

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

- Clairvest purchased 155,200 common shares during the quarter for \$1.6 million under its normal course issuer bid
- Clairvest paid a \$1.9 million dividend, or \$0.10 per share
- September 30, 2005 book value \$12.43 per share, versus \$12.85 at June 30, 2005
- On October 3, 2005, Clairvest and Clairvest Equity Partners Limited Partnership closed the \$16.0 million investment in WarrenShepell

Toronto, Ontario (November 10, 2005) – Clairvest Group Inc. (TSX:CVG) today reported its results for the second quarter ended September 30, 2005. *(All figures are in Canadian dollars unless otherwise stated).*

Clairvest's book value decreased by \$8.7 million during the quarter to \$238.7 million, or to \$12.43 per share, compared with \$12.85 per share at June 30, 2005. The decrease resulted from purchases made under Clairvest's normal course issuer bid and a net loss of \$7.2 million. The net loss was primarily a result of unrealized losses on investments. As more fully discussed in the MD&A, the unrealized losses during the quarter were due principally to the decline in the market value of Gateway Casinos Income Fund.

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

"We are very pleased with our partnership with WarrenShepell management to purchase this company," said Ken Rotman, co-CEO of Clairvest. "WarrenShepell is well positioned in the marketplace and strongly equipped to continue its record of success."

"While the uncertainty in the income trust market has impacted our book value, we remain confident in the underlying economics of the businesses in our portfolio," said Mr. Rotman.

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 September 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 \$7.2 million for the second quarter of fiscal 2006 compared with net income of \$4.5 million for the second quarter of fiscal 2005.

During the quarter, Clairvest reversed previously recognized unrealized gains of \$0.4 million from Wellington Financial Fund II. The previously recognized unrealized gains were reversed upon the receipt of distributions from Wellington Financial Fund II during the quarter.

Clairvest had net unrealized losses on investments of \$8.3 million for the second quarter of fiscal 2006, compared with net unrealized gains of \$6.0 million for the second quarter of fiscal 2005. The net unrealized losses for the second quarter of fiscal 2006 resulted from:

- A \$4.1 million downward adjustment to the fair value of Clairvest's investment in Gateway Casinos Inc. The casinos in Gateway Casinos Inc. are valued based on a multiple of earnings which is linked to the quoted market price of the Gateway Casinos Income Fund units. As a result, downward movement in the trading price of Gateway Casinos Income Fund resulted in a downward adjustment to the fair value of Gateway Casinos Inc.;

- A \$2.9 million downward adjustment to the fair value of Gateway Casinos Income Fund as a result of the downward movement in the trading price; and
- Other movements in quoted market prices, movements in foreign exchange and dividends that are accruing on cumulative shares.

Interest income for the quarter was \$2.1 million, compared with \$1.5 million for the same quarter last year. Interest income for the first quarter of fiscal 2006 includes distributions of \$0.5 million from Gateway Casinos Income Fund, \$0.5 million from Voxcom Income Fund and \$0.4 million from Wellington Financial Fund II. Interest income for the second quarter of fiscal 2005 included \$0.9 million in distributions from Gateway Casinos Income Fund.

Dividend income for the quarter was \$85,000, compared with nil for the second quarter of fiscal 2005. Dividend income for the second quarter of fiscal 2006 represents 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 \$1.2 million, compared with \$3.9 million for the same quarter last year. Included in administration and other expenses for the second quarter of fiscal 2005 was \$2.7 million accrued under Clairvest's Incentive Bonus Program.

Finance expense of \$0.5 million for the quarter represents \$0.3 million in interest on the loan payable to a subsidiary of Gateway Casinos Inc. and \$0.2 million in costs on foreign exchange forward contracts. Finance expense of \$0.9 million for the second quarter of fiscal 2005 represents \$0.6 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 \$
September 30, 2005	(5,628)	(7,154)	(0.37)	(0.37)
June 30, 2005	4,989	(1,996)	(0.10)	(0.10)
March 31, 2005	18,947	14,345	0.73	0.69
December 31, 2004	11,920	8,995	0.45	0.43
September 30, 2004	8,229	4,458	0.22	0.21
June 30, 2004	6,222	2,092	0.10	0.10
March 31, 2004	13,642	9,199	0.44	0.43
December 31, 2003	18,037	14,152	0.69	0.66

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 \$85.7 million at September 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 \$3.2 million were made to CEP during the quarter. The loans bore interest at the prime rate, and were payable on demand. The loans, together with interest thereon, were repaid subsequent to quarter-end.

At September 30, 2005, Clairvest had loans totalling \$27.9 million from Gateway Casinos Inc. entities comprised of:

- (a) \$12.6 million 30-year, non-interest bearing loan that is repayable on demand. The loan is collateralized by the units held by Clairvest in the limited partnership that owns Gateway Casinos Inc.
- (b) \$15.0 million 30-year loan bearing interest at 8.05% per annum, that is collateralized by the units held by Clairvest in Gateway Casinos Income Fund. The loan must be repaid as the units in Gateway Casinos Income Fund are disposed of.
- (c) \$0.4 million 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 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 September 30, 2005, Clairvest had recognized stock-based compensation of \$3.6 million with respect to the stock options currently outstanding.

During the fourth quarter of fiscal 2005, Clairvest filed a 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 44,800 common shares at a cost of \$0.5 million. Also during the quarter, Clairvest purchased 110,400 common shares at a cost of \$1.1 million that were cancelled subsequent to quarter-end. To date Clairvest has purchased 854,689 common shares under the existing normal course issuer bid at a cost of \$8.4 million. In total 2,467,441 common shares at a cost of \$21.1 million have been purchased under this and all previous normal course issuer bids as of September 30, 2005.

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

Landauer Metropolitan Inc.

During the quarter, Clairvest provided a \$0.4 million bridge loan to Landauer. The loan bears interest at a rate of 14% to July 2006, 17% from August 2006 to January 2007, and 20% thereafter. If the loan has not been repaid by January 2007, Clairvest has the option to convert it to common shares.

N-Brook Mortgage LP

During the quarter, Clairvest funded \$0.6 million of its \$5.0 million commitment to N-Brook Mortgage L.P., bringing the total funded amount to \$2.1 million.

Wellington Financial Fund II

During the quarter, Clairvest funded \$0.4 million of its \$20.0 million commitment to Wellington Financial Fund II, bringing the total funded amount to \$8.2 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 second 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 Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.

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

At September 30, 2005 Clairvest had loaned \$3.2 million to CEP. The loans bore interest at the bank's prime rate of 4.25% to 4.5%. The loans, together with interest thereon, were repaid subsequent to quarter-end.

During the quarter, Clairvest loaned \$0.3 million to Wellington Financial Fund II. The loan bore interest at the bank's prime rate of 4.25%. The loan, together with interest thereon, was repaid during the quarter.

Clairvest has also entered into various transactions with its corporate investments. During the second quarter of fiscal 2006 Clairvest received \$1.5 million in interest and \$0.4 million in advisory and other fees from its corporate investments. During the second quarter of fiscal 2006 Clairvest paid \$0.3 million in interest on a loan from a Gateway Casinos entity. At September 30, 2005, Clairvest had accounts receivable from corporate investments totalling \$1.1 million and from CEP totalling \$1.3 million.

At September 30, 2005, Clairvest had loans receivable from certain officers of the Company or officers of corporate investments (the "Officers") totalling \$0.4 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest purchased by the Officers with a market value of \$0.6 million. At September 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 \$24.4 million has been funded to September 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, \$8.2 million of which has been funded to September 30, 2005.

Clairvest has committed \$5.0 million to N-Brook Mortgage LP, subject to N-Brook management achieving certain targets. \$2.1 million of Clairvest's commitment has been funded to September 30, 2005.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign investments. At September 30, 2005, Clairvest had entered into forward contracts to sell AUS\$31.3 million and US\$13.7 million. The fair value of these contracts at September 30, 2005 is a gain of \$1.9 million on the Australian dollar contracts and a gain of \$0.7 million on the U.S. dollar contracts. The Australian dollar contracts which, in accordance with hedge accounting, are required to be marked to market, have a fair value of a gain of \$0.6 million, which has been recognized on the consolidated balance sheet as derivative instruments market valuation. The U.S. dollar contracts which, in accordance with hedge accounting, are required to be marked to market, have a fair value of a gain of \$0.6 million, which has been recognized on the consolidated balance sheet as derivative instruments market valuation.

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

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 project is now complete and the amount of the cost overruns was not significant. Clairvest was released from the Cost Overrun Agreement subsequent to quarter-end.

Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax income, based on cash income and cash realizations on Clairvest's corporate investments, is paid to management as a bonus. Amounts are accrued under this plan with respect to cash income and cash realizations made during the year. If Clairvest were to sell its corporate investments at their current fair values, a bonus of \$2.9 million would be owing to management under the Incentive Bonus Program. This amount has not been reflected in Clairvest's consolidated financial statements.

SUBSEQUENT EVENT

On October 3, 2005 Clairvest, together with CEP and WarrenShepell management, purchased WarrenShepell, Canada's leading provider of Employee Assistance Programs. As part of the purchase price, Clairvest also guaranteed a \$4.55 million note payable to the vendors, as well as interest payable on the note. The note is subject to claims Clairvest may have with respect to representations and warranties. Any amounts paid under the guarantee will result in additional equity ownership being granted to Clairvest and CEP, allocated 25% to Clairvest and 75% to CEP. CEP will reimburse Clairvest for 75% of any amounts paid under the guarantee.

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	September 30 2005	March 31 2005
ASSETS		
Cash and cash equivalents	\$ 31,791	\$ 1,828
Temporary investments	53,891	101,203
Accounts receivable and other assets (Note 5b and 5c)	4,840	4,529
Loans receivable (Note 5d)	3,225	5,623
Derivative instruments market valuation (Note 8)	1,204	—
Corporate investments (Note 2)	179,113	180,246
	\$ 274,064	\$ 293,429
LIABILITIES		
Accounts payable	\$ 1,944	\$ 4,759
Loans payable (Note 3)	27,932	28,788
Derivative instruments market valuation	—	112
Deferred gain on foreign exchange forward contracts	377	558
Future tax liability	1,510	2,182
Stock-based compensation (Note 6)	3,555	—
	35,318	36,399
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	103,077	106,704
Shares purchased for cancellation	—	(80)
Stock-based compensation	—	138
Retained earnings	135,669	150,268
	238,746	257,030
	\$ 274,064	\$ 293,429

(see accompanying notes to interim consolidated financial statements)

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

\$000's (except per share information)	Quarter ended September 30		Six months ended September 30	
	2005	2004	2005	2004
Net investment gains				
Net realized gains on investments	\$ -	\$ 13,0	\$ 26	\$ 12,007
Previously recognized net unrealized gains	(40)	(13,4	(61)	(12,308)
Net unrealized gains (losses) on investments	(8,3)	6,0	(5,9)	9,545
	(8,7)	5,6	(6,27)	9,244
Other income				
Interest income (Note 5f)	2,00	1,5	3,50	3,206
Dividend income	1	-	16	-
Management fees (Note 5a)	5	6	1,23	1,323
Advisory and other fees (Note 5f)	3	4	72	678
	3,0	2,6	5,63	5,207
Administration and other expenses (Note 6)	1,1	3,8	6,73	5,157
Finance expense (Note 5f)	4	5	99	1,879
	1,6	4,7	7,72	7,036
Income (loss) before income taxes	(7,2)	3,4	(8,36)	7,415
Income taxes (recovered)	(1)	(1,0	78	865
Net income (loss)	\$ (7,1)	\$ 4,4	\$ (9,15)	\$ 6,550
Basic net income (loss) per share	\$ (0.)	\$ 0	\$ (0.47)	\$ 0.32
Fully diluted net income (loss) per share	\$ (0.)	\$ 0	\$ (0.47)	\$ 0.31

(see accompanying notes to interim consolidated financial statements)

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

\$000's	Quarter ended September 30		Six months ended September 30	
	2005	2004	2005	2004
Retained earnings, beginning of period	\$ 143,05	\$ 123,51	\$ 150,268	\$ 124,640
Net income (loss)	(7,15)	4,4	(9,15)	6,550
	135,89	127,9	141,117	131,190
Dividends declared	-	-	(1,925)	(2,007)
Purchase and cancellation of shares (Note 4)	(22)	(6)	(3,523)	(1,880)
Retained earnings, end of period	\$ 135,66	\$ 127,30	\$ 135,669	\$ 127,303

(see accompanying notes to interim consolidated financial statements)

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

\$000's	Quarter ended September 30		Six months ended September 30	
	2005	2004	2005	2004
Cash flows from operating activities				
Net income (loss)	\$ (7,155)	\$ 4,458	\$ (9,151)	\$ 6,550
Add (deduct) items not involving a current cash outlay				
Amortization	22	22	45	44
Stock-based compensation	(367)	14	3,471	33
Future income taxes (recovered)	(1,004)	(3,170)	(672)	(1,658)
Net realized losses on investments	—	(13,059)	(261)	(12,007)
Previously recognized net unrealized gains	403	13,459	619	12,308
Net unrealized (gains) losses on investments	8,315	(6,029)	5,912	(9,545)
Non-cash income relating to corporate investments	(378)	239	58	497
	<u>(164)</u>	<u>(4,066)</u>	<u>21</u>	<u>(3,778)</u>
Net change in non-cash working capital balances related to operations	<u>(3,329)</u>	<u>2,253</u>	<u>(3,030)</u>	<u>3,832</u>
	<u>(3,493)</u>	<u>(1,813)</u>	<u>(3,009)</u>	<u>54</u>
Cash flows from financing activities				
Cancellation of common shares	(459)	(1,775)	(7,344)	(4,968)
Shares purchased for cancellation	(1,103)	(681)	(1,103)	(692)
Issuance of common shares	—	194	1,297	194
Dividends paid	(1,925)	(2,007)	(1,925)	(2,007)
Loans payable	140	16,827	281	17,236
Repayment of loans payable	—	(18,652)	(1,137)	(20,005)
	<u>(3,347)</u>	<u>(6,094)</u>	<u>(9,931)</u>	<u>(10,242)</u>
Cash flows from investing activities				
Net temporary investments	1,691	11,009	47,312	15,322
Acquisition of corporate investments	(1,529)	(3,778)	(6,316)	(4,983)
Proceeds on corporate investments	—	31,711	360	31,948
Loan receivable	(3,477)	—	(16,892)	—
Receipt of loan receivable	252	—	19,149	—
Proceeds (costs) on realization of foreign exchange forward contracts	152	—	(1,009)	—
Return of capital from corporate investments	—	(37)	299	(37)
	<u>(2,911)</u>	<u>38,905</u>	<u>42,903</u>	<u>42,250</u>
Net increase in cash and cash equivalents	(9,751)	30,998	29,963	32,062
Cash and cash equivalents, beginning of period	41,542	5,759	1,828	4,695
Cash and cash equivalents, end of period	\$ 31,791	\$ 36,757	\$ 31,791	\$ 36,757
Supplemental cash flow information				
Income taxes paid	\$ 398	\$ 856	\$ 2,901	\$ 2,480
Interest paid	\$ 301	\$ 681	\$ 610	\$ 1,365

(see accompanying notes to interim consolidated financial statements)

CLAIRVEST GROUP INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 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 September 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

	September 30, 2005			March 31, 2005		
	Fair Value	Cost	Difference	Fair Value	Cost	Difference
Investments in publicly traded companies						
Datamark Systems Group Inc.	\$ 14,984	\$ 14,421	\$ 563	\$ 14,514	\$ 14,421	\$ 93
Gateway Casinos Income Fund	23,556	15,007	8,549	28,090	15,007	13,083
Voxcom Income Fund	14,698	11,187	3,511	—	—	—
	53,238	40,615	12,623	42,604	29,428	13,176
Investments in privately held companies						
Allied Global Holdings Inc.	4,539	3,000	1,539	4,323	3,000	1,323
Consolidated Vendors Corporation	163	7,139	(6,976)	239	7,035	(6,796)
Gateway Casinos Inc.	54,833	24,000	30,833	59,921	24,000	35,921
Integral Orthopedics Inc.	3,875	3,875	—	—	—	—
Landauer Metropolitan Inc.	4,809	4,087	722	4,234	3,636	598
N-Brook Mortgage LP	2,138	2,092	46	1,169	1,150	19
NRI Industries Inc.	10,077	17,613	(7,536)	10,080	17,613	(7,533)
Signature Security Group Holdings Pty. Limited	29,706	28,421	1,285	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	9,049	8,241	808	8,775	7,361	1,414
	124,189	103,468	20,721	135,801	108,702	27,099
Other investments	1,686	42	1,644	1,841	42	1,799
	\$ 179,113	\$ 144,125	\$ 34,988	\$ 180,246	\$ 138,172	\$ 42,074

In the second quarter of fiscal 2006, Clairvest provided a \$0.4 million bridge loan to Landauer. The loan bears interest at a rate of 14% to July 2006, 17% from August 2006 to January 2007, and 20% thereafter. If the loan has not been repaid by January 2007, Clairvest has the option to convert it to common shares.

During the quarter, Clairvest funded \$0.6 million of its \$5.0 million commitment to N-Brook Mortgage LP, bringing the total funded amount to \$2.1 million at September 30, 2005.

Also during the quarter, Clairvest funded \$0.4 million of its \$20.0 million commitment to Wellington Financial Fund II, bringing the total funded amount to \$8.2 million at September 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.
- (b) \$15.0 million 30-year loan from a subsidiary of Gateway Casinos Inc. The loan bears interest at 8.05% per annum, and is collateralized by the units held by Clairvest in Gateway Casinos Income Fund. The loan must be repaid as the units in Gateway Casinos Income Fund are disposed of.
- (c) Loans totalling \$0.4 million from the limited partnership that owns Gateway Casinos Inc. These loans are non-interest bearing and repayable on demand at any time after December 31, 2005.

4. SHARE CAPITAL

During the fourth quarter of fiscal 2005 the Company filed a normal course issuer bid enabling it to make purchases of up to 877,472 common shares in the 12-month period commencing March 4, 2005. During the second quarter of fiscal 2006, the Company purchased and cancelled under its normal course issuer bid 44,800 common shares at a cost of \$0.5 million. Also during the quarter, Clairvest purchased 110,400 common shares at a cost of \$1.1 million that were cancelled subsequent to quarter-end. To date Clairvest has purchased 854,689 common shares under the existing normal course issuer bid at a cost of \$8.4 million. In total 2,467,441 common shares at a cost of \$21.1 million had been purchased under this, and previous, normal course issuer bids as of September 30, 2005.

16,975,149 common shares and 2,230,954 non-voting shares were outstanding at September 30, 2005.

5. RELATED PARTY TRANSACTIONS

- (a) During the second quarter of fiscal 2006, CEP paid Clairvest net management fees of \$0.6 million (2005 – \$0.6 million) as compensation for its services in the administration of the portfolio of CEP.
- (b) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company or officers of corporate investments totalling \$0.4 million (2005 – \$0.9 million) and other loans made to certain officers of a company affiliated with Clairvest totalling \$0.2 million (2005 - \$0.2 million). The share purchase loans bear interest at the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$0.6 million (2005 – \$1.3 million). The loans to officers of a company affiliated with Clairvest bear interest at the prime rate on the date of drawdown less 1%, and interest is paid quarterly. Loans are repayable upon departure of the officer. Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$1.1 million (2005 – \$0.4 million) and from CEP totalling \$1.3 million (2005 – \$0.1 million).
- (c) Loans totalling \$3.2 million, bearing interest at the bank's prime rate of 4.25% - 4.5%, were made by the Company to CEP during the second quarter of fiscal 2006. These loans were repaid subsequent to the quarter-end. Interest of \$25,000 (2005 – \$3,000) was received from CEP during the second quarter of 2006.
- (d) Loans totalling \$0.3 million, bearing interest at the prime rate, were made by the Company to Wellington Financial Fund II during the second quarter of fiscal 2006 and were repaid, together with interest thereon, during the quarter.
- (e) During fiscal 2003, Clairvest entered into an agreement to guarantee up to \$7.0 million of CEP's obligations to Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (f) During the second quarter of fiscal 2006, Clairvest received \$1.5 million (2005 – \$0.9 million) in interest and \$0.4 million (2005 – \$0.4 million) in advisory and other fees from its corporate investments. During the second quarter of fiscal 2006, Clairvest paid \$0.3 million (2005 – \$0.6 million) in interest to Gateway Casinos Inc.

6. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

No options were granted or exercised during the quarter.

At September 30, 2005, a total of 1,522,000 options were outstanding under Clairvest's stock option plan. As a result of an amendment to add a cash settlement feature to Clairvest's stock option plan during the first quarter of fiscal 2006, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the balance sheet date, and the proportion of their vesting periods that have elapsed. For the quarter ended September 30, 2005, Clairvest recognized compensation expense of (\$0.4 million) with respect to the stock options currently outstanding.

As at September 30, 2005, a total of 58,677 (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 September 30, 2005, a total of 382,250 (2005 – 120,000) BVAR's were held by employees of Clairvest and a company affiliated with Clairvest, the accrual in respect of which was \$0.5 million (2005 – \$0.2 million).

7. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	<u>2005</u>	<u>2004</u>
Accounts receivable and other assets	\$ (354)	\$ 1,757
Accounts payable	(2,975)	496
	<u>\$ (3,329)</u>	<u>\$ 2,253</u>

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

	<u>2005</u>	<u>2004</u>
Cash	\$ 66	\$ 11,816
Cash equivalents	31,725	24,941
	<u>\$ 31,791</u>	<u>\$ 36,757</u>

8. FINANCIAL INSTRUMENTS

As at September 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 September 30, 2005 is a gain of \$1.9 million (2005 – gain of \$1.1 million). The contracts which, in accordance with hedge accounting, are required to be marked to market have a fair value of a gain of \$0.6 million, which has been recognized on the balance sheet as derivative instruments market valuation; and
- (ii) Forward contracts to sell US\$13.7 million (2005 – US\$3.7 million) at rates of Canadian \$1.1578 to \$1.2315 per U.S. dollar through July 2006 (average rate of \$1.2132; 2005 average rate of \$1.3393). The fair value of these contracts at September 30, 2005 is a gain of \$0.7 million (2005 – gain of \$0.3 million). The contracts which, in accordance with hedge accounting, are required to be marked to market have a fair value of a gain of \$0.6 million, which has been recognized on the consolidated balance sheet as derivative instruments market valuation.

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 \$24.4 million has been funded to September 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, \$8.2 million of which has been funded to September 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. \$2.1 million of Clairvest's commitment has been funded to September 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 September 30, 2005, \$3.1 million of the guaranteed amount was reflected on the consolidated balance sheet, as a reduction in the fair value of Clairvest's investment in Consolidated Vendors.
- (e) During fiscal 2003, Clairvest entered into an agreement to guarantee up to \$7.0 million of CEP's obligations to Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (f) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash income and cash realizations on Clairvest's corporate investments would be paid to management as a bonus. Amounts are accrued under this plan with respect to cash income and cash realizations made during the year. If Clairvest were to sell its corporate investments at their current fair values, a bonus of \$2.9 million (2004 - \$1.2 million) would be owing to management under the Incentive Bonus Program.
- (g) A wholly-owned subsidiary of Clairvest together with certain other unit holders (the "Unit Holders") hold 20% of the outstanding units of Gateway Casinos Income Fund. The Unit Holders have agreed that they will take all necessary steps to collectively maintain the 20% ownership among the Unit Holders and in connection with any additional issue of units of Gateway Casinos Income Fund to ensure that their collective ownership of the Fund is maintained at 20% of the issued and outstanding units.
- (h) During the third quarter of fiscal 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 project is now complete and the amount of the cost overruns was not significant. Clairvest was released from the Cost Overrun Agreement subsequent to quarter-end.

10. SUBSEQUENT EVENT

On October 3, 2005, Clairvest, together with CEP and WarrenShepell management, purchased WarrenShepell, Canada's leading provider of Employee Assistance Programs. As part of the purchase price, Clairvest also guaranteed a \$4.55 million note payable to the vendors, as well as interest payable on the note. The note is subject to claims Clairvest may have with respect to representations and warranties. Any amounts paid under the guarantee will result in additional equity ownership being granted to Clairvest and CEP, allocated 25% to Clairvest and 75% to CEP. CEP will reimburse Clairvest for 75% of any amounts paid under the guarantee.