

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2018

June 27, 2018

The Management's Discussion and Analysis ("MD&A") of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the audited annual consolidated financial statements and related notes for the year ended March 31, 2018 ("consolidated financial statements").

The following MD&A is the responsibility of Management and is as at June 27, 2018. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

### INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV"), Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A"), Clairvest Equity Partners V Limited Partnership ("CEP V"), CEP V HI India Investment Limited Partnership ("CEP V India") and Clairvest Equity Partners V-A Limited Partnership ("CEP V-A") (together, the "CEP Funds") in carefully selected companies that have the potential to generate superior returns.

Clairvest also manages third-party capital through the CEP Funds and provides loans to and earns priority distributions or management fees and carried interest from the CEP Funds, which meet the definition of structured entities under International Financial Reporting Standards ("IFRS"). The Company concluded that its ownership interests in the CEP Funds do not meet the definition of control under IFRS. Accordingly, the financial positions and operating results of the CEP Funds are not included in Clairvest's consolidated financial statements.

The Company's consolidated financial statements include those subsidiaries which provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of these entities. Such entities would include those which earn priority distributions or management fees and carried interest from the CEP Funds. The following entities, which are significant in nature, provide investment-related services on behalf of the Company.

- Clairvest GP Manageco Inc.
- Clairvest GP (GPLP) Inc.
- CEP MIP GP Corporation
- Clairvest USA Limited
- Clairvest General Partner Limited Partnership
- Clairvest General Partner III Limited Partnership
- Clairvest General Partner IV Limited Partnership
- Clairvest General Partner V Limited Partnership

Clairvest employs various acquisition entities in structuring its investments, all of which are controlled by Clairvest. These acquisition entities, which are accounted for at fair value in accordance with IFRS as described in the Critical Accounting Estimates section of the MD&A, include the following:

- 2141788 Ontario Corporation ("2141788 Ontario")
- 2486303 Ontario Inc. ("2486303 Ontario")
- CEP III Co-Investment Limited Partnership ("CEP III Co-Invest")
- MIP III Limited Partnership ("MIP III")
- CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest")
- MIP IV Limited Partnership ("MIP IV")

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CEP V Co-Investment Limited Partnership ("CEP V Co-Invest")

MIP V Limited Partnership ("MIP V")

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly owned acquisition entity of Clairvest. 2486303 Ontario is a wholly owned acquisition entity of Clairvest, which together with Clairvest, directly and indirectly holds a 100% interest in Clairvest Equity Partners Limited Partnership ("CEP"). CEP was an investment fund held by third-party investors until December 2015. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, and CEP V Co-Invest and MIP V are described in the Transactions with Related Parties and Off-Statement of Financial Position Arrangements sections of the MD&A.

As at March 31, 2018, Clairvest, through these acquisition entities, had 17 core investments in 6 different industries and 4 countries. One was a joint investment with CEP III, eight were joint investments with CEP IV and CEP IV-A (together, the "CEP IV Fund"), and six were joint investments with CEP V, CEP V India and CEP V-A (together, the "CEP V Fund"). Clairvest also held investments in the Grey Eagle Casino and Wellington Financial.

The table below summarizes Clairvest's direct and indirect investee companies ("investee companies") as at March 31, 2018:

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## SUMMARY OF CLAIRVEST'S INVESTEE COMPANIES AS AT MARCH 31, 2018

Investee Company	Industry Segment	Geographic Segment	Ownership Percentage <sup>(18)</sup>	Cost of Investment (millions)	Net Cash Investment (millions) <sup>(19)</sup>	Fair Value of Investment (millions) <sup>(20)</sup>	Description of Business
<b>INVESTMENTS MADE BY CEP III CO-INVEST ALONGSIDE CEP III</b>							
Chilean Gaming Holdings <sup>(1)</sup>	Gaming	Chile	36.8%	\$ 28.8	\$ 16.0	\$ 60.1	An investment vehicle which holds an equity interest in various gaming entertainment complexes in Chile. <b>CEP III ownership:</b> 37.7%
<b>INVESTMENTS MADE BY CEP IV CO-INVEST ALONGSIDE CEP IV/CEP IV-A</b>							
Centaur Gaming <sup>(2)</sup>	Gaming	United States	Debt interest with stapled warrants (convertible upon exercise into 12.7%, subject to regulatory approval)	\$ 34.7	\$ 31.8	\$ 192.4	The owner and operator of the Hoosier Park Racing & Casino in Anderson, Indiana and the Indiana Grand Casino and Indiana Downs Racetrack ("Indiana Grand Casino") in Shelbyville, Indiana. <b>CEP IV and CEP IV-A ownerships:</b> debt interests with stapled warrants (convertible upon exercise into 16.5% and 2.6% respectively, subject to regulatory approval).
County Waste of Virginia, LLC ("County Waste") <sup>(3)</sup>	Waste Management	United States	13.0%	\$ 11.3	\$ 11.3	\$ 19.8	A private regional solid waste collection company servicing customers in the states of Virginia and Pennsylvania. <b>CEP IV and CEP IV-A ownerships:</b> 30.7% and 4.9% respectively
Davenport Land Investments <sup>(4)</sup>	Other	United States	18.7% (Davenport North) & 13.4% (Davenport South)	\$ 2.2	\$ 1.9	\$ 3.0	Comprised two entities ("Davenport North" and "Davenport South") holding real estate surrounding a casino development in Davenport, Iowa. <b>CEP IV and CEP IV-A ownerships:</b> 44.1% and 7.0% of Davenport North and 31.6% and 5.0% of Davenport South respectively
Discovery Air Inc. ("Discovery Air") / Top Aces <sup>(5)</sup>	Defence Services	Canada	29.9% and debt interest / 26.3%	\$ 55.5	\$ 37.9	\$ 44.9	Discovery Air is a specialty aviation services company operating across Canada and in select locations internationally. Top Aces is a supplier of advanced adversary services across three continents. <b>CEP IV and CEP IV-A ownerships:</b> 40.2% and 6.4% of Discovery Air and debt interest respectively 32.5% and 5.2% of Top Aces respectively
Impero Waste Systems, LLC ("Impero Waste") <sup>(6)</sup>	Waste Management	United States	6.1%	\$ 3.0	\$ (1.8)	\$ 4.1	A regional solid waste collection, recycling and disposal company servicing customers in the states of Connecticut and New York. <b>CEP IV and CEP IV-A ownerships:</b> 14.4% and 2.3% respectively
MAG Aerospace ("MAG") <sup>(7)</sup>	Defence Services	United States	10.3% and debt interest	\$ 5.1	\$ 5.1	\$ 21.2	A U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. <b>CEP IV and CEP IV-A ownerships:</b> 24.3% and 3.9% respectively
New Meadowlands Racetrack LLC (the "Meadowlands") <sup>(8)</sup>	Gaming	United States	Debt interest and equity investment rights	\$ 6.4	\$ 5.3	\$ 10.2	Operates North America's premier standardbred horse racing track located in East Rutherford, New Jersey. <b>CEP IV and CEP IV-A ownerships:</b> debt interests and equity investment rights
Rivers Casino <sup>(9)</sup>	Gaming	United States	5.0%	\$ 9.1	\$ (34.4)	\$ 23.8	A gaming entertainment complex located in Des Plaines, Illinois. <b>CEP IV and CEP IV-A ownerships:</b> 11.8% and 1.9% respectively

- (1) Clairvest held 30,446,299 units of Chilean Gaming Holdings, a partnership which held a 50% interest in Casino Marina del Sol and a 73.8% interest in each of Casino Osorno and Casino sol Calama.
- (2) Clairvest held US\$17.4 million in unsecured term loans with stapled warrants which, subject to regulatory approval, were convertible upon exercise into 12.7% of Class A and Class B units of Centaur Gaming.
- (3) Clairvest held 7,374.67 Class B units and a US\$1.7 million promissory note with a stated interest rate of 12% per annum from County Waste, and 174.3 units of Spare Lots, LLC ("Spare Lots"), a company affiliated with County Waste.
- (4) Clairvest held 1,408.81 units of Davenport North, 1,298.21 units of Davenport South and a US\$0.6 million promissory note from a partner of Davenport Land Investments.
- (5) Clairvest held 24,332,907 common shares of Discovery Air, \$22.0 million in convertible debentures with a stated interest rate of 10% per annum and \$4.9 million in debtor-in-possession financing loans. Clairvest also held 611.4 common shares of Top Aces.
- (6) Clairvest held 4,817.86 Class A units of Impero Waste.
- (7) Clairvest held 33,736 Class A stock of MAG Aerospace and advanced \$1.1 million in the form of promissory notes from MAG Aerospace Canada Corp., with a stated interest rate of 10% per annum.
- (8) Clairvest invested US\$5.4 million in the Meadowlands in the form of secured convertible debentures with a stated interest rate of 15% per annum and an additional US\$0.7 million in the form of preferred debt with a stated interest rate of 3% per annum. Clairvest also held warrants which entitle it to invest in equity securities subject to certain conditions.
- (9) Clairvest held 9,021,917 limited liability company units of Rivers Casino.

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<b>INVESTMENTS MADE BY CEP V CO-INVEST ALONGSIDE CEP V/CEP V-A</b>							
Accel Entertainment Inc. ("Accel Entertainment") <sup>(10)</sup>	Gaming	United States	7.5%	\$ 16.0	\$ 16.0	\$ 27.3	A licensed video gaming terminal operator in Illinois. <b>CEP V and CEP V-A ownerships:</b> 14.6% and 2.8% respectively
Ace2Three <sup>(11)</sup>	Gaming	India	33.6% and debt interest	\$ 56.0	\$ 56.0	\$ 40.2	An operator of an online, skilled based gaming platform in India providing an online rummy experience. <b>CEP V India and CEP V-A ownerships:</b> 35.2% and 8.6% respectively
Also Energy, Inc. ("Also Energy") <sup>(12)</sup>	Renewable Energy	United States	14.3%	\$ 6.0	\$ 6.0	\$ 6.2	A provider of software and hardware solutions that enable the monitoring and control of power production and plant operations for commercial, industrial, and utility-scale plants in the United States and around the world. <b>CEP V and CEP V-A ownerships:</b> 28.1% and 5.3% respectively
Digital Media Solutions, LLC ("Digital Media Solutions") <sup>(13)</sup>	Marketing Services	United States	13.9%	\$ 8.3	\$ 7.3	\$ 9.1	A digital media company which operates as a lead generation engine for companies in a variety of different industries. <b>CEP V and CEP V-A ownerships:</b> 27.3% and 5.2% respectively
GTA Gaming <sup>(14)</sup>	Gaming	Canada	0.6% (Ontario Gaming GTA) & 13.5% (Ontario Gaming West GTA)	\$ 0.6	\$ 0.6	\$ 0.6	Comprised two partnerships which operate gaming facilities in the Greater Toronto Area ("GTA") and the West GTA. <b>CEP V and CEP V-A ownerships:</b> 1.2% and 0.2% of Ontario Gaming GTA and 26.5% and 5.0% of Ontario Gaming West GTA respectively
Winters Bros. Waste Systems of Long Island Holdings, LLC ("Winters Bros. of LI") <sup>(15)</sup>	Waste Management	United States	14.0%	\$ 10.6	\$ 10.6	\$ 9.8	A regional solid waste collection, recycling and disposal company servicing customers in Long Island, New York. <b>CEP V and CEP V-A ownerships:</b> 27.5% and 5.2% respectively
<b>STANDALONE INVESTMENTS</b>							
Grey Eagle Casino <sup>(16)</sup>	Gaming	Canada	Equity participation	\$ 11.0	\$ (1.7)	\$ 11.3	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta.
Wellington Financial <sup>(17)</sup>	Financial Services	Canada	N/A	\$ —	\$ (24.7)	\$ 3.6	Provided debt capital and operating lines to venture capital backed technology, biotechnology, communications and industrial product companies in Canada and the United States.
<b>OTHER</b>				\$ 0.7	\$ 0.7	\$ 20.9	
<b>TOTAL</b>				\$ 265.3	\$ 144.0	\$ 508.5	

(9) Clairvest held 283,478 Class D preferred shares of Accel Entertainment.

(10) Clairvest held 202,230 common shares of Ace2Three and advanced \$22.9 million in the form of compulsory convertible debentures with a stated interest rate of 16% per annum.

(11) Clairvest held 1,013,062 Series A preferred stock of Also Energy.

(12) Clairvest held 6,150,000 Class B units of Digital Media Solutions.

(13) Clairvest held 1,254,000 limited partnership units of Ontario Gaming GTA Limited Partnership and 405,151.2 limited partnership units of Ontario Gaming West GTA Limited Partnership.

(14) Clairvest held 1,487,773 Class C units of Winters Bros. of LI. and 256,037 units of WBLI II, LLC, an affiliate to Winters Bros. of LI which is owned proportionately by the same unitholders as Winters Bros. of LI.

(15) Clairvest held an equity participation interest in the Grey Eagle Casino entitling to earnings between 11.25% to 38.25% of the earnings of Grey Eagle Casino until December 2022.

(16) Clairvest held a limited partner interest in Wellington Financial Fund III, Wellington Financial Fund IV and Wellington Financial Fund V and an interest in the general partner of the various Wellington Funds.

(17) Ownership percentage calculated on a fully diluted basis as at March 31, 2018.

(18) Net cash investment (proceeds) comprised cost net of dividends, interest and other distributions received but excludes advisory and other fees received, foreign income taxes incurred by acquisition entities and foreign exchange gains or losses on foreign exchange forward contracts entered into as economic hedges against Clairvest's foreign denominated investments.

(19) The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as economic hedges against Clairvest's foreign denominated investments is not included in this fair value.

**OVERVIEW OF FISCAL 2018**

An overview of the significant events during fiscal 2018 and those which occurred subsequent to year-end follows:

**Overall and Corporate**

- Clairvest's book value increased by \$117.1 million, or \$7.80 per share, to \$667.3 million or \$44.01 per share. The increase was primarily due to net income and comprehensive income ("net income") of \$8.15 per share, net of \$0.3621 per share in dividends paid. During fiscal 2018, 31,100 common shares were purchased and cancelled under the Normal Course Issuer Bid at an average price of \$37.27 per share, reducing the number of common shares outstanding to 15,162,995.
- For the year ended March 31, 2018, Clairvest recorded \$208.2 million in total revenue, comprised \$107.7 million in net investment gains, \$51.2 million in distributions and interest income, \$0.3 million in dividend income, \$46.5 million in net carried interest income from the CEP Funds and \$2.5 million in fees earned from the CEP Funds and Clairvest's investee companies. Total revenue for the prior fiscal year was \$131.5 million.
- Net income for the year ended March 31, 2018 was \$123.8 million compared to \$70.1 million in the prior fiscal year.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 760,677 of its common shares in the 12-month period commencing March 7, 2018. No purchases had been made under this bid to March 31, 2018 and 5,100 shares had been purchased and cancelled under this bid between April 1, 2018 to June 27, 2018.
- In January 2018, CIBC acquired the loan assets of Wellington Financial Fund V L.P. ("WF Fund V") and certain assets of the general partner of WF Fund V. As a result of the sale, Clairvest received a full repayment of \$17.3 million on its investment in WF Fund V plus 194,876 CIBC common shares which are restricted for sale for 36 months subject to certain conditions. Clairvest continues to participate in its pro-rata share of any profits realized from warrants previously granted to various Wellington Financial funds and is eligible for additional payments on the sale of the general partner assets subject to certain conditions. Further details are described on page 17 of the MD&A.
- During fiscal 2018, Clairvest paid an annual ordinary dividend of \$0.10 per share and a special dividend of \$0.2621 per share. The dividends were paid on July 24, 2017 to common shareholders of record as of July 6, 2017. The dividends were eligible dividends for Canadian income tax purposes.

**Clairvest/CEP III Co-Invest and CEP III**

- Clairvest and CEP III completed the sale of Lyophilization Services of New England, Inc. ("LSNE") in April 2018, where CEP III Co-Invest realized total sale proceeds of US\$20.5 million (C\$27.3 million). Over the 9-year investment horizon, LSNE generated 2.9 times invested capital, or a 13% IRR for Clairvest and CEP III on a currency neutral basis. In Canadian dollar terms, net of foreign exchange hedges, CEP III Co-Invest received total proceeds of \$26.6 million against an investment of \$7.5 million, or 3.5 times invested capital. Further details are on page 13 of the MD&A.
- As at March 31, 2018 and June 27, 2018, CEP III had returned 2.3 times invested capital to its third-party investors, after consideration of general partner priority distributions, carried interest and expenses. CEP III continues to hold one investment as at June 27, 2018. Based on the fair value at March 31, 2018, CEP III is expected to generate approximately 2.5 times invested capital or an IRR of over 18% for its third-party investors after general partner priority distributions, expenses and carried interest over the life of the fund.

**Clairvest/CEP IV Co-Invest and the CEP IV Fund**

- In August 2017, Clairvest and the CEP IV Fund completed the sale of CRS Contractors Rental Supply Limited Partnership ("CRS"), which generated 3.2 times invested capital, or a 31% IRR over the 4.5-year holding period. CEP IV Co-Invest received cash proceeds of \$31.7 million on the sale and is entitled to additional proceeds subject to certain conditions. Further details are described on page 13 of the MD&A.
- In October 2017, Clairvest and the CEP IV Fund completed a partial realization of Winters Bros. Waste Systems of CT, LLC ("Winters Bros. of CT."). CEP IV Co-Invest received cash proceeds of US\$7.9 million (C\$10.1 million) and a 6.1% interest in Impero Waste Services, LLC ("Impero Waste"), the acquirer of Winters Bros. of CT. Further details are described on page 14 of the MD&A.

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- In November 2017, Clairvest and the CEP IV Fund announced the proposed sale of Centaur Gaming. The transaction is anticipated to close during the second quarter of fiscal 2019. As at March 31, 2018, the investments in Centaur held by CEP IV Co-Invest were convertible upon exercise into 12.7% of Class A and B units of Centaur Gaming, and with a carrying value of \$192.4 million at March 31, 2018, represented 28.8% of the book value of Clairvest. Should the transaction close on anticipated terms, the sale of Centaur Gaming is expected to increase Clairvest's book value per share by approximately \$1.35 from the March 31, 2018 book value per share of \$44.01. Further details are described on page 13 of the MD&A.
- Also during fiscal 2018, CEP IV Co-Invest, the CEP IV Fund and other co-investors in Discovery Air (collectively the "Discovery Air Investor Group") invested an additional net \$19.5 million into Discovery Air, CEP IV Co-Invest's portion of which was \$8.2 million. Subsequent to these investments, Discovery Air completed a series of corporate transactions which included divesting substantially all of its interest in Top Aces to its secured debenture holders and other third-party institutional investors, which resulted in \$7.6 million of cash interest payments to CEP IV Co-Invest. As at March 31, 2018, CEP IV Co-Invest's investment in Discovery Air and Top Aces had a carrying value of \$44.9 million, compared to \$30.7 million in the prior year. In March 2018, Discovery Air filed for creditor protection under the CCAA and CEP IV Co-Invest advanced \$4.9 million in support of these proceedings. Further details are described on page 14 of the MD&A.
- As at March 31, 2018, the CEP IV Fund had realized or partially realized 5 of its 11 investments, and had returned 100% of capital invested by third-party investors. Based on the fair value at March 31, 2018, the CEP IV Fund is expected to generate approximately 2.5 times invested capital or an IRR of approximately 22% for its third-party investors after general partner priority distributions, expenses and carried interest over the life of the fund.
- In June 2018, Clairvest and the CEP IV Fund completed the sale of MAG Aerospace. At closing, CEP IV Co-Invest and the CEP IV Fund received aggregate proceeds of approximately US\$110 million on the sale of their equity interest in MAG Aerospace, which is approximately 8.2 times their invested capital, or a IRR of 57% on a currency neutral basis. In Canadian dollar terms, net of foreign exchange hedges, and including the full repayment of notes from MAG Aerospace Canada, CEP IV Co-Invest received proceeds of approximately \$39 million against an equity investment of \$4.0 million. The sale of MAG Aerospace will add approximately \$1.10 from the book value per share at March 31, 2018. Further details are described on page 15 of the MD&A.

### Clairvest/CEP V Co-Invest and the CEP V Fund

- In April 2017, CEP V Co-Invest and the CEP V Fund invested US\$73.7 million (C\$99.2 million) in Ace2Three. CEP V Co-Invest invested US\$41.6 million (C\$56.0 million) in Ace2Three, which comprised US\$17.0 million (C\$22.9 million) in the form of compulsory convertible debentures denominated in Indian Rupee ("INR") which bear interest at a rate of 16.0% per annum, and US\$24.6 million (C\$33.1 million) for a 33.6% equity interest in Ace2Three. Further details are described on page 16 of the MD&A.
- In August 2017, CEP V Co-Invest and the CEP V Fund invested in US\$16 million in Also Energy, Inc. ("Also Energy"). CEP V Co-Invest invested US\$4.8 million (C\$6.0 million) in Also Energy in the form of 8% cumulative preferred shares. Further details are described on page 16 of the MD&A.
- In December 2017, the Ontario Lottery and Gaming Corporation announced that Ontario Gaming West GTA Limited Partnership ("OWGTALP") was selected as the successful proponent to operate four gaming facilities in the West Greater Toronto Area (the "West GTA Bundle"). In May 2018, OWGTALP completed the acquisition of the gaming assets in the West GTA Bundle for a purchase price of \$134 million. OWGTALP was capitalized with Clairvest and the CEP V Fund owning 45% and Great Canadian Gaming Corporation owning 55%. CEP V Co-Invest invested \$8.8 million in OWGTALP for a 13.5% ownership. Further details are described on page 17 of the MD&A.
- As at June 27, 2018, the CEP V Fund had made 6 investments, representing approximately 43% of its committed capital.

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### OUTLOOK

As at March 31, 2018, Clairvest and its controlled acquisition entities had \$640.7 million of capital available for future acquisitions through its cash, cash equivalents and temporary investments ("treasury funds"), credit facilities and uncalled capital in the CEP Funds. The exit of MAG Aerospace subsequent to year end and the anticipated exit of Centaur Gaming will significantly add to the treasury funds and meaningfully decrease the portion of capital which is deployed in our core investment program. Notwithstanding this, valuations are high and competition is fierce for investments in our targeted fields. The management team will continue to employ a disciplined approach to re-invest the treasury funds in new investment opportunities and to further support our existing investee companies in carrying out their investment theses.

As at June 27, 2018, Clairvest's current management team has made 50 platform investments and has realized or partially realized on 32 investments which have in aggregate generated 3.1 times invested capital. From inception, the Company has invested its own capital in every investment. Clairvest's team of professionals have all invested significant amounts of capital in the Company which allows Clairvest to approach each investment as owners and shareholders.

As a long-term investor, Clairvest is focused on building value in its investee companies by contributing strategic expertise, advising on operational improvement and helping its investee companies capitalize on new opportunities that arise.

The table below summarizes the status of the CEP Funds as at June 27, 2018:

#### Status of Clairvest Equity Partnerships

	Year of Fund	Third-Party Capital	Clairvest Commitment	Total Capital	Percentage Drawn	Number of Investments	
						Total	Currently Held
(\$millions, except year of fund and number of investments)							
Clairvest Equity Partners III ("CEP III")	2006	225	75	300	79.8%	8	1
Clairvest Equity Partners IV ("CEP IV")	2010	342	125	467	86.3%	11	7
Clairvest Equity Partners V ("CEP V")	2015	420	180	600	43.3%	6	6

### FINANCIAL CONDITION AND BOOK VALUE

The following table summarizes the Company's financial position and book value as at March 31, 2018 and 2017:

#### Financial Position

As at, (\$000's, except number of shares and per share amounts)	March 31, 2018	March 31, 2017
Cash, cash equivalents, temporary investments and restricted cash ("treasury funds")	\$ 147,924	\$ 122,169
Carried interest receivable	127,900	98,322
Corporate investments, at fair value	515,172	410,102
Total assets	834,889	671,951
Management participation	91,267	67,050
Total liabilities	167,568	121,747
Book value	667,321	550,204
Book value per share	44.01	36.21
Number of common shares outstanding	15,162,995	15,194,095

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As at March 31, 2018, Clairvest had total assets of \$834.9 million, an increase of \$162.9 million during fiscal 2018. The increase was primarily due to net gains on investment realizations and a net increase in the fair value of Clairvest's investee companies.

As at March 31, 2018, the Company's treasury funds of \$147.9 million were held in cash and money market savings accounts rated not below R1-High, investment savings accounts and guaranteed investment certificates rated not below A-, and other fixed income securities as permitted by the Company's treasury policy. 2141788 Ontario also held \$34.3 million in cash, investment savings accounts and guarantee investment certificates with consistent ratings to the above. Clairvest also had access to \$2.6 million in cash held in various other acquisition entities which were controlled by Clairvest.

Clairvest maintains a \$100.0 million revolving credit facility which is participated in by several Schedule 1 Canadian chartered banks. The credit facility, which has an expiry of December 2022 and is eligible for a one-year extension on each anniversary date, bears interest at the bank prime rate plus 1.25% per annum on drawn amounts and a standby fee of 0.70% per annum on undrawn amounts. The amount available under the credit facility as at March 31, 2018 was \$100.0 million, which is based on debt covenants and certain restrictions within the banking arrangement. No amounts had been drawn on the facility during the year and as at March 31, 2018.

As at March 31, 2018, Clairvest had corporate investments with a carrying value of \$515.2 million, an increase of \$105.1 million during fiscal 2018, \$508.5 million of which represented the fair value of Clairvest's investee companies and the remaining \$6.7 million of which represented other net assets (liabilities) held by Clairvest's acquisition entities.

Excluding net assets (liabilities) held by Clairvest's acquisition entities, the aggregate carrying value of Clairvest's investee companies increased by \$128.1 million during fiscal 2018, which primarily comprised the following:

- Net changes in unrealized gains on its investee companies of \$98.3 million;
- A \$56.0 million investment in Ace2Three;
- CIBC common shares received by way of distribution from Wellington Financial valued at \$21.6 million;
- Net follow-on investments in Discovery Air and Top Aces totalling \$13.1 million;
- Accrued interest on debt investments and dividends totalling \$10.7 million;
- A \$6.0 million investment in Also Energy;
- Follow-on investments net of return of capital totalling \$3.8 million in other existing investee companies;
- A \$0.6 million investment in GTA Gaming; partially offset by
- The sale of CRS which had a carrying value of \$28.8 million as at March 31, 2017;
- The sale of LSNE which had a carrying value of \$27.2 million as at March 31, 2017;
- A \$15.6 million net return of capital from Wellington Financial;
- The partial realization of Winters Bros. of CT, the realized portion of which had a carrying value of \$7.0 million as at March 31, 2017; and
- Foreign exchange revaluations of investee companies totalling \$3.4 million.

Clairvest has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada. In order to limit its exposure to changes in the value of these investments denominated in foreign currencies relative to the Canadian dollar, Clairvest and its acquisition entities consider and if determined appropriate, enters into hedging positions against these foreign denominated currencies. For the year ended March 31, 2018, the foreign exchange adjustments made in Clairvest's valuation of its investee companies is primarily offset by the foreign exchange adjustments made in the forward exchange forward contracts used to support its foreign exchange hedging strategy, except for its foreign exchange exposure in approximately 35% of its Chilean Pesos ("CLP") balances and 100% of its Indian Rupees ("INR") balances which are unhedged. Forward exchange forward contracts are described in the Derivative Financial Instruments section of the MD&A.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2018

June 27, 2018

The table below details the cost and fair value of Clairvest's investee companies as at March 31, 2018 and 2017:

	March 31, 2018			March 31, 2017		
	Fair value	Cost	Difference	Fair value	Cost	Difference
<b>CEP III CO-INVEST INVESTMENTS</b>						
Chilean Gaming Holdings <sup>(1)</sup>	\$ 60,113	\$ 28,754	\$ 31,359	\$ 48,835	\$ 28,754	\$ 20,081
LSNE	—	—	—	27,248	6,619	20,629
<b>CEP IV CO-INVEST INVESTMENTS</b>						
Centaur Gaming	192,394	34,657	157,737	111,170	34,657	76,513
County Waste	19,776	11,314	8,462	17,999	7,533	10,466
CRS	—	—	—	28,758	10,573	18,185
Davenport Land Investments	3,018	2,196	822	3,009	2,196	813
Discovery Air / Top Aces	44,926	55,522	(10,596)	21,037	36,860	(15,823)
Impero Waste	4,100	3,019	1,081	11,160	8,053	3,107
MAG Aerospace	21,164	5,068	16,096	11,557	5,068	6,489
The Meadowlands	10,237	6,444	3,793	9,563	6,444	3,119
Rivers Casino	23,787	9,058	14,729	14,307	9,058	5,249
<b>CEP V CO-INVEST INVESTMENTS</b>						
Accel Entertainment	27,258	15,978	11,280	20,639	15,978	4,661
Ace2Three	40,228	55,968	(15,740)	—	—	—
Also Energy	6,189	6,038	151	—	—	—
Digital Media Solutions	9,126	8,254	872	8,179	8,254	(75)
GTA Gaming	602	602	—	—	—	—
Winters Bros. of LI	9,764	10,636	(872)	11,190	10,636	554
Grey Eagle Casino <sup>(2)</sup>	11,331	11,017	314	12,613	11,017	1,596
Wellington Financial	3,626	—	3,626	22,101	15,640	6,461
	487,639	264,525	223,114	379,365	217,340	162,025
Other investments <sup>(3)</sup>	20,866	788	20,078	1,039	1,127	(88)
	\$ 508,505	\$ 265,313	\$ 243,192	\$ 380,404	\$ 218,467	\$ 161,937

(1) Comprised CEP III Co-Invest's investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama.

(2) Fair value included the portion owned directly by Clairvest and the portion owned indirectly through 2486303 Ontario. Fair value excluded the amount of \$1.8 million which represented carried interest of CEP to be received by 2486303 Ontario as described in the Transactions with Related Parties section of the MD&A.

(3) Comprised primarily 194,876 CIBC common shares which were received on the Wellington Financial sale transaction.

The cost and fair value of these investee companies do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as economic hedges against the Company's foreign-denominated investments. Details of each investee company held as at March 31, 2018 and 2017 follows:

**INVESTMENTS MADE BY CEP III CO-INVEST ALONGSIDE CEP III**
**Chilean Gaming Holdings**

As at March 31, 2018 and 2017, CEP III Co-Invest held 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% ownership interest on a fully diluted basis.

During fiscal 2018, CEP III Co-Invest earned dividends totalling \$0.8 million through its interest in Chilean Gaming Holdings, bringing total dividends earned to March 31, 2018 to \$14.0 million.

Also during fiscal 2018, management determined that the fair value of Chilean Gaming Holdings should be adjusted upward by \$7.9 million. The fair value of \$60.1 million as at March 31, 2018 compares to a fair value of \$48.8 million at March 31, 2017 and a cost of \$28.8 million. The fair value is adjusted for foreign exchange fluctuations.

**LSNE**

As at March 31, 2017, CEP III Co-Invest held 6,406,000 Series A 10% cumulative preferred shares and 331,506 Series B 10% cumulative preferred shares of LSNE. The Series A preferred shares were convertible into a 11.2% ownership interest on a fully diluted basis and dividends would be forfeited on conversion. The Series B preferred shares were not convertible.

During fiscal 2018, CEP III Co-Invest realized its investment in LSNE for total proceeds of US\$20.5 million (C\$27.3 million) against a carrying value of \$27.2 million as at March 31, 2017 for a net realized gain of \$0.1 million.

**INVESTMENTS MADE BY CEP IV CO-INVEST ALONGSIDE CEP IV****Centaur Gaming**

As at March 31, 2018 and 2017, held US\$17.4 million in term loans with stapled warrants which, subject to regulatory approval, were convertible upon exercise to 12.7% of Class A and Class B units of Centaur Gaming.

During fiscal 2018, Clairvest announced the proposed sale of Centaur Gaming. The transaction is subject to regulatory approvals and is anticipated to close during fiscal 2019. Accordingly, management determined that the fair value of Centaur Gaming should reflect the economics of the proposed sale, but adjusted for the risk of closing. The fair value of \$192.4 million as at March 31, 2018 compares to a fair value of \$111.2 million as at March 31, 2017 and a cost of \$34.7 million. The fair value is adjusted for foreign exchange fluctuations.

**County Waste**

As at March 31, 2017, CEP IV Co-Invest held 6,942.64 Class B units of County Waste and 174.3 units of Spare Lots, LLC ("Spare Lots"), a company affiliated with County Waste, collectively representing a 12.5% ownership interest on a fully diluted basis.

During fiscal 2018, CEP IV Co-Invest invested an additional US\$1.3 million (C\$1.6 million) for 432.03 Class B units of County Waste and advanced US\$1.7 million (C\$2.1 million) in promissory notes accruing interest at 12% per annum with a maturity date of January 3, 2022. Interest of \$43 thousand was earned from these promissory notes from County Waste during fiscal 2018.

As at March 31, 2018, CEP IV Co-Invest held US\$1.7 million in 12% promissory notes in addition to 7,374.67 Class B units of County Waste and 174.3 units of Spare Lots, which represented a 13.0% ownership interest on a fully diluted basis. The fair value of \$19.8 million as at March 31, 2018 compares to a fair value of \$18.0 million as at March 31, 2017 and a cost of \$11.3 million. The fair value is adjusted for foreign exchange fluctuations.

**CRS**

As at March 31, 2017, CEP IV Co-Invest held 241,896 Class B units and 10,572,805 Class C units of CRS, representing a 13.5% ownership interest.

During fiscal 2018, CEP IV Co-Invest earned distributions totalling \$0.2 million from CRS. Subsequently, CEP IV Co-Invest realized on its investment in CRS and received \$31.7 million in cash proceeds against a carrying value of \$28.8 million as at March 31, 2017 for a net realized gain of \$2.9 million.

**Davenport Land Investments**

As at March 31, 2018 and 2017, CEP IV Co-Invest had invested \$1.6 million in Davenport North and \$0.9 million in Davenport South. CEP IV Co-Invest had also advanced a US\$0.6 million promissory note to a partner to help fund its 50% ownership in Davenport North. Effective October 1, 2017, the promissory note bears interest at a rate of 12% per annum.

The fair value of \$3.0 million as at March 31, 2018 compares to a fair value of \$3.0 million as at March 31, 2017 and a cost of \$2.2 million. The fair value is adjusted for foreign exchange fluctuations.

**Discovery Air / Top Aces**

As at March 31, 2017, CEP IV Co-Invest had invested \$22.0 million in secured convertible debentures ("Debentures") of Discovery Air, which had a maturity date of May 5, 2018. The Debentures accrued interest at a rate of 10% per annum and interest is paid in-kind and compounded on an annual basis. As at March 31, 2017, the gross accrued value of the Debentures was \$33.6 million, which included \$11.6 million in accrued interest. During fiscal 2018, \$3.1 million in interest was accrued on the Debentures. During fiscal 2018, CEP IV Co-Invest exercised the swap option pursuant to a letter agreement dated June 5, 2017 between Discovery Air, Discovery Air Defence Services Inc. ("Top Aces") and Clairvest and its affiliates and exchanged \$5.8 million of the Debentures into common shares of Top Aces. Subsequent to these transactions, a third-party institutional investor purchased \$50 million of equity in Top Aces, half from Top Aces treasury and the other half from Discovery Air. Subsequently, Discovery Air repaid \$7.6 million of interest owing to CEP IV Co-Invest under the terms of the Debentures. As at March 31, 2018, the gross accrued value of the Debentures was \$23.3 million. As at March 31, 2018, the carrying value of the Debentures was \$1.3 million.

As at March 31, 2017, Clairvest and CEP IV Co-Invest collectively held 22,384,024 Class A common shares of Discovery Air representing a 27.3% ownership interest on a fully diluted basis. During fiscal 2018, CEP IV Co-Invest purchased an additional 1,948,883 Class A common shares of Discovery Air for \$0.4 million as part of a take-private transaction. As at March 31, 2018, Clairvest and CEP IV Co-Invest collectively held 24,332,907 common shares representing a 29.9% ownership interest on a fully diluted basis. As at March 31, 2018 and, 2017, the carrying value of the Discovery Air common shares was nil.

As at March 31, 2017, Clairvest had advanced to Discovery Air \$2.3 million in the form of a promissory note bearing interest at 8.0% per annum which had been included in loans receivable at the accrued value. During fiscal 2018, Discovery Air repaid the promissory note in full. Interest of \$0.1 million was earned on the promissory note during fiscal 2018.

In March 2018, Discovery Air commenced a restructuring under the Companies Creditors Arrangement Act ("CCAA") to conduct a Court-supervised sale process of its equity interest in its wholly owned subsidiaries and its residual interest in Top Aces (together, the "Assets"). CEP IV Co-Invest and other investors of the Debentures of Discovery Air (the "Discovery Air Investor Group"), have submitted bids to purchase the Assets as stalking horse purchasers (the "Transactions"). In support of CCAA proceedings, CEP IV Co-Invest has agreed to provide up to \$12.6 million in debtor-in-possession ("DIP") financing, \$4.9 million of which had been drawn as at March 31, 2018. Subsequent to year end, the DIP financing was increased to \$15.0 million and was fully drawn.

As at March 31, 2017, the Discovery Air Investor Group had in place a \$25.0 million secured revolving credit facility ("Revolver") to Top Aces, \$20.0 million of which was drawn as at March 31, 2017. The Revolver provides the Discovery Air Investor Group the option to convert the outstanding balance of the Revolver into common shares of Top Aces based on an agreed market value of Top Aces. During fiscal 2018, a second secured revolving credit facility ("2<sup>nd</sup> Revolver") for \$13.0 million was provided under the same terms and conditions and both Revolvers were fully drawn. In total, CEP IV Co-Invest funded \$14.5 million under the Revolvers, \$7.8 million of which was funded during fiscal 2018. Subsequently, the Discovery Air Investor Group exercised the pre-existing optional conversion feature pursuant to the terms of the Revolvers to convert all the outstanding amounts under both Revolvers into common shares of Top Aces. This occurred concurrent with the above-mentioned exercise of the swap option for common shares of Top Aces. Interest of \$0.9 million was earned from the Revolvers during fiscal 2018. As at March 31, 2018, CEP IV Co-Invest held 611.4 common shares of Top Aces, representing a 26.3% ownership interest on a fully diluted basis.

**Impero Waste / Winters Bros. of CT**

As at March 31, 2017, CEP IV Co-Invest held 76,284.8 Class C units of Winters Bros. of CT, representing a 13.4% ownership interest on a fully diluted basis.

During fiscal 2018, CEP IV Co-Invest completed a partial realization of its investment in Winters Bros. of CT and received cash proceeds of US\$7.9 million (C\$10.1 million) for a net realized gain of \$3.3 million and 4,817.86 Class A units of Impero Waste, the acquirer of Winters Bros. of CT, representing a 6.1% ownership interest in Impero Waste on a fully diluted

basis.

The fair value of \$4.1 million as at March 31, 2018 compares to a cost of \$3.0 million. The fair value is adjusted for foreign exchange fluctuations.

**MAG**

As at March 31, 2018 and 2017, CEP IV Co-Invest held 33,736 Class A stock of MAG, representing a 10.3% ownership interest on a fully-diluted basis. The Class A stock have a stated dividend rate of 10% per annum and each Class A stock is convertible into 1.0114 common stock of MAG at CEP IV Co-Invest's discretion and dividends are forfeited on conversion.

Also during fiscal 2018, management determined that the fair value of MAG should be adjusted upward by \$9.8 million. The fair value of \$21.2 million as at March 31, 2018 compares to a fair value of \$11.6 million at March 31, 2017 and a cost of \$5.1 million. The increase in fair value was attributable to growth in operating performance. The fair value is adjusted for foreign exchange fluctuations.

CEP IV Co-Invest also held \$1.1 million in promissory notes from MAG Aerospace Canada (formerly Discovery Air Fire Services) which bear interest at 10.0% per annum with a maturity date of January 31, 2021. Interest of \$0.1 million was earned from these promissory notes from MAG Aerospace Canada during fiscal 2018. Subsequent to year-end and in conjunction with the sale of MAG as described below, the promissory notes and accrued interest were repaid in full.

Additionally, Clairvest had advanced working capital loans to a Canadian subsidiary of MAG ("Momentum Solutions") which had been repaid in full during the year. During fiscal 2018, \$0.2 million in interest was earned from these loans.

Subsequent to year-end, CEP IV Co-Invest realized its investment in MAG and sold the Class A stock for US\$29.5 million in proceeds at closing while retaining a 5% ownership interest in Momentum Solutions. Total proceeds for CEP IV Co-Invest including the notes repayment was \$39.2 million.

**The Meadowlands**

As at March 31, 2018 and 2017, CEP IV Co-Invest had invested US\$5.4 million (C\$5.6 million) to the Meadowlands in the form of secured convertible debentures which accrue interest at a rate of 15% per annum, 10% of which was payable quarterly in cash and 5% payable in-kind. Commencing January 1, 2016, CEP IV Co-Invest agreed that the entire 15% interest be payable in-kind. CEP IV Co-Invest also held warrants which entitle it to invest in equity securities of the Meadowlands subject to certain conditions. 5% of the 15% interest on the secured convertible debentures is forfeited in the event CEP IV Co-Invest exercises the warrants.

As at March 31, 2017, the gross accrued value of the secured debentures was US\$7.6 million (C\$10.1 million), which included US\$2.2 million in accrued interest. During fiscal 2018, US\$1.1 million (C\$1.4 million) in interest was accrued on the Debentures. As at March 31, 2018, the gross accrued value of the secured debentures was US\$8.7 million (C\$11.2 million) and the carrying value of the secured debentures was US\$7.3 million (C\$9.4 million), which reflected US\$1.4 million (C\$1.8 million) in accrued interest being provided for on the secured debentures.

CEP IV Co-Invest also invested US\$0.7 million (\$0.9 million) in the Meadowlands in the form of preferred debt, which is junior to the secured debentures. The preferred debt has a stated interest rate of 3% per annum and interest is payable-in-kind. During fiscal 2018, CEP IV Co-Invest earned \$26 thousand in interest on the preferred debt, which was fully provided for and presented on a net basis.

The fair value of \$10.2 million as at March 31, 2018 compares to a fair value of \$9.6 million as at March 31, 2017 and a cost of \$6.4 million. The fair value is adjusted for foreign exchange fluctuations.

**Rivers Casino**

As at March 31, 2018 and 2017, CEP IV Co-Invest held 9,021,917 units of Rivers Casino representing a 5.0% ownership interest on a fully diluted basis.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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During fiscal 2018, CEP IV Co-Invest earned quarterly distributions totalling \$1.3 million and quarterly fees totalling \$0.6 million from Rivers Casino. As a result of CEP IV Co-Invest's investment in Rivers Casino requiring certain acquisition entities in the United States, \$0.8 million in U.S. income tax obligations were incurred during fiscal 2018.

Also during fiscal 2018, management determined that the fair value of Rivers Casino should be adjusted upward by \$9.7 million. The fair value of \$23.8 million as at March 31, 2018 compares to a fair value of \$14.3 million at March 31, 2017 and a cost of \$9.1 million. The increase in fair value was attributable primarily to an increase to the valuation multiple and debt reduction. The fair value is adjusted for foreign exchange fluctuations.

### INVESTMENTS MADE BY CEP V CO-INVEST ALONGSIDE CEP V

#### Accel Entertainment

As at March 31, 2018 and 2017, CEP V Co-Invest held 283,478 Class D preferred shares of Accel Entertainment, representing a 7.5% ownership interest on a fully diluted basis. The Class D preferred shares are entitled to certain preference over all other equity of Accel Entertainment.

Also during fiscal 2018, management determined that the fair value of Accel Entertainment should be adjusted upward by \$7.1 million. The fair value of \$27.3 million as at March 31, 2018 compares to a fair value of \$20.6 million as at March 31, 2017 and a cost of \$16.0 million. The increase in fair value was due to growth in operating performance. The fair value is adjusted for foreign exchange fluctuations.

#### Ace2Three

During fiscal 2018, CEP V Co-Invest invested \$56.0 million in Ace2Three. The investment comprised \$22.9 million in the form of compulsory convertible debentures which are denominated in INR and bear interest at a rate of 16% per annum, and \$33.1 million in 202,230 common shares representing a 33.6% ownership interest on a fully diluted basis.

In June 2017, Ace2Three experienced a material adverse development which resulted in a temporary shut-down of operation and a material loss in revenue. Ace2Three has since resumed its operations in certain jurisdictions and the validity of the regulatory developments is being challenged and the matter is before the courts. While Ace2Three remains profitable, Clairvest has determined that there has been a negative impact on the fair value of this investment. Accordingly, the carrying value of the equity investment made in Ace2Three was reduced by 50% or \$15.8 million.

The fair value of \$40.2 million as at March 31, 2018 compares to a cost of \$56.0 million. The fair value is adjusted for foreign exchange fluctuations.

#### Also Energy

During fiscal 2018, CEP V Co-Invest invested US\$4.8 million (C\$6.0 million) to acquire 1,013,062 Series A preferred stock of Also Energy. The Series A preferred stock which accrue dividends at a rate of 8% compounded annually, are convertible into common stock of Also Energy at CEP V Co-Invest's discretion. As at March 31, 2018, CEP V Co-Invest's ownership interest in Also Energy was 14.3% on a fully diluted basis.

The fair value of \$6.2 million as at March 31, 2018 compares to a cost of \$6.0 million. The fair value is adjusted for foreign exchange fluctuations.

#### Digital Media Solutions

As at March 31, 2018 and 2017, CEP V Co-Invest held 6,150,000 Class B units of Digital Media Solutions, representing a 13.9% ownership interest on a fully diluted basis. The Class B units are entitled to certain preference over all other equity units in Digital Media Solutions.

During fiscal 2018, CEP V Co-Invest received distributions totalling \$0.6 million from Digital Media Solutions.

Also during fiscal 2018, management determined that the fair value of Digital Media Solutions should be adjusted upward by \$1.2 million. The fair value of \$9.1 million as at March 31, 2018 compares to a fair value of \$8.2 million as at March 31, 2017 and a cost of \$8.3 million. The fair value is adjusted for foreign exchange fluctuations.

**GTA Gaming**

In December 2017, the Ontario Lottery and Gaming Corporation announced that Ontario Gaming West GTA Limited Partnership ("OWGTALP") was selected as the successful proponent to operate four gaming facilities in the West Greater Toronto Area (the "West GTA Bundle"). As support for this bid, Clairvest had pledged \$15.8 million to a Schedule 1 Canadian chartered bank which remained restricted as at March 31, 2018. During fiscal 2018, CEP V Co-Invest invested \$0.4 million for 405,151.2 units of OWGTALP representing a 13.5% ownership interest. Subsequent to year-end and in conjunction with the final closing of the purchase of West GTA Bundle gaming assets, an additional \$8.4 million was funded by CEP V Co-Invest for an additional 8,370,000 units of OWGTALP and the restriction on the \$15.8 million was released subsequently as the pledge was no longer required upon completion of final closing.

Also during fiscal 2018, CEP V Co-Invest invested \$0.2 million for 1,254,000 units of Ontario Gaming GTA Limited Partnership ("OGTALP") representing a 0.6% ownership interest. OGTALP operates 3 gaming assets in the Great Toronto Area.

**Winters Bros. of LI**

As at March 31, 2018 and 2017, CEP V Co-Invest held 1,487,773 Class C units of Winters Bros. of LI and 256,037 units of WBLI II, an affiliated company of Winters Bros. of LI which is owned proportionately by the same unitholders of Winters Bros. of LI, representing a 14.0% ownership interest on a fully diluted basis in the respective entities.

During fiscal 2018, management determined that the fair value of Winters Bros. of LI should be adjusted downward by \$1.1 million. The fair value of \$9.8 million as at March 31, 2018 compares to a fair value of \$11.2 million at March 31, 2017 and a cost of \$10.6 million. The fair value is adjusted for foreign exchange fluctuations.

**OTHER INVESTMENTS****Grey Eagle Casino**

As at March 31, 2018 and 2017, Clairvest held units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest between 2.8% and 9.6% of the earnings of the casino until December 18, 2022. Additionally, CEP is entitled to between 8.5% and 28.7% of the earnings of the Grey Eagle Casino until December 18, 2022. As described in the Transaction with Related Parties section of the MD&A, 2486303 Ontario and Clairvest collectively holds a 100% interest in CEP.

During fiscal 2018, Clairvest earned \$0.5 million and CEP earned \$1.6 million in equity distributions from Grey Eagle Casino.

The aggregate fair value of \$11.3 million as at March 31, 2018 compares to a fair value of \$12.6 million as at March 31, 2017 and a cost of \$11.0 million.

**Wellington Financial**

As at March 31, 2017, Clairvest had funded \$15.6 million of its \$30.3 million limited partner commitment in WF Fund V, representing a 10.1% ownership interest in WF Fund V.

During fiscal 2018, Clairvest funded an additional \$1.7 million to WF Fund V bringing total amount funded to \$17.3 million. Subsequently, CIBC acquired the loan portfolio of WF Fund V and certain assets of the general partner of WF Fund V. Clairvest received a full return of capital on its investment of \$17.3 million and 194,876 CIBC common shares which subject to certain conditions are restricted for sale until January 7, 2021. As at March 31, 2018, the CIBC common shares were valued at a discount to the closing price of \$113.72 per share to reflect the sale restriction and had been included as other investments. Clairvest continues to participate in its pro-rata share of any profits realized from warrants previously granted to the various Wellington Funds (the "warrants") and is eligible for additional payments on the sale of the general partner assets subject to certain conditions.

During fiscal 2018, Clairvest received distributions totalling \$24.5 million from Wellington Financial, which includes the CIBC common shares. As at March 31, 2018, Clairvest had received distributions totalling \$55.7 million from current and prior Wellington Funds.

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The fair value of \$3.6 million as at March 31, 2018 reflects management's estimated realizable value of Clairvest's entitlement of the warrants.

### LIABILITIES

As at March 31, 2018, Clairvest had \$167.6 million in total liabilities, which included \$11.6 million in accrued management and director compensation, \$31.3 million in share-based compensation, \$91.3 million in management participation and \$29.7 million in current and deferred tax liability. \$137.1 million of these liabilities were payable only upon the cash realization of certain investments of Clairvest or the CEP Funds.

### **FINANCIAL RESULTS**

Clairvest's operating results reflect revenue earned from its corporate investments and treasury funds and realized gains and net changes in unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets.

Net income for the year ended March 31, 2018 was \$123.8 million compared with net income of \$70.1 million for the year ended March 31, 2017. The following table summarizes the composition of net income for the years ended March 31:

#### **Financial Results**

Year ended March 31, (\$000's, except per share amounts)	2018	2017
Net investment gains		
- Investee companies inclusive of foreign exchange hedging activities	\$ 103,497	\$ 60,455
- Acquisition entities including distributions, interest, dividends and fees received from investee companies and net of taxes paid or payable by these acquisition entities	4,243	12,491
	<b>107,740</b>	72,946
Distributions, interest income, dividends and fees		
- CEP Funds	11,071	12,281
- Investee companies	26,810	7,260
- Treasury funds	1,928	764
- Acquisition entities and other	14,171	2,602
	<b>53,980</b>	22,907
Net carried interest income – realized and unrealized changes	46,469	35,617
Total expenses	71,495	51,870
Income before income taxes	136,694	79,600
Income taxes	12,916	9,474
Net income and comprehensive income	123,778	70,126
Net income and comprehensive income per share - basic and fully diluted	8.15	4.61

(1) Includes realized gains/losses and market value changes to Clairvest's treasury funds.

The Company fair values its acquisition entities which hold Clairvest's investee companies as well as other assets and liabilities. Distributions, interest, dividends and fees earned from and realized gains and net changes in unrealized gains on the investee companies held by acquisition entities, including foreign exchange fluctuations and the hedging activities related to managing the foreign currency exposure of these investments, and income taxes incurred by these acquisition entities, are reflected in net investment gains until the proceeds are distributed out of these acquisition entities, at which point the Company would record a distribution or a dividend from acquisition entities and reverse the net investment gains or losses which had previously been recorded.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2018

June 27, 2018

During fiscal 2018, CEP III Co-Invest realized its investment in LSNE and received cash proceeds totalling \$27.3 million. Subsequently, CEP III Co-Invest made distributions totalling \$28.2 million, \$9.6 million of which were to Clairvest, \$16.3 million were to acquisition entities of Clairvest and \$2.3 million were paid as carried interest entitlements.

During fiscal 2018, CEP IV Co-Invest received \$31.7 million in cash proceeds as a result of the sale of CRS and received \$10.1 million in cash proceeds from the partial realization of Winters Bros. of CT. During fiscal 2018, CEP IV Co-Invest made a return of capital totalling \$46.3 million to its unitholders, \$45.6 million of which were to Clairvest and the remaining \$0.7 million were to acquisition entities of Clairvest.

The following tables summarize the net investment gains or losses of investee companies for the years ended March 31, 2018 and 2017. These net investment gains are inclusive of the impact on the foreign exchange hedging activities related to these investments:

### Net investment gains (losses) on investee companies

Year ended March 31, 2018 (\$000's)	Net realized gains (losses)	Net unrealized gains (losses)	Foreign Exchange gains (losses) inclusive of foreign exchange hedging activities	Total
Accel Entertainment	\$ —	\$ 7,137	\$ (68)	\$ 7,069
Ace2Three	—	(15,826)	(2,807)	(18,633)
Also Energy	—	—	(4)	(4)
Centaur Gaming	—	82,691	207	82,898
Cieslok Media <sup>(1)</sup>	69	—	—	69
Chilean Gaming Holdings	—	7,928	1,560	9,488
County Waste	—	(1,730)	(98)	(1,828)
CRS	2,950	—	—	2,950
Digital Media Solutions	—	1,196	(40)	1,156
Discovery Air / Top Aces	(1,165)	5,214	—	4,049
Grey Eagle Casino	—	(2,305)	—	(2,305)
Impero Waste (formerly "Winters Bros. of CT")	3,311	21	(115)	3,217
LSNE	146	—	88	234
MAG	—	9,831	143	9,974
The Meadowlands	—	—	(34)	(34)
Rivers Casino	—	9,711	135	9,846
Wellington Financial	—	(2,847)	—	(2,847)
Winters Bros. of LI	—	(1,064)	(100)	(1,164)
Other investments	—	(1,646)	—	(1,646)
<b>Net investment gains on investee companies</b>	<b>\$ 5,311</b>	<b>\$ 98,311</b>	<b>\$ (1,133)</b>	<b>\$ 102,489</b>

(1) Cieslok Media was realized during fiscal 2017.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2018

June 27, 2018

Year ended March 31, 2017 (\$000's)	Net realized gains (losses)	Net unrealized gains (losses)	Foreign exchange gains (losses) inclusive of foreign exchange hedging activities	Total
Accel Entertainment	\$ —	\$ 4,560	\$ (30)	\$ 4,530
Centaur Gaming	—	19,275	1,251	20,526
Cieslok Media <sup>(1)</sup>	22,707	—	—	22,707
Chilean Gaming Holdings	—	3,719	1,540	5,259
County Waste	—	5,385	42	5,427
CRS	—	6,749	—	6,749
Davenport Land Investments	—	—	(21)	(21)
Digital Media Solutions	—	—	(16)	(16)
Discovery Air	—	(8,097)	—	(8,097)
Grey Eagle Casino	—	(1,424)	—	(1,424)
Winters Bros. of CT	—	1,015	(9)	1,006
LSNE	31	11,670	(73)	11,628
MAG	—	4,570	7	4,577
The Meadowlands	—	—	(89)	(89)
Rivers Casino <sup>(2)</sup>	—	(12,375)	(147)	(12,522)
Wellington Financial	—	223	—	223
Winters Bros. of LI	—	—	(8)	(8)
<b>Net investment gains on investee companies</b>	<b>\$ 22,738</b>	<b>\$ 35,270</b>	<b>\$ 2,447</b>	<b>\$ 60,455</b>

(1) Cieslok Media was realized during fiscal 2017.

(2) During fiscal 2017, Rivers Casino completed a financing and distributed \$14.8 million to CEP IV Co-Invest which resulted in a decrease to the fair value of the investment.

The Company and its acquisition entities also receive distributions, interest, dividends or fees from various investee companies. The following table summarizes these income earned by the Company and its acquisition entities for the years ended March 31:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2018

June 27, 2018

**Distributions, Interest, Dividends, and Fees from Investee Companies**

Year ended March 31, (\$000's)	2018			2017		
	Earned directly by Clairvest	Earned through acquisition entities	Total	Earned directly by Clairvest	Earned through acquisition entities	Total
<b>Distributions and interest income</b>						
Ace2Three	\$ —	\$ 3,225	\$ 3,225	\$ —	\$ —	\$ —
Centaur Gaming	—	192	192	—	121	121
County Waste	—	43	43	—	—	—
CRS	—	245	245	—	622	622
Davenport Land Investments	—	99	99	—	82	82
Digital Media Solutions	—	589	589	—	819	819
Discovery Air	130	14,316	14,446	183	395	578
Grey Eagle Casino	522	1,568	2,090	729	2,187	2,916
MAG	152	115	267	245	21	266
The Meadowlands	—	959	959	—	866	866
Rivers Casino	—	1,322	1,322	—	18,691	18,691
Wellington Financial	24,575	—	24,575	4,773	—	4,773
	25,379	22,673	48,052	5,930	23,804	29,734
<b>Dividend income</b>						
Chilean Gaming Holdings	—	849	849	—	3,701	3,701
Other investments	259	—	259	—	—	—
	259	849	1,108	—	3,701	3,701
<b>Advisory and other fees</b>						
	1,172	611	1,783	1,330	619	1,949
<b>Distributions, interest, dividends and fees from investee companies</b>						
	\$ 26,810	\$ 24,133	\$ 50,943	\$ 7,260	\$ 28,124	\$ 35,384

The Company and its acquisition entities also receive distributions, fees and interest from the CEP Funds as described in the Transaction with Related Parties section of the MD&A. The following table summarizes the distributions, fees and interest earned from the CEP Funds for the years ended March 31:

**Distributions, Fees and Interest from the CEP Funds**

Year ended March 31, (\$000's)	2018			2017		
	Earned directly by Clairvest	Earned through acquisition entities	Total	Earned directly by Clairvest	Earned through acquisition entities	Total
Priority distributions	\$ 9,267	\$ —	\$ 9,267	\$ 10,860	\$ —	\$ 10,860
Management fees	1,304	—	1,304	1,311	—	1,311
Interest on loans advanced	500	81	581	110	74	184
<b>Distributions, fees and interest from the CEP Funds</b>						
	\$ 11,071	\$ 81	\$ 11,152	\$ 12,281	\$ 74	\$ 12,355

Also included in distributions and interest income for the year ended March 31, 2018 and 2017 was income on treasury funds of \$1.9 million and \$0.8 million respectively. During fiscal 2017, income on treasury funds included a net realized loss of

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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\$0.7 million on the US\$7.5 million Light Tower Rentals corporate bonds purchased under Clairvest's treasury portfolio. Acquisition entities of Clairvest earned interest from its treasury funds totalling \$0.5 million during fiscal 2018 and 2017.

The Company also earns carried interest income from the CEP Funds, as described in the Transaction with Related Parties section of the MD&A. The following table summarizes net carried interest income earned by the Company for the years ended March 31:

**Net carried interest income**

Year ended March 31, (\$000's)	2018	2017
Realized carried interest from CEP	\$ 301	\$ 474
Realized carried interest from the CEP Funds	16,590	830
Net change in unrealized carried interest from CEP and the CEP Funds	29,578	34,313
<b>Net carried interest income<sup>(1)</sup></b>	<b>\$ 46,469</b>	<b>\$ 35,617</b>

(1) Includes carried interest which is ultimately received by non-Clairvest participants if and when they are receivable, which are recorded as management participation as described below.

Total expenses for the year were \$71.5 million, compared with \$51.9 million for the year ended March 31, 2017. The following table summarizes expenses incurred by the Company for the years ended March 31:

**Total Expenses, excluding Income Taxes**

Year ended March 31, (\$000's)	2018	2017
<b>Employee compensation and benefits</b>	<b>\$ 13,108</b>	<b>\$ 11,342</b>
<b>Share-based compensation expenses</b>	<b>17,105</b>	<b>10,992</b>
<b>Administration and other expenses</b>		
Domain and due diligence expenses <sup>(1)</sup>	797	730
Professional fees	618	770
Office and other expenses	4,118	3,388
	5,533	4,888
<b>Finance and foreign exchange expense</b>		
Interest and bank charges	878	828
Foreign exchange costs (gain)	23	(14)
	901	814
<b>Management participation</b>	<b>34,848</b>	<b>23,834</b>
<b>Total expenses, excluding income taxes</b>	<b>\$ 71,495</b>	<b>\$ 51,870</b>

(1) Domain and due diligence expenses with respect to investments made alongside CEP V, CEP V India and CEP V-A are allocated to CEP V Co-Invest. These expenses are therefore included in the fair value determination of Clairvest's acquisition entities.

Included in share-based compensation expenses for the year ended March 31, 2018 was \$4.5 million for the Non-Voting Option Plan, \$7.8 million for book value appreciation rights ("BVARs"), and \$5.3 million for Deferred Share Units ("DSUs"), Appreciation Deferred Share Units ("ADSUs"), and Employee Deferred Share Units ("EDSUs"), compared to \$0.9 million for the Non-Voting Option Plan, \$7.8 million for BVARs and \$2.7 million for DSUs, ADSUs and EDSUs for the year ended March 31, 2017. Refer to notes 2(h), 2(i), 2(j) and 12 to the consolidated financial statements for details of these compensation plans.

Management participation is further described in the Transaction with Related Parties section of the MD&A.

**SUMMARY OF QUARTERLY RESULTS**

(\$000's except per share information)	Gross revenue	Net income (loss)	Net income (loss) per common share*	Net income (loss) per common share fully diluted*
	\$	\$	\$	\$
March 31, 2018	26,845	18,626	1.23	1.23
December 31, 2017	121,671	74,103	4.88	4.88
September 30, 2017	63,504	42,609	2.80	2.80
June 30, 2017	(3,831)	(11,560)	(0.76)	(0.76)
March 31, 2017	33,361	17,268	1.14	1.14
December 31, 2016	52,368	30,764	2.02	2.02
September 30, 2016	20,436	10,520	0.69	0.69
June 30, 2016	25,305	11,574	0.76	0.76

\* The sum of quarterly net income (loss) per common share may not equal to the full year net income per common share due to rounding and the dilutive effect on any quarters which may not be applicable for the full year.

Significant variations arise in the quarterly results due to net investment gains, net carried interest income and management participation which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investments and due to realizations, and share-based compensation due to the movement in the trading price and book value of Clairvest's common shares.

**FOURTH QUARTER RESULTS**

Net income for the fourth quarter of fiscal 2018 was \$18.6 million compared with a net income of \$17.3 million for the fourth quarter of fiscal 2017.

Gross revenue for the fourth quarter of fiscal 2018 comprised \$7.1 million in net investment losses, \$26.8 million in distributions, interest, dividends and fees, and \$7.2 million in net carried interest income. This compares with \$17.1 million in net investment gains, \$5.8 million in distributions, interest, dividends and fees and \$10.4 million in net carried interest income for the fourth quarter of fiscal 2017.

The net investment losses of \$7.1 million for the fourth quarter of fiscal 2018 resulted from \$5.8 million in net unrealized losses from Clairvest's investee companies inclusive of foreign exchange hedging activities and \$1.3 million in net unrealized losses from Clairvest's acquisition entities. This compared with \$18.5 million in net unrealized gains from Clairvest's investee companies and \$1.4 million in net unrealized losses from Clairvest's acquisition entities for the fourth quarter of fiscal 2017. Distributions from acquisition entities are typically declared annually during the fourth quarter of each fiscal year resulting in net unrealized losses from these acquisition entities. The net unrealized loss of \$5.8 million from Clairvest's investee companies resulted primarily from \$21.6 million in distributions received from Wellington Financial as described on page 17 of the MD&A.

Distributions, interest, dividends and fees for the quarter included income on treasury funds of \$0.9 million, general partner distributions and interest earned from the CEP Funds of \$2.2 million, distributions and interest earned from investee companies of \$23.4 million and \$0.3 million from acquisition entities. This compared with \$0.3 million in income on treasury funds, \$3.1 million earned from the CEP Funds, \$2.1 million earned from investee companies and \$0.3 million in distributions from Clairvest's acquisition entities for the same quarter last year.

Net carried interest income of \$7.2 million for the fourth quarter of fiscal 2018 comprised \$0.1 million in realized carried interest from CEP and \$7.1 million in unrealized carried interest receivable from the CEP Funds. Net carried interest income of \$10.4 million for the fourth quarter of fiscal 2017 comprised \$0.1 million in realized carried interest from CEP and \$10.3 million in unrealized carried interest receivable from the CEP Funds. Net carried interest income from the CEP Funds is further described in the Transaction with Related Parties section of the MD&A.

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Expenses for the fourth quarter of fiscal 2018 included \$4.8 million in management and director compensation expenses, \$4.8 million in management participation, \$1.6 million in administrative and other expenses, \$0.1 million in finance and foreign exchange expenses and \$3.0 million in income tax recoveries. This compares with \$6.8 million in management and director compensation expenses, \$6.4 million in management participation, \$1.1 million in administrative and other expenses, \$0.1 million in finance and foreign exchange expenses recoveries, and \$1.6 in income tax expense for the fourth quarter of fiscal 2017. Management participation is further described in the Transaction with Related Parties section of the MD&A.

### EQUITY AND SHARE INFORMATION

As at March 31, 2018, Clairvest had 15,162,995 common shares issued and outstanding.

During fiscal 2018, Clairvest purchased and cancelled 31,100 common shares under the Company's normal course issuer bids. An additional 5,100 common shares were purchased and cancelled between April 1, 2018 and June 27, 2018. As at June 27, 2018, Clairvest had 15,157,895 common shares issued and outstanding.

During fiscal 2017, the Board of Directors of the Company authorized the creation of Non-Voting Series 2 Shares ("Non-Voting Shares") which have a two times preference over the common shares. The Non-Voting Shares were authorized as part of the new stock option program as described below. No Non-Voting Shares had been issued as at March 31, 2018 and June 27, 2018.

Also during fiscal 2017, Company adopted a stock option plan (the "Non-Voting Option Plan"). Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares. The Non-Voting Option Plan has a cash settlement feature. Options granted under this plan vest at a rate of one-fifth of the grant at the end of each year over a five-year period. As at March 31, 2018 and June 27, 2018, 362,604 options were outstanding and 38,752 had vested.

In addition, during fiscal 2017 the Board of Directors of the Company approved an EDSU Plan. The EDSU Plan provides, among other things, that participants may elect annually to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000 which represented approximately 1.3% of the outstanding number of common shares as at March 31, 2018 and June 27, 2018. As at March 31, 2018 and June 27, 2018, 50,556 EDSUs had been issued based on the terms and conditions of the EDSU Plan, and none of which had been redeemed.

Clairvest paid an ordinary dividend of \$0.10 per share on the common shares in each of fiscal 2018, fiscal 2017 and fiscal 2016. During fiscal 2018, and 2017 and 2016, Clairvest also paid a special dividend of \$0.2621 and, \$0.2191 and \$0.1958 per share respectively.

Subsequent to year-end, Clairvest declared an annual ordinary dividend of \$0.10 per share, and a special dividend of \$0.3401 per share. The dividends will be payable to common shareholders of record as of July 6, 2018. The dividend will be paid on July 25, 2018. Both dividends are eligible dividends for Canadian income tax purposes.

### CRITICAL ACCOUNTING ESTIMATES

For a discussion of all significant accounting policies, refer to *note 2* to the consolidated financial statements.

#### Fair value of financial instruments

When a financial asset or liability is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted on sale or transfer are recorded at amounts at fair values which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company 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 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 as the value at which significant ownership positions are sold 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, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private market transactions multiples and, where applicable, other pertinent considerations. 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.

In determining the fair value of public company warrants, for which the underlying security is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and net investment gains.

#### **Recognition of carried interest and corresponding expenses**

The Company records unrealized carried interest receivable on its consolidated statements of financial position which are based on the fair values of the financial instruments held by the CEP Funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques and by their nature, the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation techniques may affect the calculation of unrealized carried interest receivable and the resulting accrued liabilities for future payouts relating to these unrealized carried interest at the statement of financial position date.

#### **Deferred income taxes**

The process of determining deferred 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 carryforwards. Deferred income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the deferred income tax asset will be realized. A change to an accounting estimate with respect to deferred income taxes would impact deferred tax liability and income tax expense.

#### **TRANSACTIONS WITH RELATED PARTIES**

Clairvest, though its consolidated subsidiaries, is entitled to priority distributions, management fees and carried interest from the CEP Funds. Clairvest is also entitled to other entitlements from CEP III Co-Invest, CEP IV Co-Invest, and CEP V Co-Invest (the "CEP Co-Invest Partnerships") as specified in the respective limited partnership agreements. MIP III, MIP IV and MIP V are entitled to certain carried interest from the CEP Funds and the CEP Co-Invest Partnerships. Further details are described in *note 9* to the consolidated financial statements.

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As at March 31, 2018, Clairvest had accounts receivable from its investee companies totalling \$2.4 million, from CEP IV totalling \$0.7 million, from CEP IV-A totalling \$0.1 million, from CEP V totalling \$17.1 million, from CEP V India totalling \$0.1 million and from CEP V-A totalling \$3.3 million. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS held receivables from CEP IV totalling \$0.1 million, from CEP V totalling \$17 thousand, from CEP V-A totalling \$3 thousand and Clairvest's investee companies totalling \$1.5 million.

In addition, the Company advances loans to its acquisition entities and the CEP Funds. During fiscal 2018, the Company received net repayments of \$2.1 million from these loans, such that \$13.6 million in loans remained outstanding as at March 31, 2018. Further details are described in *note 9(l)* to the consolidated financial statements.

As at March 31, 2018, Clairvest had share purchase loans receivable from certain officers of Clairvest (the "Officers") totalling \$3.0 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of \$6.5 million. None of these loans were made to key management. During fiscal 2018, other loans made to officers of the affiliated company were repaid in full. Interest of \$68 thousand was earned on these loans during the year.

Key management at Clairvest includes the Chief Executive Officer ("CEO"), the Vice Chairman, the President and its directors. The CEO and President are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. The Vice Chairman is entitled to annual discretionary cash bonuses of up to 100% of annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest's Incentive Bonus Program, the stock option plans, the BVAR Plan and the EDSU Plan. Annual salaries and compensation under these plans paid to the CEO, Vice Chairman, and President during fiscal 2018 was \$5.5 million. As at March 31, 2018, the total amounts payable to the CEO, Vice Chairman, and President under the aforementioned plans were \$11.8 million. During fiscal 2018, no compensation was paid to directors under the BVAR, DSU or ADSU plans. As at March 31, 2018, the total amounts payable to the directors of Clairvest under the DSU, ADSU and Non-Voting Option plans was \$15.5 million.

During fiscal 2018, Clairvest earned \$25.4 million in distributions and interest income, \$0.3 million in dividend income and \$2.2 million in advisory and other fees from its investee companies. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS earned \$21.7 million in distributions and interest income, \$0.8 million in dividend income and \$0.6 million in advisory and other fees from its investee companies.

Clairvest, through PGO Aviation LP, has a 50% ownership in an aircraft where the other 50% ownership is held by a related party of Clairvest. Clairvest received 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses. The related party has the right to sell its portion of the ownership of the aircraft to Clairvest at the fair market value determined at the time of sale. Accordingly, Clairvest has recognized 100% of the net book value of the aircraft and a liability for the 50% ownership the Company does not own.

### OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

CEP III Co-Invest has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million of which remains unfunded as at March 31, 2018. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP III is at their own discretion. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

CEP IV Co-Invest has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV's total co-investment commitment is \$125.0 million, \$21.2 million of which remains unfunded as at March 31, 2018. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest and MIP IV is at their own discretion. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

CEP V Co-Invest has committed to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180.0 million, \$103.6 million of which remains unfunded as at

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March 31, 2018. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest, 2141788 Ontario and MIP V is at their own discretion. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V and CEP V-A.

Clairvest has committed \$25.2 million to Wellington Fund IV ("WF Fund IV"), all of which was unfunded as at March 31, 2018. WF Fund IV may no longer invest in new investments.

Clairvest has also committed \$30.3 million to WF Fund V. During fiscal 2018, Clairvest received a full return of capital from WF Fund V upon the sale of its loan portfolio as described in note 6(s). As at March 31, 2018, \$30.3 million remained unfunded as at March 31, 2018. WF Fund V may no longer invest in new investments.

Clairvest, as a general partner of WF Fund V, had guaranteed to return up to amounts received in the event the limited partners of WF Fund V do not meet their return threshold as specified in its Limited Partnership Agreement. During fiscal 2018, WF Fund V sold its loan portfolio and the limited partners received a full return of capital and a return above the threshold as specified in its Limited Partnership Agreement, and accordingly, the guarantee was extinguished with no amounts funded or owing with respect to the clawback.

Under Clairvest's Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable (the "Realized Amount"). As at March 31, 2018, the Realized Amount under the Bonus Program was \$0.7 million and had been accrued under accrued compensation expense liability. In accordance with IFRS, Clairvest is also required to record a liability equal to a bonus of 10% of the after-tax cash income and realizations which are applicable, but which have yet to be realized. Accordingly, Clairvest also recorded a \$7.8 million accrued compensation expense liability that would only be payable to management when the corresponding realization events have occurred. The Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest and CEP V Co-Invest.

In conjunction with the sale of Casino New Brunswick, Clairvest had agreed to a net guarantee of \$2.0 million to fund any valid claims made by the purchaser under the indemnity provisions of the sale for a specified period of time. Any funding pursuant to the guarantee will be allocated 25% to CEP III Co-Invest and 75% to CEP III. As at March 31, 2018, no amounts with respect to this guarantee had been funded.

As part of the holding structure of Chilean Gaming Holdings, acquisition entities of CEP III Co-Invest had loans totalling \$41.9 million as at March 31, 2018 from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totalling \$41.9 million as at March 31, 2018 with the same financial institution as security for these loans. CEP III Co-Invest's ownership of both acquisition entities was 36.8% as at March 31, 2018.

Clairvest had agreed to guarantee up to \$10.0 million to support Discovery Air's credit facility with its bank. During fiscal 2018, the guarantee was extinguished.

Clairvest had pledged \$15.8 million to a Schedule 1 Canadian chartered bank which has provided debt financing to OWGTALP. The pledge was made to support the debt financing and is held in a bank account belonging to Clairvest at the Schedule 1 Canadian chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted cash on the consolidated statements of financial position. Subsequent to year-end and in conjunction with the final closing of OWGTALP, the restriction on the cash was removed.

As at March 31, 2018, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.5 million due within one year, \$2.1 million due after one year, but not more than five years and \$1.8 million due after five years.

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.



**RISK MANAGEMENT**

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of risk factors. These factors, categorized as market risk, investing process risk and other risks, are described below. Additional risks not currently known to us or that we currently believe to be immaterial may also have a material adverse effect on future business of the Company.

**Market risk*****Fair Value risk***

Fair value risk includes exposure to fluctuations in the fair market value of the Company's investments. Included in corporate investments are investee companies for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA") used for each individual investee company. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. At March 31, 2018, 9 investee companies were valued using the earnings multiple approach. If the Company had used an earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would have been an increase of \$18.8 million or a decrease of \$19.7 million to the carrying value of corporate investments and net investment gains, on a pre-tax basis, for the year ended March 31, 2018. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value for a period of up to twelve months. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at March 31, 2018.

The Company's corporate investment portfolio was diversified across 17 investee companies in 6 industries and 4 countries as at March 31, 2018. The Company has considered current economic events and indicators in the valuation of its investee companies.

***Interest rate risk***

Fluctuations in interest rates affect the Company's income derived from its treasury funds. For financial instruments which yield a floating interest rate, the income received is directly impacted by the prevailing interest rate. The fair value of financial instruments which yield a fixed interest rate would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on its treasury funds by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would have been an increase or decrease of \$1.2 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2018.

Certain of the Company's corporate investments are also held in the form of debentures and loans. Significant fluctuations in market interest rates can have a significant impact on the carrying value of these investments.

***Currency risk***

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States, Chile, and India. The Company has also advanced loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign-denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities, subject to certain exceptions, entered into hedging positions against these foreign-denominated currencies. As at March 31, 2018, the Company had net foreign exchange exposure to the CLP totalling \$17.5 million and the INR totalling \$40.2 million.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact on the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

***Commodity price risk***

Certain of Clairvest's investee companies are subject to price fluctuations in commodities. Clairvest understands the risk of investing in cyclical industries which are largely tied to commodity prices and takes such risk into account in making these investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

***Investing process risk******Competition risk***

Clairvest and the CEP Funds compete for acquisition of investments with many other investors, some of which may have greater depth of investment experience in particular industries or segment or greater financial resources. There may be intense competition for investments in which Clairvest intends to invest, and such competition may result in less favorable investment terms than would otherwise be the case. There can, therefore, be no assurance that the investments ultimately acquired by Clairvest will meet all the investment objectives of Clairvest, or that Clairvest will be able to invest all of the capital it has committed to invest alongside the CEP Funds. The Company manages this risk through a disciplined approach to investing its capital and that of the CEP Funds, and has strict investment policies where investments above a certain threshold require the approval of the Board of Directors.

***Uncompleted and unspecified investment risk***

The due diligence of each specific investment opportunity that Clairvest looks at and the negotiation, drafting and execution of the relevant agreements require substantial management time and attention and may incur substantial third-party costs. In the event that Clairvest elects not to complete a specific investment, the costs incurred up to that point for the proposed transaction are often not recoverable by Clairvest and the CEP Funds. Furthermore, in the event that Clairvest reaches an agreement relating to a specific investment, it may fail to complete such an investment for any number of reasons, including those beyond Clairvest's control. Any such occurrence could similarly result in a financial loss to Clairvest and the CEP Funds due to the inability to recoup any of the related costs incurred to complete a transaction. A shareholder must rely upon the ability of Clairvest's management in making investment decisions consistent with its investment objectives and policies. Shareholders will not have the opportunity to evaluate personally the relevant economic, financial and other information which is utilized by Clairvest in its selection of investments.

***Minority investment risk***

Clairvest and the CEP Funds may make minority equity investments in entities in which they do not legally control all aspects of the business or affairs of such entities. As at March 31, 2018, 15 of the 17 investments made by Clairvest were minority equity investments. In all investments, Clairvest monitors the performance of each investment, maintains an ongoing

dialogue with each investee company's management team and seeks board representation and negative controls as conditions of each investment.

***Gaming investment risk***

As at March 31, 2018, Clairvest's exposure to the gaming industry represented 55% of its net book value. These investments are subject to the risks of any other investment but have heightened exposure to political and regulatory risk whereby a change in the political or regulatory regime governing the gaming industry in a particular jurisdiction where Clairvest's gaming assets are located could have an impact on the ultimate returns of that investment. In addition, many of these investments involve the construction of a gaming facility whereby not only is Clairvest underwriting the risk of completing the facility on budget, but it is also relying on forecasted gaming revenue, versus historical results, which is only a best estimate. While a project is in construction and for a specified period thereafter, the owners of a newly constructed gaming facility may have to guarantee some or all of the bank facility or agree to fund any operating shortfall. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly. Historically, Clairvest has been able to manage all of these risks but past performance of Clairvest provides no assurance of future success.

***Risks upon sale of investments***

In connection with the disposition of an investee company, Clairvest and the CEP Funds may be required to make representations about the business and financial affairs of the business. Clairvest and the CEP Funds may also be required to indemnify the purchasers of such investee companies to the extent that any such representation turns out to be incorrect, inaccurate or misleading.

***Investment structure and taxation risks***

Clairvest structures its investments in a manner that is intended to achieve its investment objectives. There can be no assurance that the structure of any investment will be as tax efficient as designed or that any particular tax result will be achieved, due to unanticipated tax law changes or unforeseen circumstances during the planning phase of the tax structuring. Furthermore, Clairvest's returns in respect of its investments may be reduced by withholding or other taxes imposed by jurisdictions in which Clairvest's investee companies are organized.

**Other risks*****Credit 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. For the year ended March 31, 2018, there were no material income effects on changes of credit risk on financial assets. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies 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 its investee companies regularly.

The Company is also subject to credit risk on its accounts receivable and loans receivable, a significant portion of which are with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies by reviewing their financial conditions regularly, and through its fiduciary duty as manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

The Company manages credit risk on its treasury funds by conducting activities in accordance with the fixed income securities policy which is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-statement of financial position arrangements have been previously discussed. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described were \$140.0 million as at March 31, 2018. The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company.

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains a \$100.0 million credit facility which was undrawn at March 31, 2018.

As at March 31, 2018, Clairvest had treasury funds of \$147.9 million and access to \$100.0 million in credit to support its obligations and current and anticipated corporate investments. Clairvest also had access to \$36.9 million in treasury funds held by its acquisition entities and \$355.9 million in uncalled committed third-party capital through the CEP Funds at March 31, 2018 to invest along with Clairvest's capital.

***Conflicts of interest risk***

Clairvest's primary business is that of a private equity investor investing its own capital but it also manages third-party capital through the CEP Funds. In accordance with the various fund agreements for the CEP Funds, Clairvest is required to invest alongside the CEP Funds unless the relevant CEP Fund investor committee approves such an investment to be invested by Clairvest without the CEP Funds' participation. Accordingly, Clairvest shareholders may not realize the full benefit of Clairvest investment opportunities as such opportunities are required to be shared with the CEP Funds.

***Risk of CEP Fund Limited Partners' failure to meet capital calls***

The general partner of the CEP Funds is responsible to manage the affairs of the CEP Funds, which includes calling capital for investments made by the CEP Funds. If a limited partner of the CEP Funds fails to make the required capital contribution when due, Clairvest could be required to increase its investment under certain conditions. The general partner of the CEP Funds manages this risk through designing the terms of the CEP Funds appropriately and due diligence of potential limited partners of the CEP Funds prior to admitting them to the partnership.

***Minority shareholder risks***

As at March 31, 2018, Clairvest's Board of Directors and employees owned approximately 90% of Clairvest's common shares and Kenneth B. Rotman owned or controlled over 50% of such shares. Accordingly, Mr. Rotman and other insider shareholders have the ability to exercise substantial influence with respect to Clairvest's affairs and can usually dictate the outcome of shareholder votes and may have the ability to prevent certain fundamental transactions.

Accordingly, Clairvest shares may be less liquid and trade at a relative discount compared to circumstances where such large shareholders did not have the ability to significantly influence or determine matters affecting Clairvest.

**DERIVATIVE FINANCIAL INSTRUMENTS**

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans in accordance with its foreign exchange hedging policy as approved by the Board of Directors. During fiscal 2018, the Company received \$0.1 million on the settlement of realized foreign exchange forward contracts.

As at March 31, 2018, acquisition entities of Clairvest had entered into foreign exchange forward contracts to sell US\$246.8 million at an average rate of C\$1.2622 per U.S. dollar through to March 2019 and to sell 15.5 billion CLP at an average rate of C\$0.002098 per CLP through to April 2019. The fair value of the U.S. dollar contracts held by these acquisition entities as at March 31, 2018 is a loss of \$6.3 million and the fair value of the CLP contracts as at March 31, 2018 is a loss of \$1.8 million. These contracts have been included in the fair value of Clairvest's investments in these acquisition entities.

**DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

In accordance with National 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 March 31, 2018 and concluded that the disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the CEO, Vice Chairman 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 IFRS. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2018. Management has concluded that the design of internal controls over financial reporting were effective and operated as designed as at March 31, 2018 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

**FORWARD-LOOKING STATEMENTS**

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

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. 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, management's estimates, or opinions change.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2018

June 27, 2018

### **REGULATORY FILINGS**

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

### **USE OF NON-IFRS MEASURES**

This MD&A contains references to "book value" and "book value per share" which are non-IFRS financial measures. Book value is calculated as the value of total assets less the value of total liabilities. Book value per share is calculated as book value divided by the total number of common shares of the Company outstanding as at a specific date. The terms book value and book value per share do not have any standardized meaning according to IFRS. There is no comparable IFRS financial measure presented in the Company's consolidated financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial measure. The Company believes that the measure provides information useful to its shareholders in understanding our performance, and may assist in the evaluation of the Company's business relative to that of its peers.