T'ina charitable casino, as well as any operating deficiencies upon the opening of the casino for a specified period of time. The amount of the guarantee is allocated 75% to CEP, to the extent that the amounts paid thereunder are within the limits of the CEP Limited Partnership Agreement, and the remainder is allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP, allocated on the same basis as the participation between Clairvest and CEP in the guarantee funding.
- (k) Clairvest, together with CEP III, has guaranteed to fund 50% of any cost overruns during the construction of Casino del Sol, as well as any operating deficiencies upon the opening of the casino for a specified period of time. The amount of the guarantee is allocated 75% to CEP III to the extent the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, and the remainder is allocated to Clairvest. Any amounts paid under the guarantee will result in additional equity being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding.
- (l) As part of the holding structure of Casino del Sol, Clairvest, together with CEP III, borrowed \$32.1 million through an acquisition entity from an unrelated financial institution, while another acquisition entity

deposited \$32.1 million with the financial institution as security for the loan. Clairvest intends to settle the loan and the deposit simultaneously upon the divestiture of the investment in Casino del Sol, and as a result, the deposit and the loan have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 25% at June 30, 2008, with CEP III owning the remaining 75%.

- (m) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

14. RISK MANAGEMENT

The merchant banking business is about accepting risk for return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and their management are described below.

Credit risk, market risk and liquidity risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. Market risk includes exposure to fluctuations in interest rates, currency rates and the fair value of the Company's investments. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due.

The Company manages credit and market risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and active involvement with existing investments and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investees periodically.

The Company has minimal exposure to the financial markets, as approximately 0.2% of the fair value of the Company's corporate investments at June 30, 2008, was in publicly-traded companies. A sensitivity analysis on market risk is therefore not disclosed due to the Company's minimal exposure to market risk. The Company is a value investor and focuses on the intrinsic value related to the specific company's outlook and therefore acts independently of the overall valuation by the market. The entry multiples for its public holdings have generally been less than other public companies in the same industries and therefore the cost of these holdings have a value cushion in the event of any general market value fluctuations.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the carrying value of its foreign investments. The Company manages credit risk on derivative financial instruments and cash and cash equivalents by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

Fluctuations in interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. The Company manages interest rate risk and credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income investment policies that are approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of temporary investments periodically.

Clairvest believes its liquidity risk is minimal given its financial position.

Business risk

The Company faces a broad range of business risks including internal control risks and various forms of litigation. The Company, its Audit Committee and its Board of Directors monitor risks on an ongoing basis.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital invested in CEP and CEP III. At June 30, 2008, Clairvest had cash, cash equivalents and temporary investments of \$210.9 million, in addition to the \$185.6 million of corporate investments. Clairvest also had access to \$148.2 million of uncalled committed third-party capital for acquisitions through CEP and CEP III to June 30, 2008.

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support the growth of its existing investees;
- Achieve an appropriate risk adjusted return on capital;
- Build the long-term value of its investee companies; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest on the profits of the third-party participants.

16. SUBSEQUENT EVENTS

Subsequent to quarter end, Clairvest committed \$8.0 million to build Casino New Brunswick, a destination casino, hotel and multi-use entertainment and convention centre. Clairvest funded \$0.7 million of this commitment subsequent to quarter end.